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Report No: PAD4137

INTERNATIONAL DEVELOPMENT ASSOCIATION  
PROGRAM APPRAISAL DOCUMENT

ON A  
PROPOSED CREDIT

IN THE AMOUNT OF SDR 531.3 MILLION  
(US\$750.0 MILLION EQUIVALENT)

TO THE  
FEDERAL REPUBLIC OF NIGERIA

FOR THE  
COVID-19 ACTION RECOVERY AND ECONOMIC STIMULUS PROGRAM

November 13, 2020

Social Protection and Jobs Global Practice  
Western and Central Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective {October 31, 2020})

Currency Unit = Nigerian Naira (NGN)

US\$1 = NGN 379.5

US\$1 = SDR 0.70839591

## FISCAL YEAR

January 1 - December 31

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## ABBREVIATIONS AND ACRONYMS

ADP	Agricultural Development Program
AEA	Abuja Enterprise Agency
AGILE	Adolescent Girls Initiative for Learning and Empowerment
APA	Alternate Procurement Arrangements
APP	Agriculture Promotion Policy
ASP	Agriculture Sector Plans
AWP	Annual Workplan
BESDA	Better Education Service Delivery for All
BOI	Bank of Industry
BPS	Business Pulse Survey
BVN	Bank Verification Number
CARES	Covid-19 Action Recovery And Economic Stimulus
CARP	Community Action Response Plans
CBN	Central Bank of Nigeria
CCT	Conditional Cash Transfer
CDD	Community Driven Development
CDP	Community Development Plans
CERC	Contingent Emergency Response Component
COFFER	COVID-19 Federal Fiscal and Economic Response
COVID-19	Coronavirus Disease
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CRM	Customer Risk Management
CSDA	Community and Social Development Agency
CSDP	Community and Social Development Project
CTF	Cash Transfer Facilitators
DA	Designated Account
DFID	Department for International Development
DLIs	Disbursement-Linked Indicators
DPF	Development Project Financing
E&S	Environment and Social
EFCC	Economic and Financial Crimes Commission
EIA	Environmental Impact Assessment
EIRR	Economic Internal Rate of Return
ERGP	Economic Recovery and Growth Plan
ESC	Economic Sustainability Committee
ESCP	Environmental and Social Commitment Plan
ESP	Economic Sustainability Plan
ESRS	Environmental and Social Review Summary
ESS	Environmental and Social System
ESSA	Environmental and Social System Assessment
FA	Financing Agreement



FCA	Fadama Community Association
FCSC	Federal CARES Steering Committee
FCSU	Federal CARES Support Unit
FCT	Federal Capital Territory
FCTC	Federal Cares' Technical Committee
FEC	Federal Executive Council
FMFBNP	Federal Ministry of Finance, Budget and National Planning
FPSU	Federal Project Support Unit
FSA	Fiduciary Systems Assessment
GBV	Gender-based Violence
GrDP	Group Development Plans
GDP	Gross Domestic Product
GEEP	Government Enterprise and Empowerment Program
GHG	Greenhouse Gas
GIIP	Good International Industry Practice
GON	Government of Nigeria
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HCI	Human Capital Index
HEIS	Hands-on Enhanced Implementation Support
HIV/AIDS	Human Immuno-deficiency Virus/Acquired Immune Deficiency Syndrome
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICPC	Independent and Corrupt Practices Commission
ICT	Information and Communication Technology
IDA	International Development Association
IDP	Internally Displaced Persons
IERD	International Economic Relations Department
IFC	International Finance Corporation
IFR	Interim Financial Report
IPP	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
IVA	Independent Verification Agent
KADDEP	Kaduna State Digital Enterprise Platform
KYC	Know-Your-Customer
LIPW	Labor Intensive Public Works
LGA	Local Government Authority
LFD	Local Fadama Desk
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation
MDA	Ministries, Departments and Agencies
MFB	Micro-Finance Bank
MIS	Management Information System
MPA	Multiphase Programmatic Approach
MSE	Micro and Small Enterprises



MSME	Micro, Small and Medium Enterprise
MTEF	Medium -term Expenditure Framework
MTR	Mid-term Review
NASSCO	National Social Safety Nets Coordinating Office
NASSP	National Social Safety Nets Program
NBS	National Bureau of Statistics
NCB	National Competitive Bidding
NCSU	National CARES Support Unit
NCTO	National Cash Transfer Office
NFCO	National Fadama Coordinating Office
NFDP-II	National Fadama Development Project II
NFDP-III	National Fadama Development Project III
NFTC	National Fadama Technical Committee
NFRA	National Food Reserve Agency (previously Project Coordinating Unit under FMAWR)
NGF	Nigeria Governors Forum
NGO	Non-Governmental Organization
NLSS	National Living Standard Survey
NPC	National Planning Commission
NPrC	National Project Coordinator
NSIP	National Social Investment Program
NSPP	National Social Protection Policy
OAG	Office of Accountant General
OHS	Occupational Health and Safety
PAP	Program Action Plan
PBF	Performance-based Financing
PDO	Project Development Objective
PFM	Public Finance Management
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PforR	Program-for-Results
PIFANS	Programmatic Integrated Fiduciary Assessment of Nigerian States
PIM	Programme Implementation Manual
PIU	Project Implementation Unit
PPSD	Project Procurement Strategy for Development
PWF	Public Workfare
PWFPIU	Public Workfare Project Imlementation Unit
RA	Result Area
RAAMP	Rural Access and Agricultural Marketing Project
RFQ	Request For Quotation
SCCU	State CARES Coordination Unit
SCSC	State CARES Steering Committee
SCTU	State Cash Transfer Unit
SCTC	State CARES Technical Committee
SEA	Sexual Exploitation and Abuse
SEEFOR	State Employment and Expenditure For Results Project



SFCO	State Fadama Coordination Office
SFTAS	States Fiscal Transparency, Accountability, and Sustainability
SH	Sexual Harassment
SLOGOR	State and Local Governance Reform Project
SA	State Agency
SDR	Special Drawing Rights
SOML	Saving One Million Lives
SORT	Systemic Operations Risk-Rating Tool
SFCO	State Fadama Coordination Office
SSR	State Social Register
STEP	Systematic Tracking of Expenditure in Procurement
SRB	State Unified Register of Beneficiaries
TA	Technical Assistance
TOR	Terms of Reference
TSA	Treasury Single Account
URB	Unified Register of Beneficiaries
USD	United State Dollar
VAT	Value Added Tax
WB	World Bank
WBG	World Bank Group
YESSO	Youth Employment and Social Support Operation



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**DATASHEET****BASIC INFORMATION**

Country(ies)	Project Name		
Nigeria	NIGERIA: COVID-19 Action Recovery and Economic Stimulus Program		
Project ID	Financing Instrument	Does this operation have an IPF component?	Environmental and Social Risk Classification (IPF Component)
P174114	Program-for-Results Financing	Yes	Low

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Small State(s)	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)	

Expected Project Approval Date	Expected Closing Date
14-Dec-2020	30-Jun-2023

Bank/IFC Collaboration

No

**Proposed Program Development Objective(s)**

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

**Organizations**

Borrower : Federal Republic of Nigeria

Implementing Agency : Federal CARES Support Unit, Department of Economic Growth, FMBFNP



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## COST & FINANCING

### SUMMARY

<b>Government program Cost</b>	840.21
<b>Total Operation Cost</b>	750.00
Total Program Cost	735.00
IPF Component	15.00
<b>Total Financing</b>	750.00
<b>Financing Gap</b>	0.00

### Financing (USD Millions)

<b>International Development Association (IDA)</b>	750.00
IDA Credit	750.00

### IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Total Amount
<b>Nigeria</b>	750.00	0.00	750.00
National PBA	750.00	0.00	750.00
<b>Total</b>	<b>750.00</b>	<b>0.00</b>	<b>750.00</b>

### Expected Disbursements (USD Millions)

## INSTITUTIONAL DATA

**Practice Area (Lead)**

Social Protection &amp; Jobs

**Contributing Practice Areas**

Agriculture and Food, Finance, Competitiveness and Innovation, Health, Nutrition &amp; Population, Poverty and Equity

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Rating
1. Political and Governance	🟡 Moderate
2. Macroeconomic	🔴 High
3. Sector Strategies and Policies	🟡 Substantial
4. Technical Design of Project or Program	🟡 Moderate
5. Institutional Capacity for Implementation and Sustainability	🟡 Moderate
6. Fiduciary	🟡 Substantial
7. Environment and Social	🟡 Substantial
8. Stakeholders	🟢 Low
9. Other	🟡 Substantial
10. Overall	🟡 Substantial

**COMPLIANCE****Policy**

Does the program depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the program require any waivers of Bank policies?

[ ] Yes [✓] No



## Legal Operational Policies

### Triggered

Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

## Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

## Legal Covenants

### Sections and Description

No later than ninety (90) days after the Effective Date, the Recipient shall recruit a professional firm or firms to act as an independent verification agency or agencies, as the case may be, under terms of reference(s) satisfactory to the Association ("Independent Verification Agent(s)" or "IVA(s)'), to be responsible for preparing and providing verifications reports in accordance with the Verification Protocol, certifying the achievement of those DLIs



indicated to be verified by such independent verification agency or agencies in the Verification Protocol;

**Sections and Description**

The Recipient shall furnish to the Association, as soon as available, but in any case not later than November 30 of each year, the annual work plan and budget as referenced in Schedule 2 Section 1E of the Legal Agreement; except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one month after the Effective Date.

**Sections and Description**

The Recipient shall prepare and adopt, no later than three (3) months after the Effective Date, State Regulations and Guidelines on COVID-19, in form and substance satisfactory to the Association, and ensure that each Participating State carries out the Operation in accordance with such Regulations and Guidelines.

**Conditions**

Type	Description
Effectiveness	The Recipient has established the Federal CARES Support Unit in accordance with Section I.A.1.3 of Schedule 2 to the Legal Agreement; and
Effectiveness	All actions to be taken by the Recipient prior to Program effectiveness or implementation under the Program Action Plan and ESCP has been completed in a manner acceptable to the Association.
Disbursement	Participating State has entered into a Subsidiary Agreement with the Recipient, in accordance with Section I.B of Schedule 2 to the Legal Agreement
Disbursement	Participating State has adopted the Operations Manual and the State Regulations and Guidelines on COVID-19
Disbursement	Participating State has established a State CARES Steering Committee and a State CARES Coordination Unit in accordance with Section I.A.2.1 and 2.2 of Schedule 2 of the Legal Agreement and designated the State Delivery Units, with offices, equipment and staffing acceptable to the Association, in accordance with the Operations Manual
Disbursement	The Recipient has complied with the undertaking set out in Section V. A of Schedule 2 of the Legal Agreement with respect to such Participating State
Disbursement	The Recipient has adopted the Operations Manual in accordance with Section I.C of Schedule 2 to the Legal Agreement



Type	Description
Disbursement	The recipient has established the Federal CARES Steering Committee and the Federal CARES Technical Committee in accordance with Sections I.A.1.1 and 1.2 of the Legal Agreement
Disbursement	The Recipient has provided adequate offices, equipment and staffing to the Federal CARES Support Unit

## I. STRATEGIC 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 (GON) 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 Coronavirus disease (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, farmers, and micro and small enterprises (MSEs) 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: (a) increasing cash transfers and livelihood support to poor and vulnerable households; (b) increasing food security and safe functioning of food supply chains for poor households; and (c) facilitating recovery of MSEs, while strengthening institutional support for coordination and delivery through a separate Investment Project Financing (IPF) component. It is fully aligned with the forthcoming World Bank 2020–2024 Country Partnership Framework (CPF) for Nigeria, as well as Nigeria's Economic Reform and Growth Plan for 2017–2020 and the Government's Economic Sustainability Plan (ESP) to respond to the economic crisis induced by COVID-19.

### A. Country Context

2. Nigeria is central to the World Bank's mission of eliminating global poverty. A multiethnic and diverse federation of 36 autonomous states and the Federal Capital Territory (FCT), 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 gross domestic product [GDP] of around US\$450 billion in 2019) and has the potential to be a giant on the global stage. But with over 40 percent of its population (over 80 million people) in poverty, Nigeria is among countries with the largest number of people living below the poverty line. Economic growth, at 2.2 percent 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; weak capacity plague the public sector; and on many human development indicators, Nigeria ranks among 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 subnational 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 underemployed 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.<sup>1</sup> With COVID-19 further expected to lead to a prolonged economic contraction and job losses in the short to medium term, catalyzing private investment and job creation is 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 percent 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 percent of exports, 30 percent of banking sector credit, and 50 percent of (consolidated) government revenues—and are 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 low levels of government revenues and expenditures relative to the size of its economy.** Before the pandemic, at 8 percent of 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 sixth lowest in the world—152 out of 157 countries. A baby born in Nigeria today will, if the levels of 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 s/he would be if s/he 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, 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. Consolidated government revenues are projected to fall by over 3 percent of GDP (nearly US\$15 billion) or more at a time when fiscal resources are urgently needed to contain the outbreak and initiate countercyclical and pro-

<sup>1</sup> National Bureau of Statistics (NBS), *Labor Force Statistics: Unemployment and Underemployment Report*. Abridged Labor Force Survey Under COVID-19.



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 and 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 64,516 cases and 1,162 deaths as of November 12, 2020.

**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 long-standing unfinished structural reform agenda, implementation of the crisis response will be challenging.

**9. Nigerian public health authorities moved proactively to contain the spread.** Nationwide 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 interstate 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 toward a pro-poor fiscal response to the COVID-19 crisis.** The federal government has adopted an amended budget for 2020 that cuts nonessential 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 rollout of preshock value added tax (VAT) reform implementation measures. All 36 states passed an amended 2020 budget, which significantly revises the revenue projections, cuts nonessential 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 ESP.** The ESP was launched in July 2020 and lays out an ambitious package of policy measures and programs over the next 12 to 18 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 MSEs; to large-scale initiatives to stimulate activity and create jobs through investments in agriculture, roads, renewables, and housing. Nigeria's earlier multiyear plan, the 2017–2020 Economic Recovery and Growth Plan (ERGP), was formulated in the aftermath of the 2016–2017 recession. While the successor multiyear plan for 2021–2024 is being developed, and in the context of the COVID-19 crisis, the ESP serves as a bridge.



## B. Sectoral (or Multi-Sectoral) and Institutional Context

12. **Individual states are provided with some degree of fiscal autonomy under Nigeria's federal system and have not been uniformly affected by the COVID-19 crisis.** Nigeria is a multiethnic and diverse federation of 36 autonomous states and the FCT. There are three tiers of governance: 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 is 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.

13. **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 in implementing development programs between the state/local and the federal governments, it is expedient to utilize this structure to respond to the unfolding COVID-19 crisis, which has affected 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 (NBS) and the World Bank to assess the socioeconomic impact of COVID-19, the share of respondents that had stopped working are 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.

14. **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).<sup>2</sup> 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.<sup>3</sup> In the North East and North West, most individuals are either poor or vulnerable. Besides monetary poverty, Nigeria ranked seventh lowest globally in the World Bank's HCI in 2020. In 2016-2017, 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

<sup>2</sup> Calculated using National Living Standard Survey (NLSS) 2018/19.

<sup>3</sup> 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).



the fact that human capital indicators were far worse for the poorest segment of the population compared to the averages.<sup>4</sup>

**15. 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.**<sup>5</sup> 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.<sup>6</sup> The projected decline in economic growth could worsen if there is a sustained contraction in the international prices of oil or if 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 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 a 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 in the absence of any change in government policy.<sup>7</sup> 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 all income-groups, leading to a rise in the poverty headcount rate and increase in the poverty gap index.

**16. Irrespective of whether Nigeria manages to avoid a second major health outbreak, the strict measures put in place to contain the domestic spread of COVID-19 already had a severe negative impact on livelihoods and food security of Nigerians across the economic spectrum.** Nigeria was among the first countries in Sub-Saharan Africa to identify COVID-19 cases, leading to the Nigerian Government quickly announcing lockdowns in urban centers in Lagos, Ogun, and Abuja. Restrictions imposed on interstate travel had a significant impact on movement of goods despite efforts to keep interstate trade running. Coupled with weakened domestic demand caused by behavior changes from individual and firms, lockdown measures hit workers in the informal sector the hardest, as they lacked employment-related protection and had limited access to safety net measures. Almost 53 percent of the active labor force in Nigeria work in the informal sector, which constitutes 41 percent of the country's GDP.<sup>8</sup> Recent nationally representative data from the NBS and the World Bank show that containment measures caused Nigerian households to experience economic shocks and food insecurity in magnitude that far exceed any faced in recent years.<sup>9</sup> Compared to before the lockdown, only 43 percent of Nigerians were working in April/May. Although the proportion of Nigerians working rebounded to 71 percent in June, it is still lower compared to before the lockdown and especially lower in urban areas (figure 1). Similarly, compared to just six months ago, the number of Nigerians experiencing food insecurity has risen by 40 percentage points. Almost

<sup>4</sup> United Nations Children Fund, 2018. *Nigeria: Multiple Indicator Cluster Survey, 2016-17*. See: <https://www.unicef.org/nigeria/media/1406/file/Nigeria-MICS-2016-17.pdf.pdf>

<sup>5</sup> World Bank. 2020. Nigeria Development Update, June 2020: Nigeria in Times of COVID-19 - Laying Foundations for a Strong Recovery. World Bank, Washington, DC.

