



The World Bank

NIGERIA: COVID-19 Action Recovery and Economic Stimulus (P174114)

Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 16-Oct-2020 | Report No: PIDA232804

**BASIC INFORMATION****A. Basic Program Data**

Country Nigeria	Project ID P174114	Program Name NIGERIA: COVID-19 Action Recovery and Economic Stimulus	Parent Project ID (if any)
Region AFRICA WEST	Estimated Appraisal Date 16-Oct-2020	Estimated Board Date 15-Dec-2020	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Program-for-Results Financing	Borrower(s) Federal Republic of Nigeria	Implementing Agency Federal Project Support Unit	

Proposed Program Development Objective(s)

To expand access to livelihood support and food security services, and grants for poor and vulnerable households and firms

COST & FINANCING**SUMMARY (USD Millions)**

Government program Cost	813.52
Total Operation Cost	750.00
Total Program Cost	735.00
IPF Component	15.00
Total Financing	750.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	750.00
World Bank Lending	750.00

**Decision**

The review did authorize the team to appraise and negotiate

B. Introduction and Context

1. This program document outlines a proposed Program-for-Results (PforR) operation in the amount of US\$750 million to support the States of the Federal Government of Nigeria in their efforts to mitigate the impact of the COVID-19 pandemic on the livelihoods of poor and vulnerable households and microenterprises in the country. The proposed PforR is a short-term response to the economic and COVID-19 crisis affecting Nigeria and is designed to support budgeted government interventions at the State level - targeting existing and newly vulnerable and poor households, agricultural value chains, and micro and small enterprises affected by the economic crisis. The Program outlines a two-year financial support to the States to fulfill program objectives in three key results areas: (i) increasing cash transfers and livelihood support to poor and vulnerable households; (ii) increasing food security and safe functioning of food supply chains for poor households; and (iii) facilitating recovery of medium and small enterprises, while strengthening institutional support for coordination and delivery through a separate IPF component. It is fully aligned with the forthcoming World Bank 2020–24 Country Partnership Framework for Nigeria, as well as Nigeria's Economic Reform and Growth Plan for 2017–20 and the Government's Economic Sustainability Plan (ESP) to respond to the economic crisis induced by COVID-19.

Country Context

2. Nigeria is central to the World Bank's mission of eliminating global poverty. A multi-ethnic and diverse federation of 36 autonomous states, with an abundance of resources, and a young and dynamic society, Nigeria is already Africa's largest country (over 200 million people) and largest economy (nominal GDP of around USD 450 billion in 2019) and has the potential to be a giant on the global stage. But with over 40% of its population (over 80 million people) in poverty, Nigeria is also the country with the largest number of absolute poor in the world. Economic growth, at 2.2% in 2019, has been below the rate of population growth since 2016, when Nigeria experienced its first recession in two decades. Fragility, conflict and insecurity afflict many parts of the country, in particular the northeast, corruption and weak capacity plague the public sector, and on many human development indicators, Nigeria ranks amongst the lowest in the world. To realize its considerable potential, and to fulfill the government's ambition to lift 100 million Nigerians out of poverty by 2030, Nigeria has to make tangible progress on multiple fronts, at both the federal and sub-national levels.

3. Nigeria needs to create more jobs for its young and growing population. With a median age of 17.5 years, Nigeria is a young country. The working-age population is growing rapidly, by about 3.5 million per year, and in 2019 numbered almost 120 million. Between 2014 and 2019, 19 million Nigerians entered the labor force but only 4 million found a formal job, while 15 million ended up under or unemployed. With a growing labor force and stagnating job creation, 27 percent of the labor force is unemployed, and 29 percent remain underemployed by the end of the second quarter in 2020.¹ With COVID-19 further expected to lead to a prolonged economic contraction

¹ National Bureau of Statistics (NBS), Labor Force Statistics: Unemployment and Underemployment Report. Abridged Labor Force Survey



and job-losses in the short- to medium-term, catalyzing private investment and job creation is hence an imperative for Nigeria.

4. Nigeria's structural transformation is yet to happen and economic diversification away from dependence on oil remains a core challenge and a central preoccupation of the government. Over 80% of the labor force derive their livelihoods from the informal economy—agriculture and the lower end of the service sector—where value-added per worker is low. Nigeria's economy and the government's finances are highly dependent on production and sales of crude oil—90% of exports, 30% of banking sector credit, and 50% of (consolidated) government revenues—and hence highly vulnerable to fluctuations in oil prices. Non-oil industry and services are exposed to the spillover effects of a downturn in the oil industry.

5. The lack of economic and public revenue diversification, weak governance and reform implementation challenges are reflected in Nigeria's very low levels of government revenues and expenditures relative to the size of its economy. Before the pandemic, at 8 percent of Gross Domestic Product (GDP) in 2019, Nigeria's general government revenue-to-GDP ratio was already one of the lowest in the world. Non-oil revenues are particularly low, at around 4 percent of GDP. Nigeria's government spending (12 percent of GDP in 2019) is about half the level expected for its level of development. The COVID-19 pandemic and the oil price collapse are projected to further cut Nigeria's public revenues (to around 6-7 percent of GDP in 2020-2021), constraining the government's ability to adequately respond to the shocks and support the economic recovery. In the absence of a robust response to the crisis, the poverty rate is projected to rise even faster than without the COVID-19 shock, to 44 percent by 2022. However, a relatively low and sustainable public debt-to-GDP ratio gives Nigeria borrowing space to partially shield poor households from the effects of COVID-19.