<sup>6</sup> This projection assumes that international oil prices will stabilize around US\$30 per barrel. See more details in World Bank 2020a.

<sup>7</sup> World Bank. 2020. Nigeria Development Update, June 2020: Nigeria in Times of COVID-19 - Laying Foundations for a Strong Recovery. World Bank, Washington, DC.

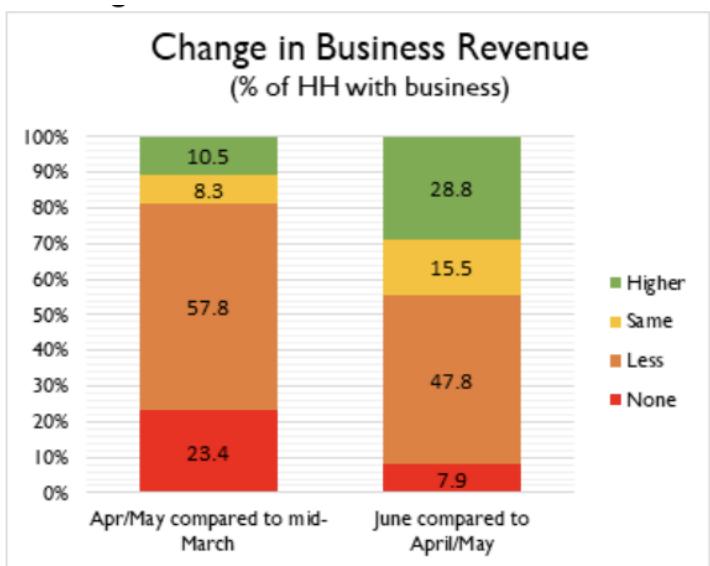
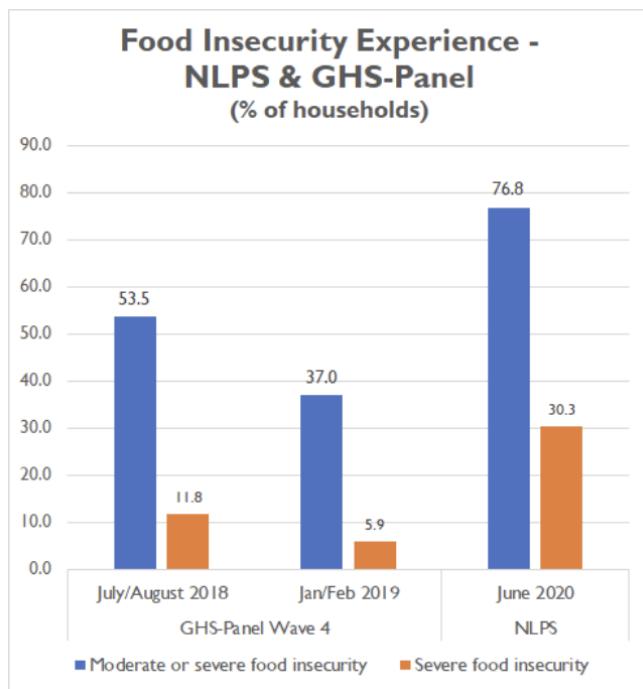
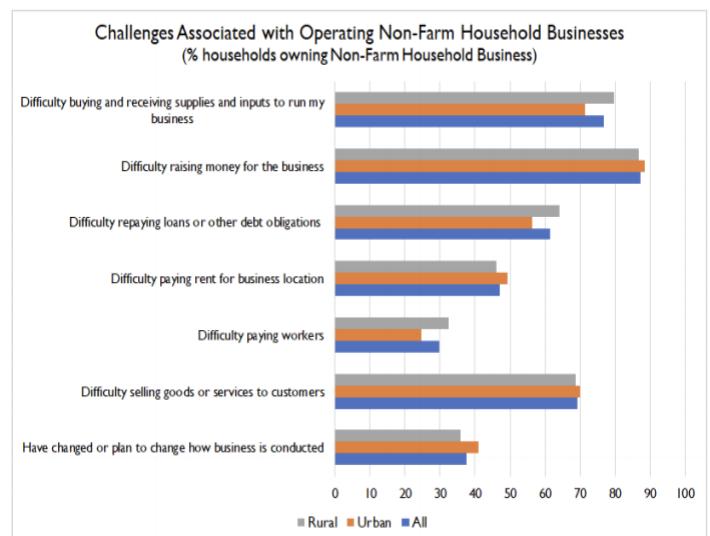
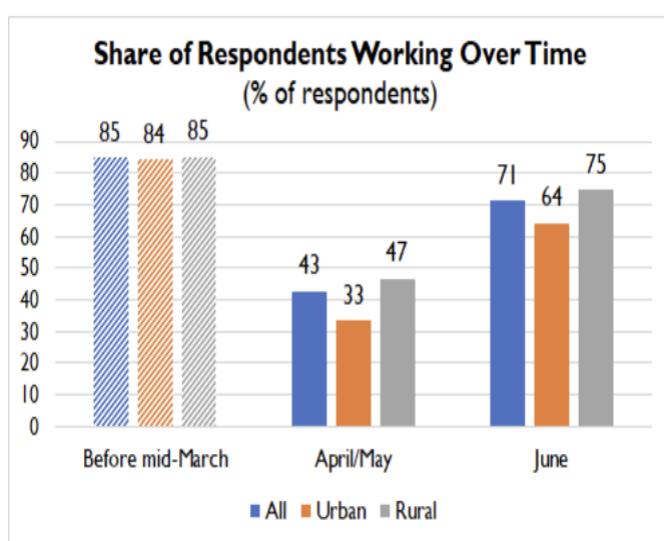
<sup>8</sup> Ibid

<sup>9</sup> See World Bank 2020b, which presents findings from the COVID-19 National Longitudinal Phone Survey (COVID-19 NLPS), implemented to monitor the effects of the COVID-19 pandemic on Nigerian people and inform the policy response by NBS, with support from the World Bank.



three-fourths of the Nigerians surveyed by the NBS/World Bank were food insecure and almost one in three was severely food insecure in June 2020. Households reported facing several acute challenges in running their enterprises. Among the major challenges identified were difficulties in raising money for the business, difficulty in buying and receiving supplies and inputs to run business, and difficulties in selling goods or services to customers.

*Figure 1. Evidence of Gradual Recovery in June across Sectors*



Source: NBS/World Bank, COVID-19 NLPS.



17. 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 2).

- **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.<sup>10</sup> Households 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.<sup>11</sup> Lockdowns and restrictions on interstate 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.<sup>12</sup>
- **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: (a) a decline in demand for goods and services due to movement restrictions and shutdown measures; (b) reduced supply as some enterprises are hampered by worker absences, productivity declines, and the disruption of global supply chains; (c) tightening of credit conditions and a liquidity crunch, as a result of the increase in uncertainty and risk aversion; and (d) a fall in investment as uncertainty about the length of the outbreak and the depth of its impact affects businesses' plans.

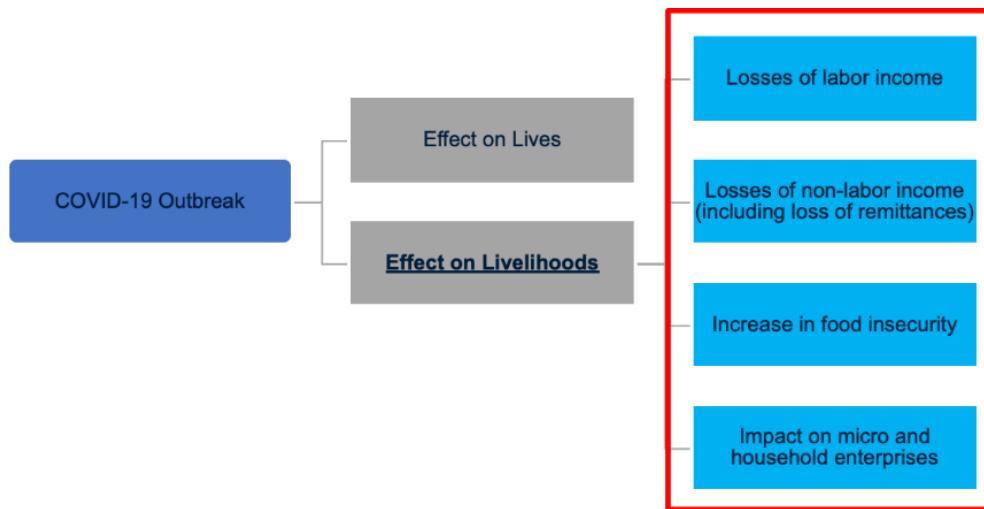
<sup>10</sup> Siwatu, Gbemisola Oseni; Palacios-Lopez, Amparo; Mcgee, Kevin Robert; Amankwah, Akuffo; Vishwanath, Tara; Lain, Jonathan William.2020. Impact of COVID-19 on Nigerian Households: 2nd Round Results (English). Monitoring COVID-19 Impacts on Households in Nigeria Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/558651594710025355/2nd-Round-Results>

<sup>11</sup> Based on NLSS 2018/19.

<sup>12</sup> Siwatu, Gbemisola Oseni; Palacios-Lopez, Amparo; Mcgee, Kevin Robert; Amankwah, Akuffo; Vishwanath, Tara; Lain, Jonathan William.2020. Impact of COVID-19 on Nigerian Households: 2nd Round Results (English). Monitoring COVID-19 Impacts on Households in Nigeria Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/558651594710025355/2nd-Round-Results>



Figure 2. Impact of the COVID-19 Outbreak on Lives and Livelihoods of Nigerian Households

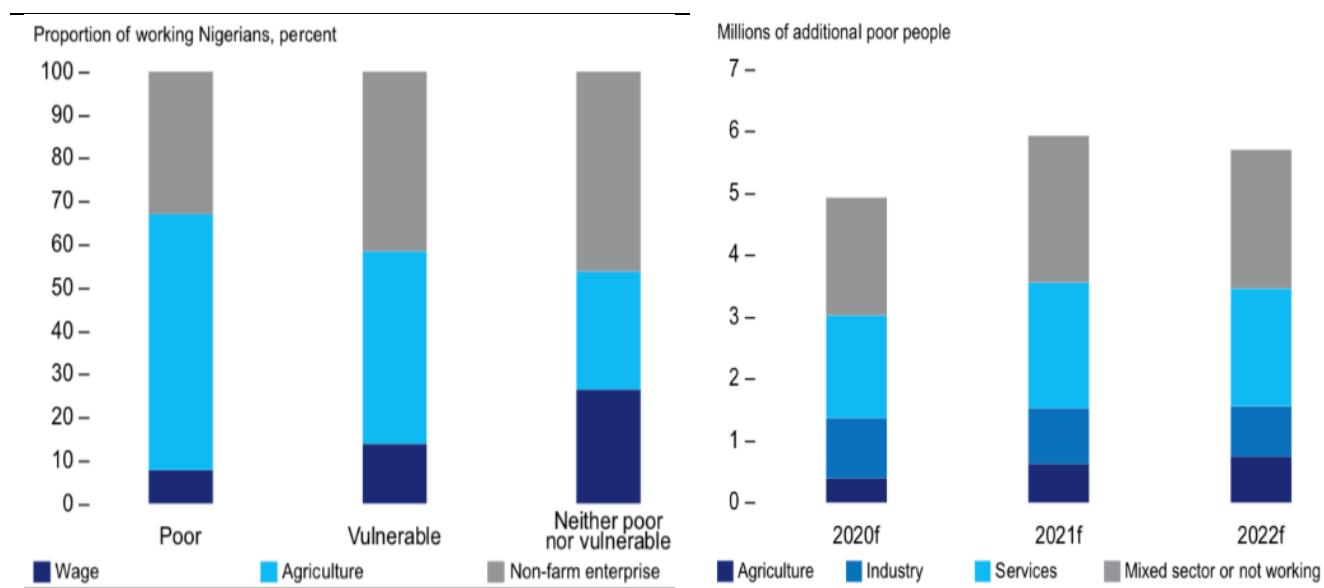


18. **A disproportionate share of the new poor are predicted to be working in sectors which are likely to employ more women.** Many Nigerians who were not poor before are now vulnerable to falling below the poverty line during the COVID-19 crisis. Before the crisis, most Nigerians were employed in agriculture or in non-farm enterprises, with the poor and vulnerable population significantly more likely to work in agriculture and non-farm enterprises than in wages paying jobs (figure 3, left). Around 43 percent of Nigerians work primarily in agriculture (32.7 million workers), and 41 percent work primarily in non-farm enterprises (31.1 million workers). Lockdowns and social distancing measures imposed by the crisis pose a serious threat to non-farm enterprises that rely on face-to-face interactions with customers as well as those agricultural workers that need to buy inputs and sell produce. Most of the new poor, based on predictions, are likely to be working outside of agriculture in commerce and services sector (figure 3; right). While 56 percent of poor Nigerians lived in agricultural households in 2018/19, only 13 percent of the additional poor people in 2022 are predicted to be in households where the head works primarily in agriculture. Analysis conducted by the Gender Innovation Lab finds that around 9.2 million female workers in Nigeria earn their living in sectors exposed to COVID-19 as just under half of working women in Nigeria are self-employed entrepreneurs who sell to final consumers.<sup>13</sup> Women are also more likely to finance entrepreneurial activities through informal lending—such as savings and loan groups—which is likely to be affected by the pandemic and which may make it difficult to raise funds to reopen after the pandemic. Finally, women working in agriculture are more likely to be caregivers to their children both at home and at their plot.

<sup>13</sup> Ibid



Figure 3. Most Nigerians Are Employed in Agriculture and Non-Farm Enterprises (left), and a Larger Proportion of the New Poor Are Predicted to Be Working in Services and Mixed Sectors (right)



Source: World Bank. 2020. Nigeria Development Update, June 2020: Nigeria in Times of COVID-19 - Laying Foundations for a Strong Recovery. World Bank, Washington, DC.

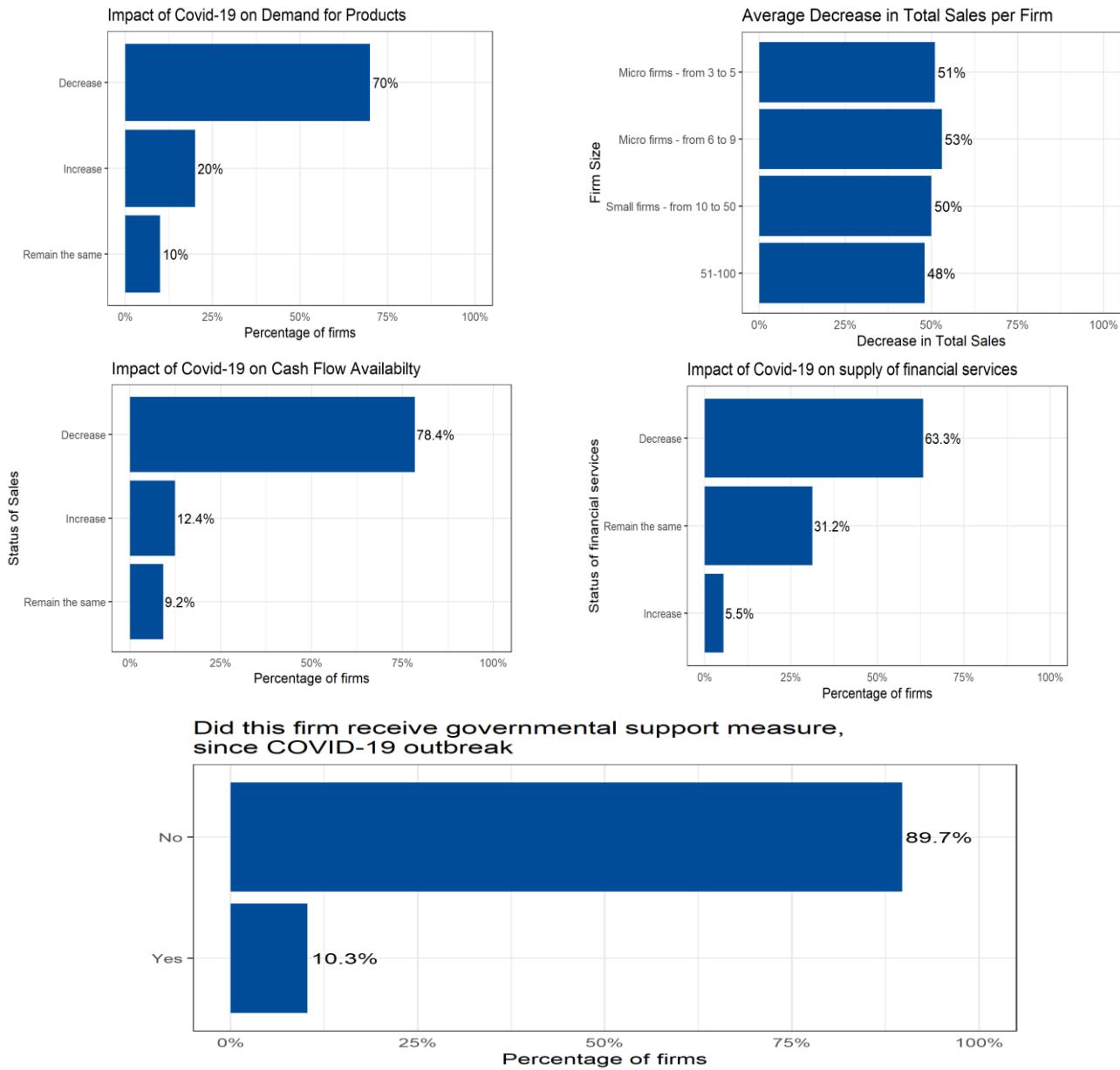
19. A recent nationally representative Business Pulse Survey (BPS) was conducted by the Bank of Industry (BOI) in collaboration with the World Bank to measure the effects of COVID-19 on business conditions for MSEs across Nigeria.<sup>14</sup> The survey indicates that the COVID-19 shocks affect businesses through five distinct channels:

- (a) **Lockdown effects.** Measures and regulations to control the spread of the pandemic affect businesses' ability to operate and consumers to procure goods. More than 50 percent of surveyed firms were affected by government restrictions resulting from COVID-19. Specifically, about 40 percent of firms were only partially open in August 2020 and more than 10 percent of firms had to close temporarily. Also, the impact of COVID-19 was reflected in the hours worked per week, with more than half of the firms surveyed reporting a reduction in weekly working hours.

<sup>14</sup> The BPS is a National Longitudinal Phone Survey, conducted to ascertain the effects of the COVID-19 pandemic on small businesses in Nigeria including 2,500 firms randomized and stratified across states to fit the objectives of the survey to inform the project design.



Figure 4. Impact of COVID-19 on Businesses



Source: BPS, Government Enterprise and Empowerment Program (GEEP).



- (b) **Demand-side shocks.** MSEs in Nigeria were subject to a reduction in demand triggered by depression in consumption, lower export demand, and drop in demand for intermediate goods across value chains. Around 70 percent of firms interviewed report a reduction in the demand for products and services. Specifically, the survey indicated that about 74 percent of the firms interviewed experienced on average a 50 percent decrease in total sales compared to the same period in 2019.
- (c) **Supply-side shocks.** MSEs in Nigeria were also confronted by a decline in the availability of labor and intermediate goods as value chains are disrupted. On the supply side, firms had to cut workers (around 7 percent on average) and 70 percent faced a decrease in supply of inputs, raw materials, or finished goods, which in more than 50 percent of the cases was due to increasing costs.
- (d) **Financial shocks.** Nigerian MSEs suffered from a deterioration of availability of cash and credit conditions. The vast majority of firms faced a decrease in cash flow availability and supply of financial services. With the current availability of cash, the majority of firms report that they could not support operations for more than two months.
- (e) **Uncertainty shock.** Surge in uncertainty leads to a lower appetite for investments and risks associated with innovation and entrepreneurship. These channels are likely to be fully in motion at different stages and affect firms differently, with the lockdown affecting businesses immediately, whereas some of the other shocks could be fully unleashed later. A look at the BPS shows that current MSE government support program needs to be more effective as almost 90 percent of the surveyed firms did not receive support under existing government programs. MSEs are, however, optimistic and particularly about 68 percent firms believe that the Nigerian private sector—in case it receives the required financial support—will be more resilient and its performance will improve in the coming months; this may further explain the 46.5 percent increased adoption of internet services and similar technical tools to improve business operations.

20. **Climate change has amplified the challenges related to fragility, conflict, and insecurity, especially in the Northern regions of the country which is suffering the twin shock of COVID-19 and increasing climate-related shocks.** Nigeria is already experiencing climate variability in the form of droughts, floods, heat waves, shifts in the rainy season, and increasing rainfall intensity. For example, seasonal flooding affects many communities in Nigeria because of the growing population, poor control of new construction, and inadequate drainage infrastructure. Climate change is especially damaging in the more arid Northern Savanna ecosystems and will become more serious as mean temperatures continue to rise, accompanied with more variable weather patterns such as higher intensity rainfalls<sup>15</sup> or heatwaves. It is expected that climate change will reduce productivity, increase crop failures, increase food prices, induce distress sale of animals, and reduce food security, among other challenges. Households cope with cash and food shortages by cutting and selling more firewood, thereby exacerbating land degradation and accelerating the onset of desertification. In the northern states, extreme temperature increases have caused a considerable loss in productivity for most crops. In the northern part of Nigeria, where aridity and a changing climate are causing significant disruption, extreme land degradation generates desertification, where the lack of vegetative cover contributes to a vicious circle of reduced precipitations and increased temperatures. The country has a total land of 923,770 sq. km, of which about 15 percent is believed to have been lost to desert encroachment.

<sup>15</sup> Fasona, M., et al. 2014. "Natural Resources Management and Livelihoods in the Nigeria Savana."



21. **Given the heterogenous impact of the unfolding crisis across Nigeria, states need to be empowered to design and deliver an economic response to mitigate the impact of the crisis that best suit their needs.** The data show 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 socioeconomic 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 state 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 Governors 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 World Bank-financed operation (for example, States Fiscal Transparency, Accountability and Sustainability PForR States Fiscal Transparency, Accountability, and Sustainability (SFTAS; P162009) and can be used as an entry point for getting buy-in and ownership from all of the state governors.

22. **The COVID-19 Action Recovery and Economic Stimulus (CARES) PforR will be implemented using strong and well-performing state-level platforms, with a strong track record of generating positive economic returns for beneficiaries and promoting human capital development.** Table 1 shows the current scope and coverage of some of the major platforms that are implementing national-level programs designed to protect livelihoods of the poor and vulnerable groups, promote food security, and support the performance of vulnerable MSEs. Three out of the four interventions highlighted in Table 1 were established through the support of the World Bank and other development partners.

- **The Community and Social Development Agencies (CSDAs)** established by law in 31 states of the federation and FCT and the Community-Driven Development Implementation Units in Delta and Rivers states are strong and effective platforms to provide pro-poor service delivery assistance in poor communities across Nigeria, established when the first World Bank assistance on Community and Social Development Project (CSDP; P090644) became effective in 2008. As a result of the project, over 5,800 poor communities now have access to social services (against a target of 3,750 communities) based on data from August 2020. More than 9 million Nigerians are direct beneficiaries of the microprojects and community development plans (CDPs) supported by the CSDP.
- **The Nigeria Youth Employment and Social Support Operation (YESSO, P126964),** which came into existence in 2013, has strived to strengthen social safety nets at the state level by empowering poor youth and women through increased access to work opportunities and promoting human capital development. Over a period of one year, YESSO is expected to transfer an average of US\$25.5 million wage benefits to unemployed youth. This results in transferring US\$1 of benefits at a cost of US\$0.24.<sup>16</sup>
- **The Fadama implementation units at the state and federal levels** have successfully implemented a series of World Bank-financed agricultural projects for nearly three decades. This started with the Second National Fadama Development Project (NFDP, P063622) in 1992, with the objective to develop small-scale irrigation in 160,000 ha of land—and expanded over time to cover all 36 states and FCT. The implementation modalities have evolved over time to improve project performance and effectively meet the needs of the target communities with impressive results. For example, the third NFDP (P096572), which was implemented from

<sup>16</sup> See: <http://documents1.worldbank.org/curated/en/876291468197102279/pdf/PAD1826-PJPR-P126964-P157899-IDA-R2016-0123-1-Box396259B-OUO-9.pdf>.



2009 to 2014, increased yields of major crops substantially by between 18 percent and 100 percent for yams, millet, pepper, maize, and cassava. The first and second Additional Financing (AF), both of which closed in 2019, increased yields for rice, sorghum, and tomato by between 28 percent and 55 percent.<sup>17</sup> The estimated number of direct beneficiaries reached by the Fadama series of projects is about 1,448,924, of which 36.2 percent were women.

- **To support MSEs across Nigeria, the GEEP platform commenced in 2016** and has provided loans of between NGN 10,000 (US\$28) and NGN 300,000 (US\$835) to traders, artisans, enterprising youth, and farmers. The program is being implemented in all 36 states as well as FCT and has over 20,000 agents across these states working on the day-to-day project implementation. Individual states also have well-performing MSE platforms that can be leveraged to provide support to businesses affected by COVID-19 across the country (see Box 1 for details).

*Table 1. Long-standing Government Interventions Can Be Scaled Up to Respond to the Current Economic Crisis*

Government Interventions	Coverage	Scope	Current Source of Financing	Year Established
<b>Community and Social Development Project (CSDP)</b>	31 states and FCT Over 9 million individuals including 45 percent female beneficiaries	<ul style="list-style-type: none"><li>Community infrastructure microprojects for basic services</li></ul>	World Bank	2009
<b>Youth Employment and Social Support Operation (YESO)</b>	17 states Over 500,000 beneficiaries including 52 percent female beneficiaries	<ul style="list-style-type: none"><li>Labor-intensive Public Works (LIPW)</li><li>Skills/Entrepreneurship training</li><li>Social transfers for internally displaced persons (IDPs), persons with disabilities, and elderly</li></ul>	World Bank	2013
<b>National Fadama Development Project (NFDP)</b>	36 states and FCT 1.2 million direct/7.1 million indirect beneficiaries	<ul style="list-style-type: none"><li>Agricultural infrastructure such as irrigation, roads, soil conservation, and warehouses</li><li>Provision of services, inputs, assets, and grants to farmers</li></ul>	World Bank	1990
<b>Government Enterprise and Empowerment Program (GEEP)</b>	36 states and FCT 2.3 million beneficiaries	<ul style="list-style-type: none"><li>Well-targeted credit support for MSEs</li><li>Support for technology enhancement for MSEs</li></ul>	BOI, GON	2016

23. **Two additional World Bank-financed operations provide complementary support in the area of protecting the poor and vulnerable in the country.** To continue the flow of resources to pro-poor programs at the state level, the SFTAS (P162009) PforR is supporting the states to protect social and pro-poor expenditure. Similarly, the National Social Safety Nets Project (NASSP, P151488) is a national cash transfer program that provides access to targeted transfers to poor and vulnerable households under an expanded national social

<sup>17</sup> See: <http://documents1.worldbank.org/curated/en/876291468197102279/pdf/PAD1826-PJPR-P126964-P157899-IDA-R2016-0123-1-Box396259B-OUO-9.pdf>.



safety nets system. In particular, the national social register established under the NASSP for targeting and enrolling of eligible beneficiaries is being expanded to include newly poor households as a result of COVID-19.

### C. Relationship to the CPF and Rationale for Use of Instrument

#### Relationship to CPF and Other WBG COVID-19 Response Frameworks

**24. The new World Bank Group (WBG) CPF for FY21–FY25 was under preparation at the time the COVID-19 crisis hit Nigeria and has been adapted to reflect the new realities while sustaining the support for Nigeria's longer-term development agenda.<sup>18</sup>** The FY21–FY25 CPF follows the FY14–FY19 Country Partnership Strategy (CPS)<sup>19</sup>, which was anchored to and aligned with Nigeria's 2017–2020 ERGP. The ERGP emphasized restoring growth through macroeconomic stability and economic diversification, enhanced competitiveness through investments in infrastructure and improvements in the business environment, investments in human capital, and improvements in governance. Consultations on the FY21–FY25 CPF were held with a broad range of stakeholders, both within the Government and outside, and at both the federal and subnational levels between December 2019 and March 2020 before the onset of the COVID-19 crisis in Nigeria. These consultations indicated that many of the priorities and aims outlined in the ERGP and reflected in the FY14–FY19 CPS—strengthening the foundations of the public sector, investing in human capital, fostering jobs and economic transformation, and reducing fragility and building resilience—remained relevant. In the context of the crisis and beyond the immediate crisis response, these basic elements of Nigeria's development agenda have taken on an even greater urgency and salience. The new CPF has been adapted to support Nigeria's immediate COVID-19 response.

**25. The WBG's ongoing and planned support for Nigeria's COVID-19 crisis response spans all pillars of the framework outlined in the Board Approach Paper (June 2020) and covers both adjustments to existing operations and preparation of new operations.** Based on the Government's request, a large multipronged package of support is under preparation. The package includes (a) support of over US\$250 million from existing operations and a new program to support the direct public health efforts, particularly by the states, to contain the outbreak; (b) planned policy-based budget support for the federal government focused on policy measures to maintain macro-financial stability and marshal the fiscal resources needed for the COVID-19 response; (c) support for similar proactive crisis-responsive fiscal measures by the states; and (d) support for states' efforts to protect livelihoods, food security, and MSE activity. Adjustments have been made to the existing program (both lending and advisory) at the request of the Federal Ministry of Finance, Budget, and National Planning (FMFBNP). This has included partial cancellation of three projects with a further four operations being reviewed for full or partial cancellation to improve value for money in existing operations and increase fiscal space for new operations that help the government respond to the crisis.

**26. Support for the social and economic response is focused in the short term on protecting the poor and vulnerable and in the medium term on limiting the cost to human capital and protecting livelihoods.** The proposed Nigeria CARES PforR is prepared to support states' efforts to finance programs to ensure consumption smoothing and livelihood support, food security, and MSE activity. The ongoing US\$820 million National Social Safety Nets Project (P151488) operation offers complementary support as it has built important institutional capacity of the platforms being used by the CARES PforR at the state level and is supporting expanded registration

<sup>18</sup> FY21 is Fiscal Year 2021 and refers to the period between July 2020 and June 2021. Subsequent FYs refer to the same time-period in later years.

<sup>19</sup> Report number: 82501



to reach up to 20 million beneficiaries, and subject to implementation progress and availability of resources, additional financing planned for FY22 could be moved forward to FY21. The existing portfolio has been adapted to mitigate the human capital cost of COVID-19. Planned FY20 closure of two operations has been deferred by three months and active operations are being reprogrammed to expand opportunities for community employment, for example, under the Nigeria Rural Access and Agricultural Marketing Project (RAAMP, P163353). Projects in the education sector, including the Adolescent Girls Initiative for Learning and Empowerment (AGILE, P170664), have been adapted to support distance learning and mitigate the risk of children, particularly girls, not returning to school.

**27. Support to policies and institutions is focused both on providing immediate fiscal relief and laying the ground for resilient recovery.** The planned Nigeria COVID-19 Federal Fiscal and Economic Response (CoFFER) Development Project Financing (DPF) (P173993) will help maintain macro-financial stability and create the fiscal space for a pro-poor stimulus package to support the government's overall COVID response. To strengthen macroeconomic resilience for recovery, the program supports a bold reform program in three critical areas: (a) safeguarding revenues and financing flows; (b) reprioritizing spending and strengthening expenditure and debt management; and (c) enhancing macroeconomic and financial sector stability. Sustainable Development Financing Policy actions anchored in the prior actions of a planned COVID-19 emergency DPF have been proposed, aiming for completion in FY21. The ongoing SFTAS PforR has been restructured to support states to introduce measures to mitigate fiscal shocks while protecting social expenditure, through the addition of disbursement-linked indicators (DLIs) at the state level that would parallel the fiscal measures at the federal level. Nigeria's crisis-ridden power sector presents a twin barrier to resilient recovery: chronic power shortages stifle economic activity and job creation and tariff subsidies impose a fiscally unsustainable burden on the federal budget. Both are being addressed through the Power Sector Recovery Performance Based Operation (P164001), which will be followed by the Distribution Sector Recovery PforR (P172891) later in FY21.

**28. The proposed CARES program is aligned with the WBG COVID-19 Crisis Response Approach (June 2020), the WBG Social Response Framework, and the framework of support proposed by the World Bank Africa region.** The overall WBG approach to address the COVID-19 crisis is built around four pillars: (a) Saving Lives; (b) Protecting the Poor and Vulnerable; (c) Ensuring Sustainable Business Growth and Job Creation; and (d) Strengthening Policies and Institutions for Rebuilding Better. The approach emphasizes the need to focus on the areas of speed, scale, and selectivity while supporting the needs of WBG client countries. The proposed PforR is designed for scale as an emergency package of support to all states in Nigeria for two years. The proposed program is sizable and will support existing government programs with a proven track record of achieving results to support the poor and vulnerable in the country. To further ensure selectivity, the proposed PforR will only support programs that (a) are currently implemented at the state Level and do have existing platforms; (b) have measurable results; (c) have short cycle activities; (d) are well-suited to abide by COVID-19 health protection protocols; (e) minimize the needs for technical assessments; and (f) offer the right balance in terms of addressing immediate emergency needs while laying the foundation for a strong recovery. The PforR is also fully aligned with the WBG Social Response Framework, which is centered around a two-pronged approach of (a) short-term support to the poor and vulnerable households focusing on income and food security support, ensuring access to basic public services for the poor, and continuing essential economic activity in urban slums and poor rural areas and (b) a medium-term support emphasizing employment and productive inclusion support for households and small and micro informal enterprises with a strong sustainability angle. Finally, the PforR is also fully aligned with the Africa region's framework of protecting lives, livelihoods, and the future to address the pandemic.