6. Nigeria's poor human capital outcomes reflect the low levels of public expenditure and weaknesses in service delivery. In terms of the Human Capital Index (HCI), Nigeria, in 2018, was the 6th lowest in the world—152nd out of 157 countries. A baby born in Nigeria today, will, if the levels, quality and coverage of human capital investments and service delivery remain unchanged, enter the labor force 18 years from now only 34 percent as productive as she would be if she were to enjoy the benefits of a complete quality education and full health. Human development outcomes are particularly low among girls and young women in Nigeria. Girls have fewer educational opportunities, and more limited access to credit and productive resources, and poorer labor market outcomes even when gaps in human capital are considered.

7. The economic and human impact of the COVID-19 pandemic on Nigeria will be severe, even if Nigeria manages to contain the outbreak locally. Because of Nigeria's vulnerability to oil price shocks, with the sharp fall in oil prices as a result of the COVID-19 crisis, the economy is projected to contract by over 3 percent in 2020, and consolidated government revenues to fall by over 3 percent of GDP (nearly USD 15 billion) or more, at a time when fiscal resources are urgently needed to contain the outbreak and initiate counter-cyclical and pro-poor fiscal measures to protect the lives and livelihoods of the nearly 90 million Nigerians in extreme poverty and millions of others in urban areas who are dependent on the informal economy. Estimates suggest that the extreme poverty rate could go up by a couple of percentage points and that the number of poor could increase by between 10 to 15 million by 2022. The human and economic costs would be amplified if the outbreak becomes more severe, leading to a deeper recession and greater health-related costs. Since the first case was identified in late February 2020, Nigeria had recorded 58,460 cases and 1,111 deaths as of September 29.



8. **Nigeria faces significant challenges in responding to the COVID-19 pandemic, but the government has responded proactively.** The response has focused on containing the outbreak, marshaling the needed fiscal resources in the face of severe fiscal constraints, and taking steps to mitigate the adverse impacts of the economic downturn and lay the ground for a robust recovery. Because of Nigeria's size, population, socioeconomic, and federal administrative structure and longstanding unfinished structural reform agenda, implementation of the crisis response will be challenging.

9. **Nigerian public health authorities moved proactively to contain the spread. Nation-wide lockdown measures were announced in late March but given the severe impact on the livelihoods of the tens of millions who rely on daily sustenance from informal economic activities, the lockdown has since mid-May been partially eased and restrictions on inter-state travel were lifted in early July.** The risk of a wider outbreak remains significant. More coordinated action among agencies and between the federal and state levels will be critical, especially given the limited physical and institutional capacity in the health sector. Testing rates remain low with a total of 509,555 tested as of September 29, less than 0.1 percent of the total population.

10. **Nigeria's federal and state governments have initiated important steps to marshal the needed fiscal resources and deploy them towards a pro-poor fiscal response to the COVID-19 crisis.** The federal government has adopted an amended budget for 2020 that cuts non-essential expenditures and allows for increased borrowing (from both the domestic market and international financial institutions) to protect critical expenditures and provide for a pro-poor COVID-19 fiscal stimulus package. It has also adopted measures to safeguard and mobilize oil and non-oil revenues including establishment of a market-based gasoline pricing mechanism, timely collection of gas-flaring fees and robust roll-out of pre-shock Value Added Tax (VAT) reform implementation measures. All 36 states passed amended 2020 budgets, which significantly revises the revenue projections, cuts non-essential spending, and allocates at least 10 percent of the state's budget to COVID-19 response programs for relief, restructuring and recovery. Revised financing sources help ensure the planned deficits are financed without accumulation of arrears.

11. **To mitigate the adverse impacts of the COVID-19 crisis and lay the ground for a robust recovery, the government has formulated an ambitious Economic Sustainability Plan (ESP).** The ESP was launched in July 2020 and lays out an ambitious package of policy measures and programs over the next twelve to eighteen months, from fiscal and monetary measures to mobilize revenues and maintain macro-financial stability to scaling up of social assistance and subsidized credit programs to support households and micro and small enterprises, to large-scale initiatives to stimulate activity and create jobs through investments in agriculture, roads, renewables and housing. Nigeria's earlier multi-year plan, the 2017-2020 Economic Recovery and Growth Plan (ERGP), was formulated in the aftermath of the 2016-2017 recession. While the successor multi-year plan for 2021-2024 is being developed, and in the context of the COVID-19 crisis, the ESP serves as a bridge.

Sectoral and Institutional Context

12. **Individual States are provided with a high degree of fiscal autonomy under Nigeria's federal system and have not been uniformly affected by the COVID-19 crisis.** Nigeria is a multi-ethnic and diverse federation of 36 autonomous States and the Federal Capital Territory (FCT). There are three tiers of governance, namely, Federal, State, and Local Governments. In terms of service provision – maintaining security and order and overseeing the judicial system – are vested mainly in the hands of the federal government, whereas, supporting the provision of health, education, water and sanitation, agriculture and public infrastructure services are shared between the



Federal and the States. In recent years, the partnership between the Federal and State Government in provision of human development/pro-poor services is gaining momentum. The Federal Government is increasingly playing the role of providing policy direction, facilitation, coordination, financing and monitoring, while the State and Local Governments play the role of implementing programs, given their proximity to the beneficiaries. While the States are largely autonomous of the Federal Government, the Local Governments are controlled and managed by the State government both in their fiscal and administrative systems. Given the recent successes of this dual structure on implementing development programs between the States/Local and the Federal governments, it is expedient to utilize this structure to respond to the unfolding COVID-19 crisis which has impacted the States along different lines given their vastly different socioeconomic profile. More than one-third of the recorded COVID-19 cases are in the metropolitan states of Lagos and FCT. Based on the two rounds of the high-frequency phone surveys conducted by the National Bureau of Statistics and the World Bank to assess the socio-economic impact of COVID-19, the share of respondents that had stopped working is higher in the commerce and services sectors, whereas the agricultural sector is suffering from large increases in the price of farm inputs. States have different profiles in terms of the share of urban population, the share working in agriculture compared to services and commerce, and the share of the population that are poor, which means that providing authority to the States to respond to the crisis will allow them to prioritize areas of the State economy most affected.

13. Even before the COVID-19 pandemic, poverty and vulnerability levels were already high in Nigeria, with a significant degree of heterogeneity in poverty rates and human development outcomes between different States. Measured using the national poverty line, the poverty rate in 2018/19 was 40 percent nationally, with poverty rates significantly higher in rural areas (52 percent) compared to urban areas (18 percent).² Geographically, all three Northern regions have higher poverty rates compared to the Southern regions. The poverty rate in the North East (70.2 percent) is more than seven times higher than in the South West (9.7 percent). In addition to 40 percent of the population who fall below the poverty line, an additional 25 percent of Nigerians are vulnerable to falling back into poverty in 2018/19.³ In the North East and North West, most individuals are either poor or vulnerable. Besides monetary poverty, Nigeria ranked sixth lowest globally in the World Bank's Human Capital Index in 2018, with one in every three children under the age of five suffering from chronic malnutrition. In 2018, 63 percent of children in the poorest quintile were stunted compared to 18 percent in the richest quintile and only 29 percent of primary school age children from the poorest quintile were in school (adjusting for attendance) compared to 89 percent from the richest quintile, starkly highlighting the fact that the human capital indicators were far worse for the poorest segment of the population compared to the averages.

14. With COVID-19, Nigeria is set to face its worst recession in four decades, which could lead to almost a 100 million Nigerians living in extreme poverty by 2022.⁴ As Nigeria's economy and the government's finances are highly dependent on revenues from sales of crude oil, current projections estimate the Nigerian economy to contract by around 4 percent in 2020, primarily due to the fall in oil prices caused by the COVID-19 global recession.⁵ The projected decline in economic growth could worsen if there is a sustained contraction in the international prices of oil or in the domestic outbreak of COVID-19 worsens in Nigeria in the third and fourth quarter of 2020, leading to a deeper recession and a prolonged recovery. It is already expected that consolidated government revenues will fall by US\$ 12 billion (3 percent of GDP) or more under the baseline scenario, severely constraining the

² Calculated using National Living Standard Survey 2018/19.

³ The 'vulnerable' may be defined as people living between the poverty line and 1.5 times the poverty line: they are susceptible to falling back into poverty when shocks occur (or when the poverty line effectively rises due to inflation)

⁴ World Bank (2020a)

⁵ This projection assumes that international oil prices will stabilize around US\$ 30 per barrel. See more details in World Bank (2020a)



government's ability to respond to the crisis and at a time when fiscal resources are urgently needed to protect the poor and vulnerable from the negative impact of COVID-19. With economic contraction of 4 percent, the poverty headcount rate is estimated to increase from 40.1 percent in 2019 to 44 percent in 2022 and will continue to rise absent any change in government policy.⁶ By 2022, the forecasts suggest that almost 100 million Nigerians will be below the poverty line, an additional 16 million poor people compared with today, which arises from both the rising poverty rate and natural population growth. While only 15.9 percent of the current poor are urban dwellers, more than one-third of the new poor in 2020 are predicted to be in urban areas. It is expected that consumption will fall across the distribution, leading to a rise in the poverty headcount rate and increase in the poverty gap index.

15. Containment measures put in place to stop the spread of COVID-19 will continue to affect poor and vulnerable Nigerians through four distinct channels (Figure 1). First, households are likely to face both loss of jobs as well as reduction in income (for those who manage to avoid job losses) as vulnerable jobs—especially those in non-farm enterprises, selling agricultural produce, and in informal wage work—suffer as demand contracts and work is disrupted by social distancing measures. In May 2020, almost 4 in 10 Nigerian workers had stopped working due to the economic downturn caused by COVID-19 and 78 percent of all Nigerian households reported losses in income since the onset of the crisis.⁷ Household will also suffer labor income losses if primary wage earners contract the virus and develop symptoms. Second, households are facing losses in non-labor income when remittances decline or mechanisms to transfer remittances are disrupted. Almost half of all households in Nigeria reported receiving domestic remittances in 2018/19.⁸ Lockdowns and restrictions on inter-state travel caused by COVID-19 prohibit rural households from receiving much-needed non-labor income in the form of domestic remittances, which might mean foregoing necessary farm inputs or losing a non-farm enterprise. Third, social distancing and restrictions on movement have reduced supply of labor for the current planting season and disrupted input delivery networks for seeds, fertilizers, agrochemicals and technical advice. The disruptions resulted to nearly 55 percent of rural households facing increase in the price of farm inputs. Furthermore, the functioning of food markets has been disrupted as movement restrictions has left farmers without buyers. As a result, 85 percent of households experienced a surge in the price of major food items since the outbreak, compared to only 19 percent of all households between January 2017 and January 2019; 75 percent of households reported an adult in the household skipping a meal; while 58 percent report the household running out of food in April/May 2020.⁹ Fourth, COVID-19 is having a profound impact on the ability of local enterprises to resume economic activity during and beyond the crisis period. The impact of COVID-19 on businesses is occurring through four channels: (i) a decline in demand for goods and services due to movement restrictions and shutdown measures; (ii) reduced supply as some enterprises are hampered by worker absences, productivity declines, and the disruption of global supply chains; (iii) tightening of credit conditions and a liquidity crunch, as a result of the increase in uncertainty and risk aversion; and (iv) and a fall in investment as uncertainty about the length of the outbreak and the depth of its impact affects businesses' plans.