#### Rationale for Use of Program for Results (PforR) Instrument



**29. The World Bank is well placed to support the states in Nigeria and has prepared similar state-level support using the PforR instrument in other sectors.** The World Bank has considerable experience working with the federal and state governments in Nigeria on (a) providing social protection support to the poor and vulnerable households; (b) improving food security; and (c) enhancing the capacity of MSEs. The World Bank is also able to bring in global experience, especially from engagements in large federal countries such as India and Iraq, on issues relating to subnational crisis response and human capital development. In Nigeria, the World Bank has been supporting PforRs which use federal transfers to incentivize states, including Nigeria - Program to Support Saving One Million Lives (SOML, P146583), the Better Education Service Delivery for All (BESDA, P160430), and SFTAS (P162009).

**30. The PforR instrument is better suited to respond to the current needs in Nigeria compared to IPF or DPF.** The PforR instrument is designed to disburse against tangible results as opposed to a set of inputs (IPF) or a common set of policy reforms for all states (DPF). There is sizable social and economic heterogeneity across all the states in Nigeria. The COVID-19 health and economic crisis has not affected all states equally. For example, a greater proportion of residents in urban areas have stopped working compared to those in rural areas. As such, it is preferable to incentivize the outcomes rather than provide specific inputs which may not be relevant to all states. The IPF instrument is also transaction-intensive and would make the implementation across multiple states in the short term impractical. Similarly, the DPF instrument is better suited to incentivize sectoral policy reforms at the federal level, whereas the proposed Program aims to strengthen the implementation of existing government programs at the state level to achieve outcomes-based results. The proposed PforR also allows the flexibility to the states to participate in the Program without achieving all the DLIs, so it is more appropriate for working across all Nigerian states.

**31. The PforR offers the added benefit of consolidating currently fragmented programs at the state level into streamlined platforms and building capacity of those platforms to ensure sustainability beyond the duration of the Program.** The PforR instrument (a) offers flexibility to the states to achieve results, based on priorities and needs; (b) supplements the state governments' budgets for existing programs of expenditure; (c) is better suited for an emergency response compared to other instruments (due to the nature of the current crisis, see para15); and (d) allows for varying levels of capacity that states have for program implementation. The PforR is designed for a two-year emergency response, using and strengthening existing programs and platforms, including by strengthening financial management, social and environmental, procurement, and monitoring and evaluation (M&E) capacity of existing systems. The proposed Program also aims to incentivize stronger coordination mechanisms between the federal and state level of the Government. Strong level of federal oversight and support is expected to help states lagging in capacity to strengthen their respective service delivery platforms and accelerate implementation of programs to address the current crisis.

**32. The CARES PforR incorporates valuable lessons learned from implementing similar PforR programs at the state level in Nigeria.** The uneven capacity across the states in Nigeria creates considerable challenges to successful implementation of the PforR program especially as the states transition from IPF style operations to PforR programs. As such, a technical assistance (TA) using an IPF is a suitable approach for PforR programs in Nigeria. Existing PforR programs have faced issues of administrative delays that tend to stall implementing agencies' delivery systems. This is anticipated to be more pronounced if there is a second or further waves of the COVID-19 pandemic. The establishment or designation of a 'one-stop-shop' State CARES Coordination Unit (SCCU) at the State Ministry of Budget and Planning with the oversight of a State Steering Committee is expected to reduce such delays and ensure cohesive implementation arrangement at the state level. Delay in disbursement of IPF TA component in some of the existing PforRs because of multiple implementation units is likely to be



mitigated in the CARES program due to the establishment of the Federal CARES Support Unit (FCSU) with a centralized responsibility for managing all the support activities of the state agencies and units. Finally, the use of a credible private sector Independent Verification Agent (IVA) for the DLI verification assessment and the engagement of third-party monitors (mainly civil society organizations) are expected to provide transparency and accountability to the disbursement and funds flow arrangement. This can also be complemented with spot checks and strengthened implementation support arrangement from the World Bank.

**33. A separately disbursing IPF TA component will allow specific and targeted support for capacity-building activities.** To ensure that Program coordination offices are established and well resourced, clear and measurable eligibility criteria will be applied to assess whether each of the states is eligible to participate in the Program before the start of the implementation. TA at the federal coordination levels will provide sufficient quality assurance, monitoring, capacity building, and oversight on project activities and results. The IPF TA component also allows for a coordinated institutional strengthening and technical support to the states through the federal-level entities instead of each state instituting its own capacity-building program through the DLIs and simultaneously allows building capacity of federal-level institutions.

**34. The proposed PforR supports the World Bank's commitments on gender, climate change, and citizen's engagement, as these aspects are mainstreamed into the Program design.** The PforR supports many of the government interventions that explicitly prioritize and target as the primary beneficiary, women as well as the poor and vulnerable affected by climate shocks. Both climate change mitigation and adaptation are supported through the design of the PforR which incentivizes the use of climate-smart agricultural technologies and support to businesses that engage in climate-smart services and products. The PforR also proposes to use civil society groups as third-party monitors to validate results achieved by the program to hold implementing agencies responsible to the highest degree using social accountability mechanisms.

## II. PROGRAM DESCRIPTION

### A. Government Program

**35. Restoring the livelihoods of the poor and vulnerable, maintaining food security, and facilitating recovery of MSEs are some of the key objectives set out in the Government's ESP to respond to the current economic crisis in Nigeria.** The GON has proposed ambitious measures to cushion the poor and vulnerable against the negative impact of the crisis. The Nigeria ESP, approved by the Federal Executive Council (FEC) on June 24, 2020, and developed by the Economic Sustainability Committee led by the Vice President, outlines an ambitious NGN 2.3 trillion (US\$6 billion) stimulus package to lift the Nigerian economy from the COVID-19 crisis.<sup>20</sup> The key objectives of the ESP are to

- (a) Stimulate the economy by preventing business collapse and ensuring liquidity;
- (b) Retain or create jobs using labor-intensive methods in key areas such as agriculture, facility maintenance, housing, and direct labor interventions;
- (c) Undertake growth enhancing and job creating infrastructural investments in roads, bridges, solar power, and communication technologies;

<sup>20</sup> GON. 2020. Available at <https://www.budgetoffice.gov.ng/index.php/nigeria-economic-sustainability-plan>



- (d) 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; and
- (e) Extend protection to the very poor and other vulnerable groups—including women and persons living with disabilities—through pro-poor spending.

**36. Existing interventions at the state level can be scaled up to promote some of the key objectives laid out in the ESP.** As described earlier, states have the mandate and the know-how in instituting pro-poor interventions and have collaborated with the federal government in recent times for effective delivery. This is especially true for interventions that require close interaction and feedback from potential beneficiaries. Given that the proposed CARES PforR is multisectoral, and a COVID-19 response program for the poor and vulnerable, the interventions at the level of the states and local government should be strengthened for delivery of results. This is more so as the state governments, as subnationals, need to go through the federal government, as the sovereign for borrowing purposes. Many of the primary and secondary service providing platforms being considered for the CARES PforR are the sole responsibilities of the state and local governments.

**37. Several government interventions (see Table 1) in the areas of social protection, food security, and MSE support are implemented at the state level with overarching support from federal-level agencies.**

- (a) In July 2017, the GON laid out the foundations to establish the national social protection system with the ratification of the National Social Protection Policy (NSPP) framework under the leadership of the FEC. Concurrently, a social registry of poor and vulnerable households was established at state and national levels. A social protection coordinating platform was also set up in the Presidency to provide oversight and coordination to all social safety net interventions at federal and state levels. Several relevant social safety net programs that are targeted at the poor and vulnerable have been launched in the last few years. These programs are designed for individuals and households throughout the life cycle to prevent and reduce poverty and address socioeconomic shocks by promoting and enhancing livelihoods opportunities. The social safety nets programs are funded through a combination of donor and government financing.
- (b) The state governments have developed Agriculture Sector Plans (ASPs) to sustainably increase agriculture production for national food security and support value addition to raise farmers' incomes and increase exports. ASPs are informed by the national policy on agriculture development as outlined in the Agriculture Promotion Policy (APP) of 2016–2020. In particular, the state ASPs have adopted selected elements of the APP depending on their specific needs and priorities for agricultural development, which might vary across states due to differences in agroclimatic factors, comparative advantages in production of commodities, degree of urbanization, exposure to climatic shocks, among others. The state ASPs are supported through domestic resources as well as programs financed by various donors.
- (c) In many of the states there are MSE support agencies of the state government and Ministries of Commerce and Industry as well as Ministries of Cooperatives with programs and initiatives on promotion of MSEs. Some of the ministries, departments, and agencies (MDAs) provide small loans and grants to registered businesses. Registration and regulations of local firms and enterprises are also managed by the MDAs. At the federal level, the GEEP initiative administered by the BOI exists in all 36 states of the federation and FCT.



State governments' MSME Development Programs<sup>21</sup> funds are usually mobilized from several resources including state government budget and Central Bank of Nigeria (CBN) intervention funds.<sup>22</sup>

**38. Despite recent progress, there are several gaps that threaten the advancement of safety nets, food security, and MSE promotion in the country, especially in the light of COVID-19.** With almost 82 million Nigerians living below the poverty line in 2018, the recent NLSS showed that coverage of social protection programs is low compared to the needs in the country. In 2018/19, NASSP, described earlier, covers just 1.6 percent of the population in the country. The extent of the need following the economic crisis induced by COVID-19 is bound to be far higher than pre-crisis with many vulnerable households likely to fall back into poverty. Programs designed to address poverty and provide social protection to the vulnerable groups in the country suffer from contradicting mandates and objectives of the different agencies and line ministries supervising them. This lack of coordination often time leads to an overlap of activities and duplication of efforts. Similarly, food insecurity has been increasing in Nigeria even before the COVID-19 pandemic. The number of people faced with food insecurity/undernutrition in the country increased by more than 180 percent between 2006 and 2018, from 9.1 million in 2006 to 25.6 million in 2018. The rising food insecurity is driven by multiple factors, including persisting low agricultural productivity especially in the main staples. Furthermore, Nigeria's agricultural sector is largely uncompetitive, even though it is the third largest sector in the economy. Over the past 20 years, value added per capita in agriculture has risen by less than 1 percent annually and yields are significantly below potential, especially in the main staple crops, leading to a problem of rising food insecurity amidst COVID-19. Finally, most MSEs are constrained by multiple factors ranging from a lack of viable financing options, lack of fundamental technologies to ensure competitiveness, to lack of adequate infrastructure (that is, electricity, connectivity, and physical infrastructure).

## B. PforR Program Scope

**39. 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 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 2. Using established platforms at the state level, the PforR will (a) 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; (b) use Labor Intensive Public Works (LIPW) in the social and agriculture sectors to maintain and enhance social and agricultural infrastructure; and (c) 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.

<sup>21</sup> CARES program will only focus on MSEs and implemented through MSMEs platforms.

<sup>22</sup> CBN intervention funds refer to schemes that CBN finances to support MSMEs development—usually referred to as MSME Development Funds. Please see [https://www.cbn.gov.ng/MSME/FAQ\\_MSME.asp](https://www.cbn.gov.ng/MSME/FAQ_MSME.asp)

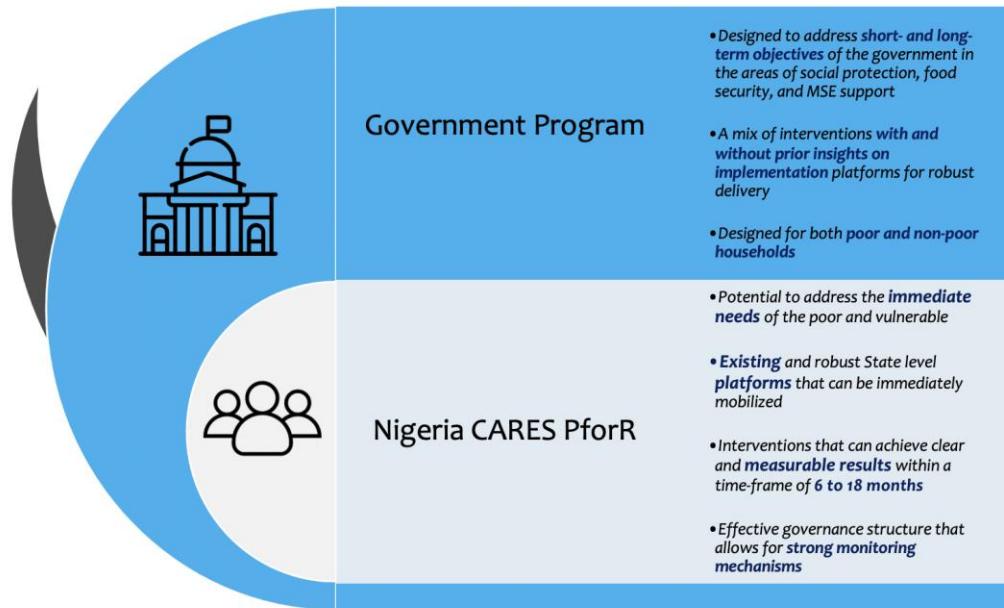


Table 2. Objectives Laid Out in the ESP Supported by the PforR

Objectives of the ESP	Included in CARES PforR?	Supporting Platforms
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 such as 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

40. **Four guiding principles were used to determine the Program boundaries and select the state-level interventions for CARES PforR support.** Figure 5 shows the criteria used to differentiate the overall government interventions from the interventions for PforR support. They are fundamentally different in four categories: (a) 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; (b) second, the PforR will support government interventions that are ongoing and are implemented using existing state-level platforms in majority of the states; (c) 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); and (d) finally, interventions passing the first three filters will be assessed for their ability to enhance monitoring mechanisms for delivering services to the beneficiaries and held accountable using a results-based approach.

Figure 5. Program Boundaries for the Nigeria CARES PforR: Guiding Principles



41. 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 of this PforR is fourfold. 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 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 a results-based approach ensure that the Government has the right incentives to implement the interventions robustly and provide appropriate oversight. Finally, the multisectoral 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. Program Development Objective, Results Areas, and Theory of Change

42. **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.

43. Progress toward achieving the PDO will be measured using three PDO results indicators:

- Number of beneficiaries of targeted safety nets and with access to basic social services (disaggregated by gender)
- Number of farmers supported to increase food production (disaggregated by gender)
- Number of vulnerable and viable firms supported by the Program (disaggregated by gender).

44. **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 (a) social transfers; (b) Labor Intensive Public Works (LIPW) opportunities in the social sectors; (c) livelihood grants; and (d) social service infrastructure



microprojects. Results Area 2 will support scaling up interventions that help farmers increase food production and facilitate smooth functioning of the food supply chain. The interventions supported by Results Area 2 include (a) provisions of seeds, fertilizers, and agriculture extension services to farmers; (b) LIPW opportunities to improve agricultural infrastructure; (c) provision of agricultural inputs for mitigating food loss; and (d) upgrading of wet markets to allow safe buying and selling of food produce. Results Area 3 will support scaling up interventions that help MSEs through (a) grants to support post-COVID-19 loans; (b) grants to support operational costs; and (c) grants to enhance IT capabilities. Each of the interventions supported by the results areas are described in detail below. Some of the key enabling features of the government platforms supporting these interventions are described in Box 1. The SCCU responsible for planning and monitoring of the overall state-level program is also supported by the PforR.

#### **Results Area 1: Increased social transfers, basic services, and livelihood support to poor and vulnerable households**

45. **Results Area 1 aims to support the Government's efforts in scaling up safety net services that provide consumption and livelihood support to the increasing number of poor and vulnerable households.** Nigeria spends less on social safety nets programs than every other lower-middle-income country and most of its regional peers—around 2.6 percent of the GDP on the three social sectors (health, education, social protection) combined and 0.3 percent of the GDP on social safety nets. Despite several social protection programs being launched in the last few years, coverage of safety net programs remains alarmingly low. This is in direct contrast to the objectives laid out in the national-level documents and despite evidence linking safety net programs to improved human capital outcomes for the poor in the country. Recently, however, several initiatives have been under way to reduce fragmentation among smaller ad hoc safety net programs, and to create an institutional structure at the federal, state, and local government authority (LGA) levels to strengthen the coordination and implementation of interventions related to protecting the poor and the vulnerable. The CARES PforR provides an opportunity to continue the process of consolidation and capacity building of these interventions at the state level.

46. **Based on the Program boundary described earlier, four government interventions at the state level were deemed to be the most suitable to provide immediate consumption and livelihood support and provide basic services to poor and vulnerable households for Results Area 1.** These interventions are outlined in Table 3 along with the rest of the government interventions that are part of the government program, but not considered for support under the CARES PforR and followed with the description of the interventions that are selected for CARES PforR support under Results Area 1.