⁶ World Bank (2020a)

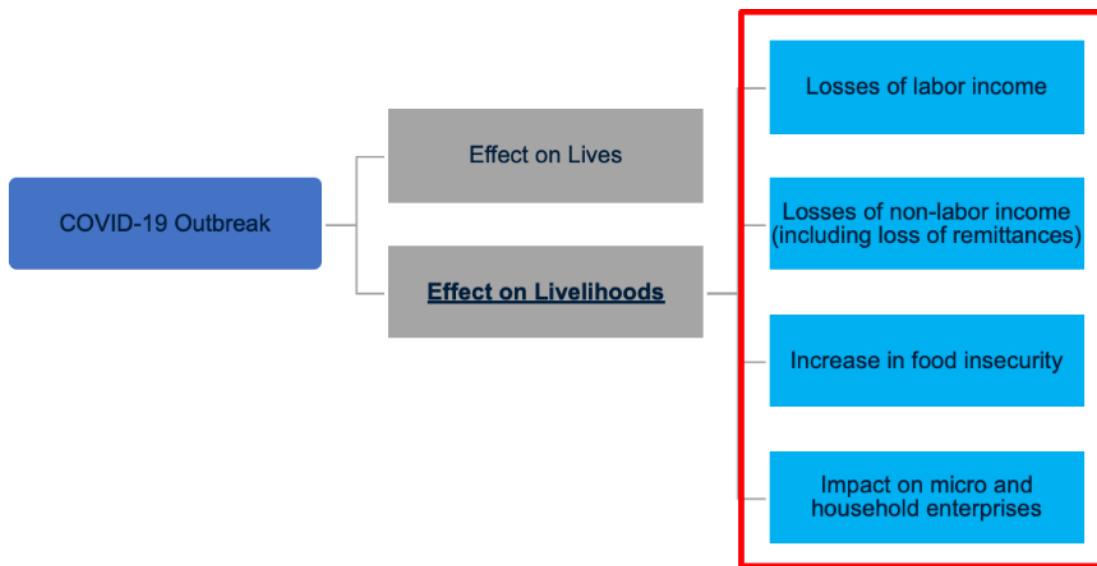
⁷ World Bank (2020b)

⁸ Based on NLSS 2018/19

⁹ World Bank (2020b)



Figure 1: Impact of the COVID-19 outbreak on lives and livelihoods of Nigerian households



16. Given the heterogenous impact of the unfolding crisis across Nigeria, States need to be empowered to design and deliver the economic response to mitigate the impact of the crisis that best suits their need. The data shows that the immediate need for the government will be to protect livelihoods of the poor and vulnerable, including through protecting the vulnerable businesses that provide employment. However, given the diverse socio-economic profile of individual States and the way COVID-19 impact is manifesting along different lines, a one size fits all approach will not work in addressing the immediate needs of the poor and vulnerable Nigerians. States should be given the agency and the flexibility to design a response tailored to their needs. Given the improving partnership between the States and the Federal government in instituting pro-poor programs, States should be able to continue to rely on the Federal government for facilitation and coordination. The Nigeria Governor's Forum (NGF) has emerged as an important platform to facilitate dialogue and overcome commonly shared development challenges between different States and can provide an important avenue for stimulating healthy competition between the States in achieving results. This peer-learning aspect of NGF has yielded significant positive results in recent Bank financed operation (e.g., the States Fiscal Transparency and Accountability (SFTAS) Program for Results PforR) and can be used as an entry point for getting buy-in and ownership from all of the State Governors.

PforR Program Scope

17. Anchored in the ESP, the proposed PforR aims to support the Government in responding to the COVID-19 crisis by restoring the livelihoods and food security of poor and vulnerable households and promoting recovery of medium and small enterprises (MSEs) in the country. Among the five objectives outlined in the ESP, the proposed PforR will support three of the government's objectives as laid out in Table 1. Using established platforms at the State level, the PforR will (i) support the objectives in protecting the very poor and vulnerable groups through expanding coverage of the existing social assistance interventions at the State level and enabling the delivery of basic social services; (ii) use labor intensive public works in the social and agriculture sectors to maintain and enhance social and agricultural infrastructure; and (iii) stimulate the economy by supporting agricultural value chains, providing livelihood grants to prevent the collapse of informal enterprises, helping



finance costs to help retain workers in MSEs, and enabling technology enhancements to allow businesses to adapt to COVID-19 induced constraints. While the PforR will not support large infrastructure investments or manufacturing of goods and services, it will indirectly assist in stimulating economic activity in the short to medium-term by addressing both supply and demand side constraints in the economy. State-level platforms active in most of the States in Nigeria will be used to advance the objectives supported by the PforR, with the Federal government providing supervision and monitoring, technical and capacity building support, and helping in sound financial management and reporting.