*Table 3. Interventions Supported by CARES PforR Results Area 1 within the Government Program*

State Government Safety Net Interventions	Proposed CARES PforR Results Area 1
<b>Social Register</b> <ul style="list-style-type: none"><li>• State Social Register (SSR) of poor and vulnerable households</li><li>• State Unified Register of Beneficiaries (SRB) of poor and vulnerable households</li><li>• Unified Register of Beneficiaries (URB) (North East)</li></ul>	
<b>Cash Transfer</b> <ul style="list-style-type: none"><li>• Cash transfer to poor and vulnerable households</li><li>• Livelihood support interventions</li></ul>	



State Government Safety Net Interventions	Proposed CARES PforR Results Area 1
<b>Labor-intensive Public Workfare</b> <ul style="list-style-type: none"><li>Unemployed youth and women enrolled in LIPW and payment of stipends</li></ul>	<b>Labor-intensive Public Workfare</b> <ul style="list-style-type: none"><li>Unemployed youth and women selected from the SSR and other beneficiary registries and enrolled in LIPW in social services and infrastructure with payment of stipends</li></ul>
<b>Social and Special Transfers (Aged, Widow, Chronically ill, and urban poor)</b> <ul style="list-style-type: none"><li>Categorical transfer to household/individuals (aged, disabled, chronically ill, and urban poor)</li></ul>	<b>State Social Transfer</b> <ul style="list-style-type: none"><li>Categorical transfer to vulnerable household/individuals (aged, persons with disabilities, chronically ill, and urban poor) selected from the SSR and/or SRB</li></ul>
<b>Livelihood Support</b> <ul style="list-style-type: none"><li>Financial literacy/microbusiness skills training</li><li>Personal initiative/soft skills training</li></ul>	<b>Livelihood Support</b> <ul style="list-style-type: none"><li>Provision of training and grants for livelihood activities of economically active households and groups selected from the SSR and/or SRB</li></ul>
<b>Community and Social Development in Basic Service Infrastructure</b> <ul style="list-style-type: none"><li>Empowerment of communities and vulnerable groups within the communities to develop, implement, and monitor social infrastructure service microprojects (for example, basic services in health, education, water, roads, skill centers)</li></ul>	<b>Community and Vulnerable Groups Basic Service Delivery</b> <ul style="list-style-type: none"><li>Provision of basic community-driven services in the sectors of health, education, nutrition, water and sanitation at the community level for the poorest communities in selected LGA through micro-infrastructure projects.</li></ul>
<b>School Feeding Program</b> <ul style="list-style-type: none"><li>Provide at least one nutritious meal per day to young children in primary schools with the goal of increasing school enrollment</li></ul>	

- (a) **State social transfers (SSTs).** The objective of the SST programs is to enhance consumption support to vulnerable groups: aged, persons with disabilities, chronically ill, and urban poor households. State Cash Transfer Units (SCTUs) with adequate staffing and capacity will implement the transfer schemes. In the absence of SCTU, appropriate state agencies currently implementing cash transfer programs will be used. Beneficiaries for the social transfer scheme will be targeted using clear and objective criteria from the SSR, URB in the North Eastern States, SRB, and State Register of IDPs. The SCTU will enroll and register all selected beneficiaries in a CARES Social Transfer Register. NGN 10,000 (US\$26) will be paid bimonthly to selected beneficiaries using mobile money agents, card-based payments, or e-payment such as e-wallets. The SCTU, with support from Desk Officers and Cash Transfer Facilitators (CTF), will monitor the program at the LGA level. Monitoring indicators will include (a) total number of households receiving transfers, disaggregated by gender and disability profile and (b) frequency of the transfers. The SCTU will provide monthly, quarterly, semiannual, and annual reports to the SCCU.
- (b) **LIPW.** The objective of LIPW is to provide immediate employment opportunity in social sectors, to address the emergency constraints of loss of labor income among poor and vulnerable households as a result of the COVID-19 pandemic. Unemployed and unskilled youth and women from poor and vulnerable households, ages between 18 and 45 years, and with educational qualification of Senior Secondary Certificate of Education or below will be selected from the SSR, State United Register of Beneficiaries (SRB), and other



register of beneficiaries available at the state level.<sup>23</sup> Selected beneficiaries will be enrolled into LIPW in social services and infrastructure. Examples of the proposed LIPW activities include improvement of public spaces including the cleaning of public areas, garbage and refuse collection and waste disposal, traffic control, rehabilitation of classroom blocks and public toilets, and repairing of clinics or primary health centers, among others. Beneficiaries of LIPW will receive stipends of NGN 10,000–NGN 20,000 (US\$26-US\$53) every month. The LIPW Unit will report deliverables on a monthly, quarterly, and annual basis to the SCCU.

- (c) **Livelihood grants.** The objective of the livelihood grant component of Results Area 1 is to provide short livelihoods and soft skills training and one-off payments to economically active and self-employed youth and women in Nigeria.<sup>24</sup> Beneficiaries for the livelihood grants will be selected using SSR or beneficiary registers at the state level. Household enterprises in the informal sector will be prioritized for targeted support. The CSDA or an appropriate state agency shall be the implementing platform. Grant size will range from NGN 20,000 to NGN 200,000 (US\$53-US\$526) based on the screening of business plans submitted by household enterprises.<sup>25</sup> Key performance indicators to measure the success of grant activities will include number of recipients of the grant, number of recipients who have established a livelihood enterprise, and number of employment opportunities created, among others. The implementing agency will submit quarterly monitoring reports on enrollment, training, and disbursements to State CARES Unit.
- (d) **Community and Vulnerable Groups Basic Service Delivery.** The objective of this component is to provide basic services in the sectors of health, education, nutrition, water, and sanitation at the community level. Using a community-driven approach, this intervention will support the poorest communities in each LGA in all participating states to deliver micro-infrastructure projects in key sectors vulnerable to the impact of COVID-19. The selection of LGAs will be guided based on poverty maps. Poor and vulnerable communities within the selected LGAs will be targeted using community-based methods. The existing CSDAs will support the implementation of this component. States that do not have CSDAs will use existing Community Driven Development (CDD) platforms for implementation. Grants for microprojects will be provided after appraisal of CDPs/Group Development Plans (GrDPs) by the appraisal team and cleared by the CSDA Management Team based on specific selection criteria (as agreed in the Program Implementation Manual [PIM]). The CSDA, in collaboration with LGAs, will appraise, approve, and finance CDPs/GrDPs. CSDAs will monitor and evaluate the implementation of CDPs/GrDPs' achievement of set objectives and will report to the CARES Coordination Unit. The proposed grant sizes for community-based microprojects will range from NGN

<sup>23</sup> Impact evaluation evidence indicates that LIPW programs can enhance the productivity of both male and female participants in a lasting way—but additional support is needed to improve outcomes for women from extremely vulnerable households. A study in the Central African Republic showed that a public works program increased the number of days worked, monthly earnings (by roughly 10 percent), and ownership of durable goods for both male and female participants. See [https://openknowledge.worldbank.org/bitstream/handle/10986/33612/Supporting-Women-Throughout-the-Coronavirus-Covid-19-Emergency-Response-and-Economic-Recovery.pdf?sequence=5&isAllowed=y&cid=afr\\_tt\\_wbafrica\\_en\\_ext](https://openknowledge.worldbank.org/bitstream/handle/10986/33612/Supporting-Women-Throughout-the-Coronavirus-Covid-19-Emergency-Response-and-Economic-Recovery.pdf?sequence=5&isAllowed=y&cid=afr_tt_wbafrica_en_ext).

<sup>24</sup> Both training young women to operate as franchises of large firms and cash grants can increase entrepreneurship and short-term incomes. In urban Kenya, a bundled project that offered business and life skills training, a capital grant, and links with firms to start small-scale franchises yielded persistent increases in entrepreneurship rates and short-term increases in income as cash grants of comparable value (approximately US\$220). See <https://openknowledge.worldbank.org/handle/10986/33612>.

<sup>25</sup> Evidence from Nigeria suggests that training programs can also positively influence women's sectoral choice and ambitions, inducing shifts into more lucrative, male-dominated sectors. See <http://documents1.worldbank.org/curated/en/477291578296327845/pdf/GIL-Top-Policy-Lessons-on-Increasing-Women-s-Youth-Employment.pdf>.



10,000,000 to NGN 20,000,000 (US\$26,316-US\$52,632) and will be provided in three tranches of six-monthly intervals.

**Results Area 2: Increasing food security and safe functioning of food supply chains for poor households**

47. **Results Area 2 aims to support government interventions that mitigate the impacts of the COVID-19 pandemic on food security of the poor and vulnerable households and facilitate the safe functioning of food supply chains.** The main impacts of the pandemic on food security and food supply chains include the following: (a) increase in consumer price of major food commodities due to reduced availability;<sup>26</sup> (b) disruptions to the input delivery networks have reduced availability of various crop and livestock inputs and increased their prices; (c) disruptions to food supply chains have created a wedge between smallholder poor farmers and the markets, leading to low farmgate prices received by farmers, increased food loss and waste at the farm level, and high food prices to consumers; (d) reduced operations of wet food markets—as part of measures to contain the spread of the virus—have affected incomes of poor farmers who sell produce in wet markets and reduced food availability to poor buyers who often rely on the wet markets for supplies; and (e) reduced supply of on-farm labor due to movement restrictions, social distancing, and fear of morbidity.

**Box 1. The CARES PforR Has Selected Well-Performing Platforms at the State Level to Support Programs in the Three Results Areas**

**Community and Social Development Agencies.** CSDAs established by law in 31 States of the Federation and FCT, and the Community-Driven Development Social Project Implementation Units (PIUs) in Delta and Rivers states, are strong and effective platforms to provide pro-poor service delivery assistance in poor communities across Nigeria since 2008 when the first World Bank assistance on CSDP became effective. The impressive results and impact of the CSDAs on the life and livelihood of the poor in rural communities in Nigeria and the supportive role of the Federal Project Support Unit (FPSU) have been well documented. This explains why the state government and the federal government are planning to use the CSDAs and the FPSU as pivotal platforms for the Nigeria CARES, since the agencies are considered as the foremost and effective pro-poor service delivery mechanism in the country. The project also supported capacity building of over 2,400 officials of LGA and state government sectoral ministries (out of a target of 1,000). The CSDAs rely on experienced and highly professional staff in many of the states. The existing manuals and guidelines of the CSDAs will be strengthened in line with the dictates of the design of the Nigeria CARES.

**FADAMA.** The Fadama implementation units at the state and federal levels have successfully implemented a series of World Bank-financed agricultural projects for nearly three decades. This started with the NFDP (P063622) in 1992, with the objective to develop small-scale irrigation in 160,000 ha of land—and expanded over time to cover all 36 states and FCT. The implementation modalities evolved over time to improve project performance and effectively meet the needs of target communities. For example, while the first project was largely supply driven to develop small-scale irrigation, the follow-on second (P073686) and third NFDP (P096572) and the AF projects (P130788 and P158535) adopted the CDD approach to achieve various objectives, including increasing incomes of users of land and water resources, developing agricultural value chains, and restoring livelihoods of conflict-affected households. The transition to CDD approach enabled better targeting of the poor and most vulnerable farmers using methods that are well understood by the poor. The achievement of results has been impressive. Institutionally, the state and federal implementation units have over time strengthened their capacity for fiduciary oversight, M&E systems, safeguards management, grievance handling

<sup>26</sup> A recent survey carried out by the NBS reported that 85 percent of households experienced increase in price of major food items and more than 50 percent of rural farmers cannot access farm inputs due to disruptions in farm inputs supply chains. These numbers are expected to be higher for small-scale poor farmers and women farmers because they cultivate smaller pieces of land and buy smaller quantities.



mechanisms, and so on. The strong capacity of these units has enabled state governments to use their staff to provide handholding support to new PIUs across various sectors.

**State MSE platforms.** Under Results Area 3, states can either leverage the BOI GEEP or states' own MSE platforms to support MSEs. The GEEP platform commenced in 2016 and provides loans of between NGN 10,000 (US\$28) and NGN 300,000 (US\$835) to traders, artisans, enterprising youth, and farmers.

Some states have decided to leverage states' own MSE platforms that have been existing along with states' MSE programs. During the project preparation and pre-appraisal stage, the World Bank discussed with all the states the minimum criteria for any platform to be eligible for the program. These include fulfilling the criteria of 'selectivity'—the ability for the platform to select and verify eligible beneficiaries, 'scalability'—the ability for the platform to scale up when needed, and 'sustainability'—the platform being financially sustainable. Some examples of states' own platforms include the Kaduna State Digital Enterprise Platform (KADDEP) and the Abuja Enterprise Agency (AEA).

KADDEP is a digital platform that manages all databases and user engagement integrated from various agencies and organizations for the program. Similar to the GEEP platform, KADDEP provides various services, including verification, command center, and field operations, as well as funds disbursement, validations, and accounts management services. KADDEP has been partnering with BOI GEEP and Sterling Banks' Spectra credit platforms and has disbursed over NGN 66 billion to over 75,000 individuals and business customers in two years. AEA is the FCT vehicle for wealth creation, employment generation, poverty eradication, and value orientation with a mandate to facilitate business growth in the FCT. For the implementation of the program, AEA will leverage the customer risk management (CRM) platform as well as the FCT Microfinance Bank. CRM is a flexible and scalable software platform that conducts automated risk assessment and credit origination. FCT Microfinance Bank will perform the rest of the functions including funds disbursement, cash-out, and management. AEA's credit facility has extended over NGN 2 billion to 13,000 MSMEs since its launch in 2006. Additional details of both KADDEP and AEA are provided in the Technical Assessment annex.

**48. Results Area 2 will selectively support government interventions that have potential to immediately increase access of small-scale poor farmers to agricultural inputs and services, increase capacity to produce food, reduce farm-level post-harvest food loss and waste, and enable the poor and vulnerable to safely access wet food markets as buyers and sellers.** Table 4 shows the government interventions considered for support under Results Area 2 and the interventions selected for CARES PforR support. Based on the application of the program boundaries, Results Area 2 prioritizes supporting government interventions to increase future capacity to produce and market food, while creating short-term jobs in rural areas to productively absorb labor released from other sectors of the economy due to the economic downturn. The government interventions selected for CARES PforR support will be delivered through existing groups of poor and vulnerable farmers formed through various initiatives, including State Agricultural Development Programs (ADPs), nongovernmental organizations (NGOs), Fadama series of projects, and other donor-funded programs. Table 4 is followed with the description of the interventions that are selected for CARES PforR support under Results Area 2.

*Table 4. Interventions Supported by CARES PforR Results Area 2 within the Government Program*

State Agriculture Development Interventions	Proposed CARES PforR Results Area 2
<b>Seed Development and Support</b> <ul style="list-style-type: none"><li>• Seed systems/institutional support</li><li>• Seed development and multiplication</li><li>• Distribution of input packages</li></ul>	<ul style="list-style-type: none"><li>• Distribution of seeds and fertilizers</li><li>• Multiplication of seeds</li></ul>
<b>Crop Development</b> <ul style="list-style-type: none"><li>• Agricultural extension</li><li>• Land clearing</li><li>• Value chain development</li><li>• Irrigation development</li></ul>	<ul style="list-style-type: none"><li>• Provision of extension services and training</li><li>• Provision of mechanization services</li><li>• Improvement/rehabilitation of existing tertiary irrigation canals and soil conservation</li><li>• Provision of farm assets and equipment</li></ul>



State Agriculture Development Interventions	Proposed CARES PforR Results Area 2
<b>Livestock Development and Fisheries</b> <ul style="list-style-type: none"><li>• Animal health</li><li>• Animal breeding</li><li>• Feed development</li><li>• Aquaculture development</li></ul>	<ul style="list-style-type: none"><li>• Replacement of small ruminants to restore livelihoods</li><li>• Provision of inputs for livestock and aquaculture production</li><li>• Provision of extension services and training</li></ul>
<b>Rural Development</b> <ul style="list-style-type: none"><li>• Rural and feeder roads</li></ul>	<ul style="list-style-type: none"><li>• Improvement/rehabilitation with a proper upgrade of existing feeder roads</li></ul>
<b>Agricultural Marketing</b> <ul style="list-style-type: none"><li>• Market infrastructure</li><li>• Price information</li><li>• Market regulation</li></ul>	<ul style="list-style-type: none"><li>• Upgrading of the sanitary infrastructure in existing wet markets (water and sanitation) and public provision of sanitation services</li><li>• Provision of equipment for small-scale primary processing</li></ul>

- (a) **Support to increase food production.** The Program will support government interventions that allow groups of small-scale farmers to access various inputs and services for crop and livestock production, including improved seeds and fertilizers, mechanization services for farmers facing labor shortages, and extension and advisory services. The support for improved seeds will focus on varieties that are high yielding and resilient to effects of climate change, for example, varieties that can tolerate drought, resist pests and diseases, and are early maturing. The delivery of extension services aims to enable farmers utilize the inputs efficiently and apply climate-smart agricultural practices in on-farm production and climate-friendly post-harvest management practices. The support to increase production will be demand driven following the CDD approach. Farmer groups will be facilitated to select the commodities that are critical to food security needs, value chains most affected by the pandemic, improved seeds that are climate resilient (depending on availability), and to use agreed criteria to choose individual farmers who are eligible for mechanization services support. The extension and advisory services will deliver climate smart agriculture practices in farm operations to increase productivity and enhance resilience to impacts of climate variability. This will include reducing greenhouse gas (GHG) emissions through climate-friendly management of agricultural waste, increasing carbon sequestration primarily through soil conservation measures and agroforestry, supplementing efficient irrigation systems with climate-smart irrigation agronomy to improve on-farm water management, using climate-smart soil management practices such as mulching and zero tillage, and using weather advisories to inform farmers about optimal timing of planting and harvesting to increase productivity and minimize pre-harvest crop loss in the fields. Women famers will be specifically targeted within an emergency program context to address gender disparities on access to inputs and services, including by prioritizing women farmers in the provision of improved seeds and mechanization services as they tend to be relatively labor constrained.
- (b) **Labor-intensive agricultural infrastructure.** The Program will support government interventions that help in the rehabilitation or improvement of agricultural infrastructure to lay the foundations for recovery of agricultural production while creating short-term jobs in rural areas. The short-term jobs will help absorb labor released to rural areas, due to the economic downturn, into productive activities in the agriculture sector. The types of infrastructure targeted for rehabilitation and improvement are small-scale irrigation (existing tertiary irrigation canals, tube wells, and boreholes) to enhance climate resilience, existing feeder roads, and soil conservation measures such as planting trees, gabions, and drainage canals. The soil conservation measures will help enhance climate resilience by reducing soil erosion, improving soil quality, increasing soil water infiltration, conserving soil moisture, and creating more carbon sinks when plant cover (for example, carpet grass and elephant grass) is used for gully stabilization. The improvement and rehabilitation of feeder roads will to the extent possible use climate-resilient materials and will adhere to



environmental impact assessments (EIAs). The Program will support infrastructure selected through the CDD approach where farmer groups, their federations, and community associations will be facilitated to prioritize infrastructure from a menu of eligible options. Contracts for rehabilitation or improvement of infrastructure will mandate the employment of a specific number of people and labor days, as per the norms established by the program.

- (c) **Agricultural assets for production and mitigating food loss and waste.** The Program will support government interventions that provide farmers with agricultural assets to increase capacity for food production and small-scale primary processing to mitigate food loss and waste. The support for assets will be demand driven and follow the CDD approach, where farmer groups will be facilitated to prioritize from a menu of eligible options. The eligible assets to increase food production include replacement of animals sold as part of household coping strategies to the pandemic with small ruminants and various assets for crop, livestock, and aquaculture production. Restocking with small ruminants will help advance climate change mitigation as these animals tend to have lower GHG emissions from enteric fermentation and higher feed conversion ratio than large ruminants. Women play a major role in small-scale processing of food and therefore support for such assets will prioritize women and the youth. The Program will prioritize assets that are energy-efficiency rated and those using renewable energy (for example, solar) to reduce GHG emissions and advance climate change mitigation. In addition, the Program will support assets that improve agricultural waste management and reduce emissions that could harm the climate, for example, equipment for biogas production that convert methane-emitting animal waste to clean energy and small-scale processing of farm waste into soil fertilizers and food packaging using climate-friendly materials that are biodegradable. Assets will be provided for individual farmers as well as common assets managed by farmer groups. In addition to delivering the physical assets, the program will provide capacity building and training to the beneficiaries on the proper operation and maintenance of the assets to increase efficiency and minimize emissions that could be harmful to the immediate environment and the climate. The expected outcome is increased access and utilization of assets to produce and process or preserve food.
- (d) **Upgrading wet markets.** The Program will support government interventions that seek to improve water and sanitation services in wet markets to reduce the risk of COVID-19 spread in the marketplaces. The support will include connecting water supply to various points in the markets (including toilets and entrances), establishing boreholes and overhead tanks, upgrading drainage system, providing fumigation and water treatment services, upgrading slaughter slabs and commodity preservation facilities to enhance water and energy efficiency, and improving waste management facilities to reduce emissions that harm the climate. These activities will complement the guidelines issued by state governments to reduce the spread of COVID-19 in marketplaces, including reducing market days/hours and decongesting of markets. The Program will prioritize markets that serve the poor and vulnerable as buyers and sellers. The selection of markets will be through a CDD approach where group federations at the LGA level would be facilitated to select markets in consultation with LGA officials and Fadama teams. Most of the sellers in wet markets are women and therefore program support will enable women to continue to participate in these economic activities. The upgrading of water and sanitation services will ensure that more facilities (for example, toilets) are provided for women because they use the markets more than men. Furthermore, women will be given priority to provide program-supported fumigation and cleaning services.

49. **The Fadama implementation platform will be used to deliver the interventions in Results Area 2.** The Fadama implementation platform has been used to successfully implement the Fadama series of projects in all 36 states and FCT for nearly three decades. The main approach used by Fadama is CDD where farmers and the



communities are mobilized to identify and operationalize their own development priorities through participatory approaches that are well understood by the beneficiaries. A summary of the objectives and results achieved in the Fadama series of projects is provided in the Technical Assessment annex.

**Box 2. Constraints Faced by Women Are Addressed in the Design of the Three Results Areas That Support the Government Interventions**

Just under half of working women in Nigeria are self-employed entrepreneurs. This sector is likely to be particularly hard hit by social distancing policies which limit person-to-person interactions to slow the spread of COVID-19. Relative to men, women in self-employment and businesses in Nigeria tend to concentrate in both lower-profit sectors and lower-profit positions within sectors. The agricultural productivity gap is large between men- and women-managed farms in Nigeria. Access to fertilizer, labor inputs, and crop choice are critical factors contributing to the gap.

COVID-19 is likely to exacerbate women's burden of care responsibilities at the expense of income-generating activities. Emerging global data also shows that gender-based violence (GBV) and intimate partner violence (IPV) have intensified during the pandemic. Restricted movements, confined living conditions, security, and concerns about health and security of livelihood can heighten tensions and conflict and increase the risk of IPV and other forms of GBV.

The CARES PforR design is cognizant of the challenges that women face in Nigeria and has made specific provisions in the design of the three results area to support the Government.

In Results Area 1, additional provisions for gender-sensitive design include: (a) deployment of female outreach facilitators for targeting and enrollment; (b) small business training tailored to women for the livelihood grant component; (c) prioritization in enrollment of unemployed female youth for LIPW activities; (d) gender-specific quotas in the GrDPs and CDPs supported by the community microprojects; and (e) deployment of female staff to monitor and address constraints received through the grievance redress mechanism (GRM) system.

In Results Area 2, some of the prevailing gender gaps in agriculture will be addressed through the PforR by (a) deploying women farmer field facilitators and extension workers to help mobilize more women to be supported by the Program; (b) targeting women farmers who express demand for improved seeds, especially for higher-value cereal crops to help them transition from planting low-value roots and tubers; (c) mandating that the design of small-scale irrigation tertiary canals, tube well, and boreholes accounts for multiple uses of water by women to perform households' activities such as washing and cooking; (d) reducing drudgery of women through assets that increase their labor productivity in production and small-scale primary processing of food; and (e) ensuring that support to upgrade water and sanitation services in wet food markets is designed to meet the needs of women as well as mandating that cleaning and fumigation of the wet markets would also be performed by women to avail them more income-earning opportunities.

In Results Area 3, state MSE platforms that are vetting and screening potential MSE beneficiary firms will assign higher weights to MSEs owned/managed by women entrepreneurs. The co-financing grant in DLI 3.1 will help enhance access to finance for women entrepreneurs, who have more barriers in securing financial resources. The operational and IT grants in DLIs 3.2 and 3.3 also prioritize women-owned/managed enterprises and provide innovative mindset to help qualified women entrepreneurs protect their businesses while transitioning to new business models as needed during the pandemic. The engagement with women entrepreneurs and its results will be tracked consistently in the M&E framework. Moreover, as part of implementation arrangements for this results area, the transacting platforms were also encouraged to hire and train women agents to participate in the screening and enrollment of MSE beneficiaries that are owned/managed by women entrepreneurs through a gender-inclusive process.

### **Results Area 3: Facilitating recovery and enhancing capabilities of MSEs**

50. **Results Area 3 aims to support government programs that allow MSEs to resume activities that may have been hampered since the start of the COVID 19 pandemic.** The pandemic has placed the MSE sector in Nigeria, a major contributor to the Nigerian economy—contributing to 50 percent of Nigeria's GDP and about 85 percent to employment—under severe stress. The sector, which employs about 140–160 million people, is facing



acute strain due to the disruption in the markets and supply chain. The sector was already grappling with low credit growth in 2019 and the early part of 2020, which has been further exacerbated by COVID-19 and the phased national lockdown and various restriction measures across the country. Women-owned firms may also be especially vulnerable to the adverse effects of the crisis given that even before the onset of the pandemic they faced more binding constraints than men in accessing capital and participating in higher value-addition activities.

**51. Results Area 3 will selectively support government interventions that have potential to enhance the ability of local enterprises to fully resume economic activities during and potentially beyond the crisis period.** Table 5 shows the three categories of government interventions that will be prioritized for CARES PforR support through Results Area 3 for MSE support. Access to cheaper financing, support on operational costs through limited time grants (for example, for utilities, staff costs), and business capability upgrading are government interventions that are broadly relevant for supporting MSEs to address the constraints posed by the current economic recession. These three areas of support are consistent with the response to COVID-19 across many states in Nigeria where relevant MDAs including MSME support agencies of the state governments,<sup>27</sup> Ministries of Commerce and Industry, and Ministries of Cooperatives are designing and implementing programs and initiatives on facilitating enterprise recovery and enhancing capabilities. Furthermore, Results Area 3 will prioritize government interventions in supporting three distinct categories of firms. These categories of firms are (a) survivalists: enterprises with fewer capabilities, productive assets, and negligible firm-to-market relationships; (b) constrained but motivated: enterprises with productive capabilities and meaningful firm-to-market relationships; and (c) growth oriented, resilient, top-performers: enterprises with transformative capabilities and firm-employee and buyer-supplier relationships.

*Table 5. Interventions Supported by CARES PforR Results Area 3 within the Government Objectives*

State MSE Support Objectives	Proposed CARES PforR Results Area 3
<b>Easing Financial Constraints on MSEs</b>	<ul style="list-style-type: none"><li>Grants amounting to finance 40 percent of the amount of new loans originated by qualified financial institutions to co-finance qualified beneficiaries in COVID-19 crisis</li></ul>
<b>Employment and Job Creation Grants</b>	<ul style="list-style-type: none"><li>Grants to support operational expenditure post COVID-19 to incentivize employment retention</li><li>Operational costs including rent, utilities, private security (for fragile, conflict, and violence [FCV] states) as well as acquiring solar panels to secure sustainable access to energy</li></ul>
<b>Upgrading MSE Capabilities</b>	<ul style="list-style-type: none"><li>Grants to support adoption and upgrade of digital technology</li><li>Investing in MSEs' IT infrastructure and enhancing MSEs capability through leveraging digital technology</li></ul>

- (a) **MSE Matching Grants.** The Program will support government interventions that enable MSEs to continue production processes and service delivery. Given current uncertainties, lenders remain concerned about borrowers' ability to repay loans. This resultant risk aversion leads to limited flow of credit even to the viable enterprises within the MSE sector. The immediate need is to provide positive signals to the financial market to ease concerns over enterprises' creditworthiness and ability to repay loans, while at the same time encouraging MSEs to access affordable credit financing, for example, in the form of co-financed loans. The Program will support government interventions that channel financing to the MSEs either through regulated

<sup>27</sup> State programs usually cut across various firm sizes (MSMEs); however, the CARES Program will only focus on MSEs.



financial institutions, that is, banks and microfinance institutions and leveraging on IT solutions that will enable improved efficiencies in loan processing and disbursements. One of the ways in which the government interventions will ease the financing constraints of eligible firms will be through well-targeted matching grants to co-finance loans they receive during COVID-19 to ensure adequate flows of finance to MSEs through the COVID-19 crisis, thereby laying a strong foundation for a robust MSE financing ecosystem in the recovery phase

- (b) **Operational Support Grants.** The Program will support government interventions that help MSEs retain their staff and operational costs. With reduced working and operating investing capital available, enterprises struggle to pay their staff, suppliers, lenders, and settle utility bills. If left unsupported, the economic slowdown related to COVID-19 and liquidity constraints could put many MSEs at risk, with many facing viability issues in the current environment. This type of support is particularly critical for women-owned MSEs given that women operate firms with significantly less capital than those operated by men. On average, the value of the equipment owned by women-operated firms is only 16 percent of the value for firms operated by men. The program will support government interventions that provide operational grants to select firms to meet the working capital requirements. Activities related to this subcomponent relate to extending grants to MSEs to cover 50 percent of their monthly operational cost, including staff salaries, documented utilities, documented private security expenses, and mini solar panel acquisition expenses. Through the interventions supported by this objective, the program will help enable the MSE sector to meet business obligations, protect jobs, and avoid insolvency.
- (c) **IT Enhancement Grants.** The Program will support government interventions that encourage MSEs to leverage technology to adapt to the changing business needs created by COVID-19. Supporting MSEs to adapt to these changes is imperative for resilience and business continuity to be achieved. Some of the MDAs access federal loans and credit lines from the CBN and Nigeria Incentive-Based Risk Sharing System for Agricultural Lending and on-lend these to beneficiaries at subsidized interest rates. Others provide financial support directly from the states' budgets. Registration and regulations of local firms and enterprises are managed by the respective MDAs. The Program will support interventions to leverage technology and upgrade MSE capabilities by introducing digital payment systems equipped to accept and make digital payments, integrate their systems, enhance IT connectivity enable e-commerce, where appropriate.

52. **The interventions in Results Area 3 will leverage existing platforms at the state level that are engaged in supporting MSEs development.** State governments will choose to either partner with the BOI GEEP platform (described earlier) to implement the interventions under Results Area 3 or leverage their own existing platform. In the case that states decide to partner with the BOI GEEP platform, the state government will work hand-in-hand with the BOI GEEP team operating in each state on the program implementation. States choosing to use their own platforms mostly use the State MSME Development Programs and in some cases the microfinance banks owned by the states for implementation. The choice of platform will be agreed with the World Bank and documented with a No Objection.

#### **Results Logic and Theory of Change**

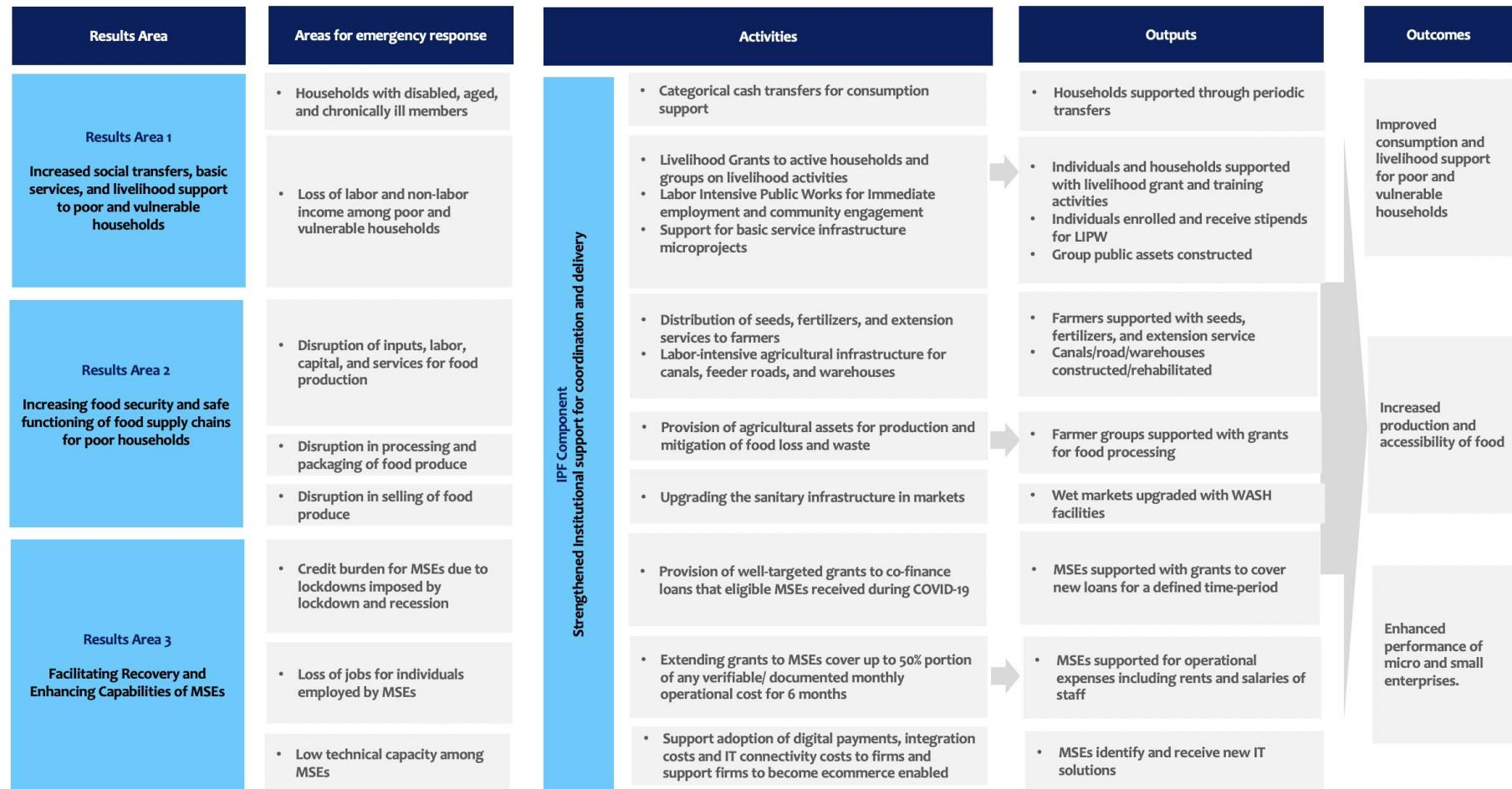
53. **Interventions to smooth consumption, protect livelihoods, improve food security, and facilitate the recovery of local economic activities in Nigeria need to address specific constraints posed by the COVID-19 pandemic, while providing complementarities to allow the Program to have its desired impact.** Figure 6 shows



the main elements of the Program results chain for each of the three key results areas. Results Area 1 seeks to support government interventions that smooth consumption and enable basic service provision for poor and vulnerable households. In particular, the PforR supports interventions that provide (a) cash transfers to labor-deficient households (the aged, persons with disabilities, chronically ill, and urban poor members); (b) livelihood support through income grants; (c) employment opportunities through LIPW, and (d) basic services through small community microprojects. Results Area 2 supports the slice of the government interventions that increase the production and accessibility of food by (a) providing improved crop and livestock inputs, extension and advisory services, and mechanization support; (b) supporting productive agricultural infrastructure to upgrade tertiary irrigation canals, feeder roads, and soil conservation measures; and (c) providing assets to increase the capacity of farmers to produce food and engage in small-scale primary processing to mitigate food loss and waste. To improve safe functioning of wet food markets, Results Area 2 seeks to upgrade the water and sanitation infrastructure in wet markets that serve poor households as sellers and buyers. Results Area 3 supports government objectives to maintain the performance of vulnerable and viable MSEs through grants for operational expenses (such as rent, utilities, and staff salaries) that allow MSEs to retain their employees and maintain their businesses and enable the upgrading of their digital capacity through one-off grants to purchase new IT solutions.