Table 1: Objectives laid out in the Economic Sustainability Plan (ESP) supported by the PforR

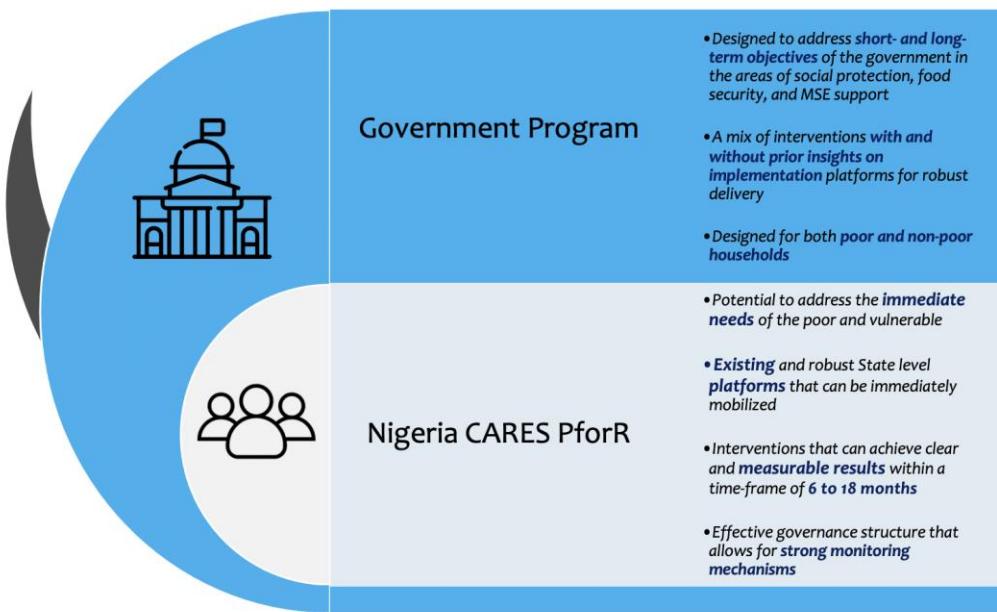
Objectives of the Economic Sustainability Plan (ESP)	Included in CARES PforR?	Supporting Platforms
To stimulate the economy by preventing business collapse and ensuring liquidity	✓	GEEP, State MSE Platforms
Retain or create jobs using labor intensive methods in key areas like agriculture, facility maintenance, housing and direct labor interventions	✓	YESO, Fadama
Undertake growth enhancing and job creating infrastructural investments in roads, bridges, solar power, and communication technologies;	✗	Not included
Promote manufacturing and local production at all levels and advocate the use of Made in Nigeria goods and services, as a way of creating job opportunities, achieving self-sufficiency in critical sectors of our economy and curbing unnecessary demand for foreign exchange which might put pressure on the exchange rate	✗	Not included
Extend protection to the very poor and other vulnerable groups - including women and persons living with disabilities - through pro-poor spending.	✓	YESO, CSDP

Note: The COVID-19 Action Recovery and Economic Stimulus (CARES) PforR is implemented through the following platforms: Government Enterprise and Empowerment Program (GEEP), Youth Employment and Social Support (YESO), Fadama, and Community and Social Development Project (CSDP).

18. Four guiding principles were used to determine the program boundaries and select the State-level interventions for CARES PforR support. Figure 2 shows the criteria used to differentiate the overall government interventions from the government interventions supported for PforR support. They are fundamentally different in four categories: (i) First, while the government interventions are designed to support both short- and long-term objectives in the three prioritized areas of social protection, food security, and MSE support, the PforR will support interventions that address the immediate needs of the poor and vulnerable households; (ii) Second, the PforR will support government interventions that are ongoing and are implemented using existing State-level platforms in majority of the States; (ii) Third, the PforR will support interventions that have demonstrated history of achieving measurable results in the three priority areas within a span of 6-18 months (the duration of the Program); (iv) Finally, interventions passing the first three filters will be strongly assessed for their ability to enhance monitoring mechanisms for delivering services to the beneficiaries and held accountable using a results-based approach.



Figure 2: Program boundaries for the Nigeria CARES PforR: Guiding Principles



19. The proposed PforR aims to address major constraints facing the government in responding effectively to the current economic crisis while ensuring institutional support to improve capacity. The value-add from this PforR are four-fold. First, the proposed PforR allows the States to mainstream into core government systems some of the platforms which have operated successfully for many years but with investment project financing (IPF) financing. Second, the PforR financing allows the government to scale up the coverage of existing State-level interventions to meet the immediate needs of its citizens during the crisis. Third, the design of the PforR and the focus on results-based approach ensures that the government has the right incentives to implement the interventions robustly and provide appropriate oversight. Finally, the multi-sectoral nature of the PforR allows the government to address several constraints through a single program while building the capacity of local agencies to robustly deliver basic services to the poor and vulnerable.

C. Proposed Program Development Objective(s)

20. **Program Development Objective (PDO):** The PDO is to expand access to livelihood support and food security services, and grants for poor and vulnerable households and firms.