Figure 6: CARES PforR Program Results Chain





54. **The three results areas reinforce each other while avoiding duplication.** For example, poor and vulnerable households supported in Results Area 1 through consumption and employment support, and livelihood grants, can help boost demand for agricultural produces for farmers and food suppliers in Results Area 2 as well as goods and services offered by firms and enterprises in Results Area 3. The public work schemes to upgrade agricultural infrastructure such as feeder roads and canals in Results Area 2 can be complemented with LIPW to align and upgrade other community assets that provide health, education, and water, sanitation and hygiene facilities in the community in Results Area 1.<sup>28</sup> Many households in Nigeria have members working simultaneously in the agricultural and non-farm sectors, with income from one sector boosting investments in the other sectors. Providing one-off grants to vulnerable and viable non-farm enterprises for maintaining employment allows the household as a whole to maintain its investments in agricultural activities during the planting season. Supporting vulnerable but viable firms also complements efforts to boost agriculture productivity under Results Area 2 through strengthening supply chains and reestablishing value chains.

55. **Interventions designed to support poor and vulnerable households under CARES are cognizant of whether households can offer labor to support recovery efforts during this crisis.** Support to labor-sufficient households engaged in non-farm MSEs is provided through direct livelihood grants or through support offered in the form of grants to firms (with conditions imposed to cover operational costs and maintain their staff). Similarly, support to labor-sufficient households engaged in agriculture takes the form of direct provision of grants, agricultural inputs and services, agricultural infrastructure support or through upgrading markets with hygienic water and sanitation protocols enable farmers to sell their produce. Labor sufficient households engaged in food system enterprises are supported through grants, inputs, and transfers to keep the food supply chain functioning. Households who have limited labor to offer, such as households with aged, chronically ill, urban poor, or persons with disabilities, are supported through social transfers and public work schemes as well as targeted grants for community infrastructure projects to deliver basic services.

56. **The proposed CARES PforR is designed to address challenges that are multisectoral in nature.** For example, Results Area 2 focuses on supply-side interventions to increase food availability, enable food supply chains to function safely for poor and vulnerable households, and lay the foundations for recovery. These interventions are complemented by cash transfers and grants provided in Results Area 1. In particular, the cash transfers enable the poor and vulnerable households to meet various needs, including purchasing food. The complementarities between these results areas enable the Program to mitigate the impact of the pandemic on food security from both the supply and demand sides, thus increasing food availability and accessibility. MSEs play key roles in food supply chains in Nigeria. In particular, the lower spectrum of MSEs in the food sector tend to serve the poor, either as primary producers who supply the MSEs or consumers purchasing food from the MSEs. Hence, Results Area 3 will support recovery and enhancing capabilities of MSEs, including those operating in food supply chains, thus complementing the food security objectives in Results Area 2. The support to MSEs will involve grants to retain jobs, ease financial constraints, and enhance the capabilities of the enterprises. This would enable the supply chains for food and nonfood commodities to continue functioning while promoting the recovery of MSEs.

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<sup>28</sup> While LIPW activities for Results Area 1 will support public works in the social sectors (such as health, nutrition, education, and water, sanitation and hygiene), LIPW activities for Results Area 2 will exclusively support building and rehabilitation of agricultural infrastructure to maintain the food supply chain. The two set of activities are complementary.



#### D. IPF Component

57. The IPF component will support the overall coordination of the CARES PforR and will be implemented by the FCSU housed in the Federal Ministry of Budget and National Planning (FMBNP). The FCSU will be responsible for providing technical, capacity building, M&E, and peer learning support to the state delivery agencies and the SCCU. The specific subcomponents of the IPF component are as follows:

- (a) **Engagement and supervision of IVAs.** The IPF will finance the engagement of credible verification agent(s) to undertake verification of the achievement of DLIs across the results areas, in all participating states and at agreed assessment periods. International Economic Relations Department (IERD) (the Borrower) will engage the private sector IVA with support from the FCSU using agreed procurement process. The FCSU will contract, supervise and manage the IVAs, in line with the dictates of the PIM. The results of the verification exercise as submitted by the IVAs and validated by the FCSU and the supervisory body will serve as a basis of period disbursement to the state's consolidated fund account, after the World Bank task team has provided necessary concurrence.
- (b) **Monitoring and evaluation.** This subcomponent will support an overall M&E framework for the CARES PforR including oversight for the activities of the IVAs in all the participating states and across all results areas. A participatory M&E scheme will be developed with quantitative and qualitative data collection at the state level to measure performance. A management information system (MIS) will be established in partnership with state governments. Periodic program performance reviews will be coordinated by the FCSU with the active participation of the state entities implementing the results areas.
- (c) **Technical support and capacity building.** The FCSU will be funded to assist state-level implementing agencies in core program delivery functions such as procurement, financial management, M&E, MIS, information and communication technology (ICT), and on other operational matters. The support will also include institutional strengthening and skills development (capacity building) for key actors implementing the interventions at the state and federal level. While existing FCSU staff will be responsible for carrying out the technical support and capacity building, the Fadama national office team, the GEEP/BOI national office team, the relevant officers of the National Social Safety Net Coordinating Office and National Cash Transfer Office (NCTO) of the Federal Ministry of Humanitarian Affairs, Disaster Management and Social Development (FMHADMSD), and the NGF secretariat will support the unit in providing assistance to the SCCU and delivery units.
- (d) **Financial management.** The IPF will also fund the management of the proceed accounts and financial processes of the CARES PforR. A Financial Management Department of the FCSU will be resourced to manage and provide periodic accounts of the financial disbursement to states based on periodic achievement of DLIs, as assessed by the IVAs and approved by the FCSU management and with concurrence of the World Bank.

58. The overall administration, management and capacity building of the federal staff of the FCSU, and servicing of the Steering Committee and the CARES Technical Committee will be funded through the IPF component. Details will be specified in the PIM. Further details, especially on capacity-building activities across the results areas, are highlighted in annex 8.



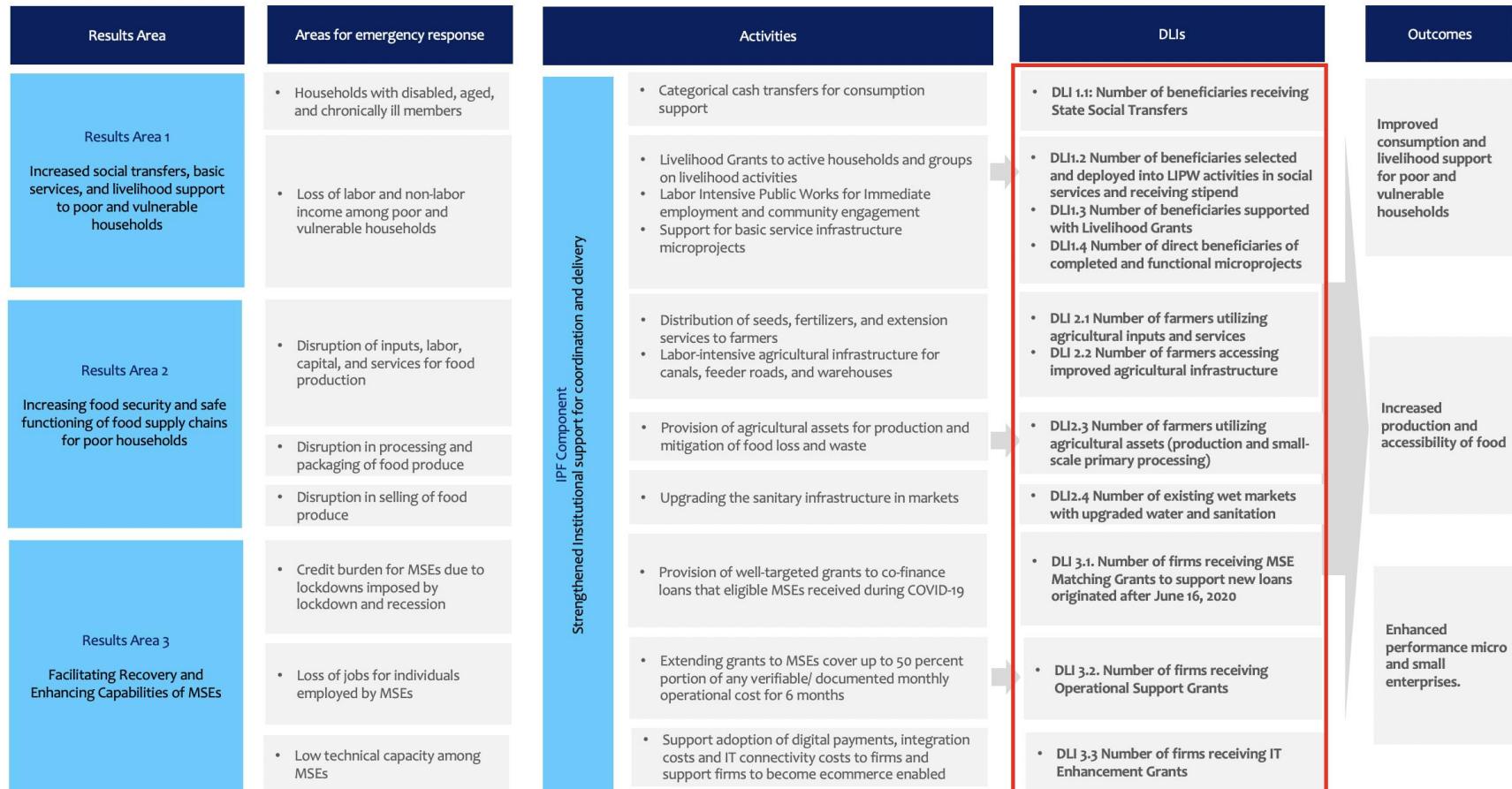
#### E. Disbursement Linked Indicators and Verification Protocols

59. **The PforR will use a series of DLIs to (a) expand the coverage and (b) improve the delivery mechanism of selected interventions to protect livelihoods and food security, and facilitate recovery of local economic activities, across all participating states in Nigeria.** Considering the short duration of the Program (24 months) and the need to mobilize the resources to address emergency constraints in the country, DLIs will focus on achieving results that can be achieved in the near term as opposed to outcomes which take a longer period to measure and manifest and are more suitable for a longer-term program.

60. **The PforR will offer 11 DLIs against which the Program results will be assessed.** DLIs corresponding to the results areas are depicted in figure 7, along with the corresponding constraints they address, the interventions they support, and the expected outcome that they are likely to lead to with robust implementation measures. DLIs for the proposed CARES PforR track the expected results of the government interventions supported by the three results areas of the Program. While each DLI can be linked to a specific intervention, there are multiple DLIs that support the overall objectives laid out in the PDO and anchored in the Government's ESP. DLI 1.1 incentivizes the state governments to extend protection to the vulnerable members of the society who might be overlooked by traditional means-tested safety nets program, especially as they are vulnerable to economic shocks. DLI 1.2 and DLI 2.2 both incentivize scaling up government interventions that provide LIPW opportunities to unemployed youth and women in the social and agricultural sectors, respectively. DLI 1.3 and DLI 3.2 support government interventions that keep both formal and informal businesses afloat and help MSEs to retain employees by providing grants for operational support. DLI 1.4 and DLI 3.1 incentivize basic service delivery provision through the public (community) and the private (MSE) sectors. DLI 2.1 and DLI 2.3 allow the government to scale up its support to interventions that maintain food security and agricultural supply chain, especially during the current crisis where almost one in three Nigerians is severely food insecure. DLI 2.4 motivates the government to upgrade basic water and sanitation infrastructure in wet markets that allow buyers and sellers to resume normal transaction of food produce. Finally, DLI 3.3 supports government initiatives to enable businesses to adapt to the 'new normal' by accelerating technology adoption. The set of 11 DLIs offers the states with a clear and measurable set of indicators to incentivize program delivery to support its own objectives, considering the short time frame of the PforR.



Figure 7. DLIs in the Program Results Chain





### DLI Pricing, Targets, and Flexibility for States

61. Given the heterogenous nature of the unfolding economic crisis, and the vastly different socioeconomic landscape across the states in the country, states will be allowed to select a minimum of four and a maximum of 11 DLIs that best suit their needs for the PforR program. Poverty, vulnerability, and food insecurity in Nigeria have increased due to the economic recession caused by the COVID-19 pandemic. However, there are significant differences across the states and geopolitical zones in economic structures, social outcomes, and incomes. Almost 90 percent of the households in the Northern States of Zamfara and Jigawa are poor compared to only 5 percent of the households in Lagos and 6 percent in Delta in the South. Less than 6 percent of the population live in urban areas in Ebonyi and Taraba compared to more than 75 in Ekiti and more than 90 percent in Lagos. More than 70 percent of the working-age population are employed in agriculture in Benue compared to less than 20 percent in Ogun and less than 2 percent in Lagos. With such diversity in socioeconomic profile, not all of the 11 DLIs will be relevant for all of the states across Nigeria as they face different constraints and challenges due to the onset of COVID-19. Providing flexibility on DLI selection allows states to focus their effort and attention on the DLIs that have the best potential to achieve the desired impact for their citizens.

62. **Most states have opted to achieve results for 8–10 DLIs.** States made their DLI selection during several consultations with the World Bank. The selection made by the states has been endorsed by the respective state governors. Furthermore, the selection was finalized during negotiations and states will not be able to change their allocation to the DLIs. Table 6 divides the states into different cohorts based on the number of DLIs they have selected for the PforR program. The median number of DLIs chosen by the states is 9. About one-third of the states have opted for 8 DLIs. Only 7 states have opted for all 11 DLIs (see Technical Assessment annex for details).

Table 6. Total Number of DLIs Selected by States and Frequency

Number of DLIs Selected	Total Number of States	States
4	1	Kano
5	0	
6	5	Adamawa, Jigawa, Katsina, Osun, Sokoto
7	2	Nasarawa, Taraba
8	10	Bayelsa, Benue, Ebonyi, Imo, Kaduna, Kwara, Ogun, Ondo, Oyo, Yobe
9	7	Akwa Ibom, Bauchi, Borno, Cross Rivers, Enugu, Kebbi, Zamfara
10	5	Abia, Anambra, FCT, Gombe, Lagos
11	7	Delta, Edo, Ekiti, Kogi, Niger, Plateau, Rivers

63. **The total amount allocated for all of the DLIs is US\$735 million, where, ex ante, each of the 36 states will have a chance to earn US\$20 million over the course of the Program, while FCT will have the opportunity to earn US\$15 million.** Table 7 presents the total amount allocated to each of the 11 DLIs, the unit price of the DLIs, and the aggregate target for each of the DLIs for the PforR Program. The total allocation of the PforR funds allocated to each of the DLIs was aggregated using data provided by individual states. State-wide breakdown of DLI allocations and targets are presented in the Technical Assessment annex (Tables 3.6 and 3.7). The unit price of each of the DLIs covers the cost of the intervention as well as the cost of implementation and was calculated



using data from existing interventions at the state level. The targets for each of the DLIs are also aggregated using data provided by the states. DLI allocation (column A) is divided by the unit price of the DLI (column B) to arrive at state-level targets (column C). During appraisal, each state-level targets were assessed for robustness and realism. The states will not be able to make further changes to their DLI allocation or targets after negotiations are completed.