21. The PforR Program will achieve this objective by supporting the Government in scaling up existing interventions at the State level in the three Results Areas and ensuring a robust delivery mechanism for these interventions to achieve its desired impact through a separate IPF component. Progress towards achieving the



PDO will be measured using three PDO results indicators:

- a. Number of beneficiaries of targeted safety nets and with access to basic social services;
- b. Number of farmers supported to increase food production;
- c. Number of vulnerable and viable firms supported by the Program;

22. The PforR will support the Government to achieve the Program objectives in three key Results Areas.

Results Area 1 will support scaling up existing safety net interventions at the State level. The safety net interventions supported by the PforR will expand the coverage of: (i) social transfers; (ii) labor intensive public work opportunities in the social sectors; (iii) livelihood grants; and (iv) social service infrastructure microprojects. Similarly, Results Area 2 will support scaling up interventions that help farmers increase food production and facilitate smooth functioning of food supply chain. The interventions supported by Results Area 2 include: (i) provisions of seeds, fertilizers and agriculture extension services to farmers; (ii) labor intensive public work opportunities to improve agricultural infrastructure; (iii) provision of agricultural inputs for mitigating food loss; and (iv) upgrading of wet markets to allow safe buying and selling of food produce. Finally, Results Area 3 will support scaling up interventions that help MSEs through: (i) grants to support post-COVID-19 loans; (ii) grants to support operational costs; and (iii) grants to enhance technical capabilities.

Program Development Objective(s)

To expand access to livelihood support and food security services, and grants for poor and vulnerable households and firms.

D. Environmental and Social Effects

23. Environmental and Social Systems Assessment. An Environmental and Social Systems Assessment (ESSA) for the identified Program has been completed in line with the World Bank Guidance for conducting ESSA for PforR financing operations, and a draft report has been prepared. Environmental and social risks is rated as *substantial*.

24. Assessment of Borrowers Capacity: In line with the six core principles, the relevant risks within the proposed Result Areas under the PforR cover environmental and social issues and include: a) Air; noise; water; soil and groundwater pollution; waste management; traffic; resource efficiency; biodiversity loss as a result of rehabilitation of secondary and tertiary irrigation canals; tertiary roads; agricultural warehouse; sanitary infrastructures in wet market; b) Occupational Health and Safety (OHS) issues for both COVID-19 and non-COVID-19; c) Waste management, pest management and GHG emissions as a result of increased agricultural activities and operation of MSEs; d) Labor and occupational health and safety issues due to labor related actions in agriculture, during Labor Intensive Public works and MSE activities under the program; e) Risk of exclusion of vulnerable and marginalized individuals/groups/disability exclusion, elite capture, sexual exploitation and assault (SEA)/sexual harassment (SH), capacity to capture beneficiaries etc.; and f) Possibilities of gender based violence (GBV), Sexual Harassment and Intimate partner violence (IPV). The core principles on land acquisition and involuntary resettlement, and social conflicts are not relevant as no land acquisition is envisaged under the Program.

25. Recommended Environment and Social Measures. The ESSA recommendation includes:



- a. State governments should institute a scheduled program to build and strengthen the capacity of technical staff of the States Ministry of Environment to be able to manage and monitor environmental assessments processes, environmental pollutions, hazards and other environmental issues in the state. In the long run, there is need to equip the State Ministries of Environment with necessary facilities and gadgets (including laboratory) to be able to monitor and report environmental issues (pollution, degradation, hazards etc.) in the states;
- b. Modify some aspects of the environmental impact assessment (EIA) system to ensure that social assessments are fully covered and that impacted communities are involved from the beginning until the end of the review process. Currently, effective monitoring of the EIA process is imperative. In this regard, government (state and federal) should create a tracking system to monitor environmental and social risks performance during program implementation;
- c. States Ministry of Environments should establish a framework (e.g. appoint a focal person) to adequately work together with the Federal Ministry of Environment on environmental assessment (EIA and Environmental Audit);
- d. State governments should formulate/develop guidelines and manuals for mainstreaming stakeholder engagement process, environmental, and OHS issues into the implementation of the Program. The manual should help guide the operation of MSE's, contractors and workers and laborers (including those involved in community micro-projects) who are part of Nigeria CARES PforR. The guidelines should contain the requirement of adequate on-site training on OHS issues to workers and laborers, provision of personal protective equipment (PPE) and other guidelines relating to specific activities of MSE's;
- e. Given that the Nigeria CARES PforR, incorporates some climate-smart agriculture (CSA) interventions, for example, distribution of inputs - improved seeds and fertilizer to farmers and rehabilitation of irrigation infrastructures, State governments should develop and implement a CSA program and action plan as part of Result Area 2;
- f. To facilitate compliance with environmental laws and regulations especially regarding EIA and Environmental Audit and to ensure that beneficiaries especially under Result Area 2 follow all the available guidelines from the Fadama project regarding safe use of pesticides and fertilizers, the State and Federal government through National Environmental Safeguards and Regulations Enforcement Agency (NESREA) and State Ministry of Environment should set-up a joint enforcement team that is not aimed at revenue generation;
- g. Conduct environmental screening of program activities, half yearly review and monitoring of progress on environmental and social issues and annual environmental and social audit, so as to ensure compliance of the Program activities with the environmental and social standards and regulations;
- h. Strengthen stakeholder engagement and the existing grievance-redress mechanism (GRM) in CSDP, State Cash Transfers Unit (SCTU), Fadama State Job Creation Unit/ MSE Support Units and GEEP to build the confidence of the beneficiaries on the system GRM. In the long run, States without an agency responsible for grievance redress and peaceful resolution of disputes should institute a legal framework and create an agency to facilitate grievance redress;
- i. States without a gender-based violence response team should quickly set up Response Team for quick response to issues of GBV in the states and support it with robust public enlightenment program about the evils of Sexual Exploitation and Abuse and Sexual Harassment;
- j. States without Gender Policy should set in motion the process of developing their gender policy which will contain guidelines and processes of preventing discrimination against vulnerable groups and Persons with Disabilities (PWDs); and



- k. All State government in collaboration with the State CARES coordination Unit (SCCU) should develop, adopt and implement a voluntary land donation protocol to screen all land selected for micro projects to ensure that all land chosen for community micro project are community land, government land or individual land freely donated and free of all encumbrances. The land donation protocol must include the principle of informed consent and the power of choice, monitoring mechanism and grievance redress mechanism. As indicated in the exclusion criteria, any land selected for micro project that will involve displacement / resettlement will not be eligible for community micro projects.

26. Environmental Risk. The overall environmental and social impacts of the CARES Program are likely to be positive. The Program will not finance any activities that would cause high or significant environmental and social risks and impacts, and an exclusion list has been prepared that lists out such activities (Annex 6). Given the scope of the Program, the types and scale of individual investments, the geographic focus, some impacts on the environment or on affected people are anticipated. Currently, identified risks and impacts such as air, noise, water, soil and groundwater pollution, waste management, traffic, resource efficiency, biodiversity loss as a result of rehabilitation of secondary and tertiary irrigation canals; tertiary roads; sanitary infrastructures in wet market are limited and can be managed in line with the PforR core principles and procedure. Envisaged risks associated with Result Area 2 could include over-use of chemical fertilizers, pesticides, among others, leading to soil and groundwater contamination. In addition, risk associated with Occupational Health and Safety, Greenhouse gases and labor management including the use of child labor will be mitigated in accordance with PforR Core Principles. Community Health and Safety. While the program does not involve any activities that would result in land acquisition or any adverse impact on customary ownership/access to natural resources, risks associated with SEA and SH, and Disability inclusion applies. small scale, localized, and reversible social risks/impacts related to informal settlers, community and workers health and safety and social conflicts will need to be managed. The potential environmental and social risks associated with result area 4 are covered under the IPF and the required Environmental and Social risks assessment have been prepared in line with IPF requirements. All related matters will be mitigated in accordance with the data protection protocol currently in. Mitigation measures on data protection for result 1 will be in line with the Federal data protection Laws (Data Protection Bill, 2020) when the bill is approved. In the meantime, all requirement for the protection of personal data, rights of data subjects, regulation of the processing of personal data and for related matters will be mitigated in accordance with data protection protocol used by the Bank supported National social safety Net project. While seven out of the twelve recommendations are incorporated into the Program Action Plan (PAP) for Environmental and Social Management, the remaining recommendations needs to be incorporated in the program operations manual.

27. Labor Management including risk associated with Child labor: The type of workers under the Program include direct workers and contracted workers project While the initial assessment identified labor, related risks including the use of child labor, related mitigation measures as: a) a policy on working condition and management of worker relationship - Labor Management Procedures (LMPs), b) measures for protecting the workforce and to prevent child labor and forced labor, c) a workers grievance will be integrated in the project design in accordance with Environmental and Social Standards (ESS) 2 Labor and Working Conditions.

28. Pest Management: Given that Results Area 2 will carry out activities to increase food security and safe functioning of food supply chains, the initial assessment identified risks associated with Pest Management. To mitigate this risk, all investment under Result Area 2- by supporting the poor and vulnerable to increase food security will be designed to ensure the use of available guidelines from the Fadama project on safe use of pesticides and fertilizers



29. **Waste Management:** Results Area 2 will trigger the generation of agricultural waste and effluent/wastewater. To mitigate this, proper management and disposal will be followed per international good practices.

30. **Occupational Health and Safety (OHS):** The risk of OHS (both COVID and non-COVID) applies to the Program. The Program design will ensure the compliance to laydown procedures and guidelines on COVID-19 including Good International Industry Practice (GIIP) to mitigate risks of OHS in the Program. In addition, the design will take into considerations availability of Personal Protective Equipment (PPE) for workers. distributed and used. Where necessary, the project design will also mainstream the use of technology for remote supervision and project monitoring.

31. **Greenhouse Gases:** Activities from Results Area 2 are expected to result in net greenhouse gas (GHG) emission. From the GHG and climate co-benefit assessment, Program design will mainstream relevant mitigation measure in the program design.

32. **Social Risk:** The Program by design would have significant positive impacts by contributing to poverty reduction, support livelihood of households particularly the very poor and vulnerable households; enhance income and consumption of food and basic services; provide income generating opportunities; improve access to basic, social and economic infrastructures services. The Participatory planning approaches, embedded in this Program's design, would also help to empower communities and promote accountability. In terms of negative impacts and risks, associated with the PforR operation, the rating is substantial, taking into account a number of aspects such as rehabilitation of tertiary irrigation canals; rehabilitation of tertiary roads; upgrading of sanitary infrastructures in wet market; potential risk of SEA/SH; community health and safety during public work activities and potential risk of exclusion; elite capture under the concession arrangement, cash transfer / increasing the numbers of beneficiaries in the social register by additional one million beneficiaries and the program's institutional arrangements.

33. **Considering the program will support varied livelihood support activities and minor infrastructural activities, the magnitude of potential land acquisition impact is expected to be moderate with no potential physical relocation.** Proposed activities under the program are cash transfer to economic active households / groups; block grant transfer to groups and MSEs engaged in food processing, training on livelihood and small basic productive/commercial agriculture and marketing infrastructure e.g. warehouse. The design of these intervention which is such that each State has the flexibility of participating in the Disbursement-Linked Indicator (DLI) of their choice or areas of interest in the DLI based on each State's peculiar situation. All infrastructural subprojects under this operation will be screened for land acquisition and resettlement, and where land acquisition will happen, the acquisition process will be implemented in line with the PforR core principles within government system.

34. **Furthermore, given the possibility that land for some community development micro projects and Group development project might require voluntary land donation, this process and proposed land will be screened properly to ensure that there is no coercion and affected households have not been pressured by the community members to give up land or space.** To mitigate this risk, the program will develop and include a voluntary land donation guideline / protocol accompanied with proper documentation process as part of the Program Action Plan (PAP)that has been developed for the operation in addition to the screening of all infrastructural subproject. Further assessment of the existing federal and State government instruments, systems,



resources and capacity was also conducted during the ESSA process prior to appraisal. Based on the outcome of the assessment, appropriate gap filling measures were included in the overall program action plan. It is important to note that based on previous World Bank engagement, the Government of Nigeria at the Federal CARES Support Unit and State CARES Coordination Unit are very familiar with World Bank Operations and risk management requirements and procedures.

35. **In accordance with the PforR policy, no activities likely to have significant adverse impacts on the natural or human environment that are sensitive, diverse, or unprecedented will be supported under this PforR operation.** Accordingly, the ESSA will elaborate an exclusion list of activities that are ineligible for financing under the program to ensure that the Program does not finance any investment with significant adverse environmental and social risks. Activities that will lead to large scale land acquisition and/or physical displacement of people will also be excluded.

36. **Disability inclusion.** The initial assessment identified the potential risk of exclusion of persons living with disability in the infrastructural investment. To mitigate this risk, all investment in the upgrading of sanitary infrastructures in wet markets or other facilities like warehouses will need to be designed to ensure universal access to accommodate people with disabilities. Other potential disability risks associated with the operation will be identified in the ESSA and included in the program action plan.

37. **Sexual Exploitation (SEA) and Sexual Harassment (SH).** The project has identified that SEA/SH risks may be enhanced by some of the project's interventions, particularly in light of the COVID-19 pandemic and the increased contextual vulnerabilities faced by women and children. The project will respond under Result Area 1 at the Federal level by developing and adopting project regulations that will include provisions to guide States on addressing GBV risks in connection with the project. These regulations will address development of GBV-related measures for Results Areas that present increased risks of GBV, such as cash transfers, livelihoods support, infrastructure and construction projects. The regulations will address the integration of gender- and GBV-sensitive components into the project's Grievance Redress Mechanisms, and will provide guidance to States on key GBV issues like determining the availability of GBV response services, awareness-raising and sensitization among communities and project workers, and any codes of conduct or other accountability mechanisms that may be advisable for infrastructure and construction. At the federal level, the project's implementation unit should include staff with GBV expertise tasked with leading on these issues, and focal persons should be identified for each State.

38. **Citizens' Engagement.** Citizen Engagement will be a very critical to the success of this operation. The institution arrangement will be designed to promote inclusion, transparency, accountability and grassroot/ citizen engagement to build confidence of beneficiaries in the system and process particularly the cash/grant transfer activity. Citizen Engagement will be strengthened by: (a) ensuring an intensive program of engagement with project stakeholders; (b) deepening the consultation process, which began during project preparation; and (c) monitoring social impact through annual stakeholder surveys. In addition, the project will establish robust mechanisms to ensure that complaint and feedback triggers corresponding prompt responses. This engagement will follow the Nigerian Center for Disease Control, relevant State protocol and the world Bank protocol on COVID-19 on consultation and stakeholder's engagement in world bank operations.

39. **Contextual Risk:** The program will include interventions across all 36 states including northeastern part of Nigeria that is a fragile, conflict and violent area, there will be risk of security of both program workers and



possibly contractors. In recent time, security has become a major source of concern on World Bank financed projects in Nigeria with several incidences of kidnapping occurring in participating states. In view of these incidences, a comprehensive review of security situation and security assessment for all affected states / sites will be prepared in collaboration with the affected state governments to prepare robust security management plans. These plans will be constantly updated to respond to changes in security issues in the respective states.

Legal Operational Policies	
Triggered?	
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Assessment of Environmental and Social Risks and Impacts (With IPF Component for PforR)	

The proposed technical assistance (TA) under the program will support activities under result area 4 to be supported at the federal level. The program will be implemented in all 36 states including Federal Capital Territory. This support will include i. carrying out verification of Achievements of DLIs by State Units and authorization and delivery of disbursements through an independent verification agency. The extent of environmental and social (E&S) risks associated with this activity will relate to labor and working condition, SEA/SH and Child Labor. ii Monitor and Report on overall progress of implementation and conduct periodic agreed Evaluation of program performance. While this is not expected to pose any E&S risk, effort will be made at the federal level to ensure effective monitoring of the broader PforR E&S compliance. iii Provide Technical Assistance to SCCU and iv. Provide platform for peer learning and experience sharing. This will generate relatively low risk and will result majorly from capacity to provide this TA assistance and the extent to which E&S is included in the TA activities. Although, activities such as civil works etc. that could be envisaged to constitute substantive risk are not covered under the TA, however E&S risks identified above will be eliminated using the mitigation hierarchy.

E. Financing

Program Financing

Sources	Amount (USD Million)	% of Total
International Development Association (IDA)	750.00	100.00
Total Program Financing	750.00	

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