*Table 7. Total Allocation, Unit Price, and Target Per DLI for the PforR Program*

DLI	Number of States Selecting DLI	Total DLI Allocation (US\$) (A)	Total Allocation Per Results Area (US\$)	Unit Price in (US\$) (B)	Target per DLI (24 months) (C)
<b>1.1 Number of beneficiaries receiving State Social Transfers</b>	29	56,860,476	<b>268,994,101</b>	1,026	55,439
<b>1.2 Number of beneficiaries engaged and deployed into LIPW activities in social services and receiving stipends</b>	29	53,907,110		1,282	42,048
<b>1.3 Number of beneficiaries supported with Livelihood Grants</b>	26	47,987,225		1,026	46,788
<b>1.4 Number of direct beneficiaries of completed and functional Community and Basic Service Infrastructure microprojects</b>	33	110,239,290		77	1,433,411
<b>2.1 Number of farmers utilizing agricultural inputs and services from the Program</b>	37	105,138,381	<b>302,431,475</b>	359	292,865
<b>2.2 Number of farmers accessing improved agricultural infrastructure</b>	30	77,343,510		436	177,393
<b>2.3 Number of farmers utilizing agricultural assets (production and small-scale primary processing) provided by the Program</b>	35	79,236,893		308	258,101
<b>2.4 Number of existing wet markets with upgraded water and sanitation service</b>	28	40,712,690		25,641	1,588
<b>3.1. Number of firms receiving MSE Matching Grants to support new loans originated after June 16, 2020</b>	24	55,331,595	<b>163,574,377</b>	1,944	28,463
<b>3.2. Number of firms</b>	29	73,970,592		2,784	26,570



DLI	Number of States Selecting DLI	Total DLI Allocation (US\$) (A)	Total Allocation Per Results Area (US\$)	Unit Price in (US\$) (B)	Target per DLI (24 months) (C)
receiving Operational Support Grants	18	34,272,191		3,727	9,196
3.3 Number of firms receiving IT Enhancement Grants					
		735,000,000	735,000,000		

#### Disbursement and Verification Protocols

64. **The Program will disburse in six-monthly intervals based on the DLIs achieved by states.** An IVA will assess the results achieved by the states every six months after effectiveness. For each DLI assessed, states will earn disbursement amount equal to the value of the DLIs achieved within an assessment period multiplied by the unit price of the DLI. Disbursements will be capped at the preselected total allocation for individual DLIs. States will not be able to earn more than the allocated amount per DLI if they exceed the target set for individual DLIs for the duration of the Program.

65. **Verification procedure.** The responsibility to verify achievement of DLIs and any agreed prior results lies with the FCSU based in the FMBNP. The IERD will engage a reputable, credible, and independent (private sector) verification agent to verify the achievement of results based on agreed terms of reference (TOR) incorporating the verification protocols outlined in detail for each of the DLIs in Table 8 and in annex 2. The IVA will assess achievement of the DLIs through interaction with the SCCUs and the implementing MDAs responsible for the activities in the three results areas in each state (CSDA, SCTU, Public Workfare Project Implementation Unit [PWFIU], Fadama, Ministry of Agriculture, MSE/GEEP, among others).

66. **The IVA will not only check reports to confirm the achievement of results but will also need to carry out field visits and engage beneficiaries and service providers where necessary (as stated in the verification protocols and agreed manual) for compliance check.** The verification missions will be carried out in six-monthly intervals and in accordance with the terms set forth in the PIM. The verification process will be supported by the state implementing units and the SCCU by making available all relevant data, reports, and documentation required for verification. The IVA will prepare and submit verification report to the FCSU and the World Bank. Upon validation of the report, the FCSU will notify the World Bank of DLIs achievement, supported by the relevant evidence and documentation.

67. Following the World Bank's review of the complete documentation, including additional information requested by the World Bank task team on verification and assessment of DLIs, the World Bank management will confirm the achievement of the DLI(s) and the level of Program financing proceeds available for disbursement against each DLI for transfer to the state special CARES consolidated account or treasury. This procedure will be carried out at six-monthly intervals through the duration of the Program. Also, a third-party monitoring team consisting mainly of civil society organizations and using agreed social accountability mechanism will be engaged by the FCSU to provide an independent validation of the process and procedure used for the delivery by the participating states. The report of the third party will be shared with the FCSU and the World Bank and will form a critical input in the monitoring of the implementation progress and the adherence to agreed operational process by the state delivery platforms.



Table 8. DLIs, Disbursement Timing, and Verification Protocol

Results Area	DLI	Timing after Effectiveness	Verification Protocol
<b>Results Area 1: Increased social transfers, basic services, and livelihood support to poor and vulnerable households</b>	Number of beneficiaries receiving State Social Transfers	6, 12, 18 months	IVA verifies: <ul style="list-style-type: none"><li>Number and proof of successful direct cash transfer payments to stated number of enrolled beneficiaries</li><li>Number and proof of beneficiary selection from agreed State Register and enrollment by gender and vulnerability profile</li><li>Sample of beneficiaries to confirm receipt of benefits</li></ul>
	Number of beneficiaries engaged and deployed into LIPW activities in social services and receiving stipends	6, 12, 18 months	IVA verifies: <ul style="list-style-type: none"><li>Number and proof of successful direct stipends payments to enrolled beneficiaries</li><li>Number and proof of individual selection from agreed State Register and enrollment by gender and vulnerability profile</li><li>Sample Records of attendance and participation in public works with Personal Protective Equipments (PPEs), Occupation Health and Safety (OHS) and National and GIIP labor practices confirmed in place</li><li>Sample of work sites to confirm beneficiaries and work done</li></ul>
	Number of beneficiaries supported with Livelihood Grants	6, 12, 18 months	IVA verifies: <ul style="list-style-type: none"><li>Reports and number of successful grant transfer to beneficiaries</li><li>Number and proof of individual selection from agreed State Register and enrollment by gender</li><li>Report of training attendance/register</li><li>Sample of beneficiaries to confirm receipt of benefits/grants and livelihood activity</li></ul>
	Number of direct beneficiaries of completed and functional Community and Basic Service Infrastructure microprojects	6, 12, 18 months	IVA verifies: <ul style="list-style-type: none"><li>Record of number of CDPs/GrDPs appraisal by the appraisal team and approved by CSDA management team, and funded as agreed in PIM</li><li>Records of number and profile of benefiting members of the community and or vulnerable groups that are utilizing micro-projects in the CDP or GrDP with sample visit to community and vulnerable groups</li><li>Record of environmental and social screening report conducted prior to commencement of microproject along with mitigation actions, timeline, responsible parties and budget in place, where needed</li><li>Record of voluntary land donation protocol developed with screening checklist</li><li>Report of semi annual Environmental and Social audit conducted including status of remedial actions taken that are stated in environmental and social (E&amp;S) screening report, additional remedial actions identified and action</li></ul>



Results Area	DLI	Timing after Effectiveness	Verification Protocol
			plan for implementation, if relevant
<b>Results Area 2: Increasing food security and safe functioning of food supply chains</b>	Number of farmers utilizing agricultural inputs and services from the Program	6, 12, 18 months	IVA reviews the following records to verify DLI achievements: <ul style="list-style-type: none"><li>• Registers of names, numbers and gender of farmers receiving crop and livestock inputs, including the specific types of inputs (e.g. varieties of improved seeds) and quantities received by each farmer</li><li>• Registers of names, numbers and gender of farmers receiving mechanization services and extension and advisory services;</li><li>• Counter-signed forms from leaders of farmer groups confirming that farmers are utilizing the inputs</li><li>• In addition, the IVA will visit a sample of heads of farmer groups to validate the records</li></ul>
	Number of farmers accessing improved agricultural infrastructure	6, 12, 18 months	IVA reviews the following records to verify DLI achievements: <ul style="list-style-type: none"><li>• Registers of names, numbers and gender of individual benefitting from the infrastructure</li><li>• The number of works contracts issued</li><li>• Record of Environmental and social screening report conducted prior to commencement of infrastructures along with mitigation actions, timeline, responsible parties and budget in place, where needed</li><li>• Works completion reports certified by local FADAMA-CARES desk and State Fadama Coordinating Office</li><li>• In addition, the IVA visits a sample of the sites to confirm that infrastructure has been rehabilitated/improved as per works contracts</li><li>• Report of semi annual Environmental and Social audit conducted including status of remedial actions taken that are stated in E&amp;S screening report, additional remedial actions identified and action plan for implementation, if relevant</li></ul>
	Number of farmers utilizing agricultural assets (production and small-scale primary processing) provided by the Program	6, 12, 18 months	IVA reviews the following records to verify DLI achievements: <ul style="list-style-type: none"><li>• Register with names, number and gender of farmers receiving assets for each category (production and small-scale primary processing/preservation)</li><li>• Counter-signed forms from leaders of farmer groups to confirm that farmers are utilizing the assets</li><li>• In addition, the IVA will visit a sample of heads of farmer groups to validate the records</li></ul>
	Number of existing wet markets with upgraded water and sanitation service	6, 12, 18 months	IVA reviews the following records for each market to verify DLI achievements: <ul style="list-style-type: none"><li>• The number of markets and works contracts issued</li><li>• Record of Environmental and social screening report conducted prior to commencement of upgrading works along with mitigation actions, timeline, responsible parties and budget in place, where needed</li></ul>



Results Area	DLI	Timing after Effectiveness	Verification Protocol
			<ul style="list-style-type: none"><li>• Works completion reports certified by local FADAMA-CARES desk and State Fadama Coordinating Office</li><li>• In addition, the IVA visits a sample of the markets to confirm that water and sanitation services have been upgraded with universal access as per works contracts.</li><li>• Report of semi annual Environmental and Social audit conducted including status of remedial actions taken that are stated in E&amp;S screening report, additional remedial actions identified and action plan for implementation, if relevant</li></ul>
<b>Results Area 3: Facilitating recovery and enhancing capabilities of small and medium enterprises</b>	Number of firms receiving MSE Matching Grants to support new loans originated after June 16, 2020	6, 12, 18 months	<p>IVA reviews the following records to verify DLI achievements:</p> <ul style="list-style-type: none"><li>• Registers for number of new loans by financial intermediaries including loan agreement or new loan records issued by financial intermediaries to eligible beneficiary firms</li><li>• Registers for numbers of transfers of 40 percent of new loans to bank accounts / digital wallets of eligible beneficiary firms</li></ul>
	Number of firms receiving Operational Support Grants	6, 12, 18 months	<p>IVA reviews the following records to verify DLI achievements:</p> <p>for eligible formal beneficiary firms:</p> <ul style="list-style-type: none"><li>• Registers for number of eligible formal beneficiary firms that received support grants direct to wage/salary payments into the bank accounts or digital wallets of employees</li><li>• Registers for number of eligible formal and informal firms that received support grants covering payments to private security personnel and purchase of solar panels</li><li>• Registers for eligible formal beneficiary firms that received support grants that covered documented verifiable operational costs</li></ul> <p>For informal firms; IVA reviews documentation and evidence that includes but not limited to:</p> <ul style="list-style-type: none"><li>• Registers for number of eligible informal firms that were biometrically enrolled to the CARES state's transacting platform e.g. Bank Verification Number (BVN), mobile phone number of beneficiary informal firms, where digital data protection is in place</li></ul>
	Number of firms receiving IT Enhancement Grants	6, 12, 18 months	<p>IVA reviews the following records to verify DLI achievements:</p> <ul style="list-style-type: none"><li>• Registers for number of eligible formal or informal firms that received support grants that covered acquisition and deployment of IT solutions</li><li>• Registers for number of eligible formal or informal firms that received support grants that covered acquisition of IT physical equipment</li><li>• Report of semi annual Environmental and Social audit conducted including pollution (e-waste, GHG emissions, resource efficiency, etc.) and labor dimensions of IT</li></ul>



Results Area	DLI	Timing after Effectiveness	Verification Protocol
			enhancement activities

68. **Prior results and advances.** Many of the participating states may be able to achieve some of the agreed DLIs before Program effectiveness. The Program will, upon effectiveness, recognize such prior results achieved starting from June 16, 2020 (Project Concept Note approval date) up to 25 percent (SDR 70,840,000) of the eligible disbursement for the specific DLI selected by the states. Furthermore, all the participating states will be eligible for advance financing to support upstream implementation of activities that require significant expenditures. An advance of up to 25 percent of eligible disbursements for DLIs may be requested after the Program becomes effective to facilitate the achievement of the DLIs. Many of the participating states have indicated their intention to request advance payments and disbursement for prior result achievements. It is confirmed that a combination of both payments cannot exceed 30 percent of the eligible disbursement. Given the considerable risk of lapsed loans associated with advances, justification for advances would be made after a rigorous assessment is done by the World Bank task team, and only then will disbursements be agreed. The recovery of the one-time non-revolving advances will follow the standard procedure as stated in the financial operations manual

#### F. Program Expenditure Framework

69. **The overall budget for the 36 states and FCT government program is estimated at US\$3.66 billion between 2020 and 2022, across the three results areas.** Table 9 presents the breakdown across the three results areas and by expenditure categories, detailing the total state budget for recurrent and capital expenditures. The total recurrent expenditure amounts to US\$686.5 million whereas the total capital expenditure amounts to US\$2.97 billion. Detailed state-wise breakdown of government expenditure framework in the sectors covered by the three results areas is presented in Table 3.8.

Table 9. Estimated Budgets of the Government Program, 2020–2022 (US\$, millions)

	Recurrent Expenditure	Capital Expenditure	Total
<b>States Social Safety Net Interventions</b>	328.85	748.86	1,077.71
<b>ADP</b>	270.88	1,369.65	1,640.53
<b>MSE Programs</b>	86.75	854.71	941.46
<b>Total</b>	686.48	2,973.22	3,659.70

Source: 2020 Approved Budget, 2021–2022 estimates from Medium-term Expenditure Framework (MTEF).

70. **The PforR program, supported by the three results areas, is estimated at US\$840.21 million over the same period (2020–2022).** Table 10 presents the breakdown of the PforR program across the three results areas and by expenditure categories, detailing the total state budget for recurrent and capital expenditures. The total recurrent expenditure amounts to US\$193.11 million whereas the total capital expenditure amounts to US\$647.10 million.



Table 10. Estimated Budgets of the PforR Program, 2020–2022 (US\$, millions)

	Recurrent Expenditure	Capital Expenditure	Total
<b>Livelihood Support</b>	72.70	216.35	289.05
<b>Food Security</b>	64.84	287.82	352.66
<b>MSE Support</b>	55.57	142.93	198.50
<b>Total</b>	193.11	647.10	840.21

Source: 2020 Approved Budget, 2021 – 2022 estimates from MTEF.

71. **The IDA contribution to the PforR amounts to US\$735 million, for an expenditure framework of US\$840.21 million.** The expenditure program boundary for the Program is defined as the aggregated estimated recurrent and capital spending by the states' MDAs involved in the three results areas across the 36 States and FCT (assuming all states to participate in the Program) for the Program duration period of 2020–2022. The PforR expenditure framework is based on the approved budget for 2020 and the MTEF estimates for 2021 and 2022. The expenditure framework includes MDAs involved in the three results areas. Detailed state-wise breakdown of PforR expenditure framework is presented in Table 3.9.

Table 11. PforR Expenditure Framework by Contribution Source (US\$, millions)

Source	Amount (US\$, millions)	% of Total
<b>Government</b>	105.21	13
<b>IDA</b>	735.00	87
<b>Total Program Financing</b>	<b>840.21</b>	<b>100</b>

72. **The expenditure framework includes operating and select capital expenses of MDAs actively involved in the implementation of the PforR.** The capital expenditures are such as are necessary for the achievement of PDO indicators and include upgrading of the sanitary infrastructure in markets; improvement in existing agriculture infrastructure for canals, feeder roads, and warehouses; acquisition of mini solar panels; rehabilitation of classroom blocks; repairing of clinics or primary health centers; procurement of farm assets and equipment; procurement of ICT equipment; and implementation of microprojects.

73. **Excluded activities.** The Program will exclude activities that do not align with the World Bank policy on eligibility requirements for PforR financing. Specifically, the borrower shall ensure that the Program excludes any activities which, in the opinion of the World Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or could affect people, as defined in the World Bank policy on PforR financing, and Works, Goods, and Consultancy contracts above the Operational Procurement Review Committee (OPRC) thresholds. Assessment of government procurement plans over the last three years and types of expenditure anticipated under the Program indicate that estimated monetary values of activities under the Program will not exceed OPRC thresholds.

### III. PROGRAM IMPLEMENTATION

#### A. Institutional and Implementation Arrangements

74. **The proposed PforR will be implemented in all the states and FCT.** The Program is designed to run for a period of two years (2021–2023) and will be implemented using existing structures at the level of the states and the federal government, without creating any add-on project implementation structure.



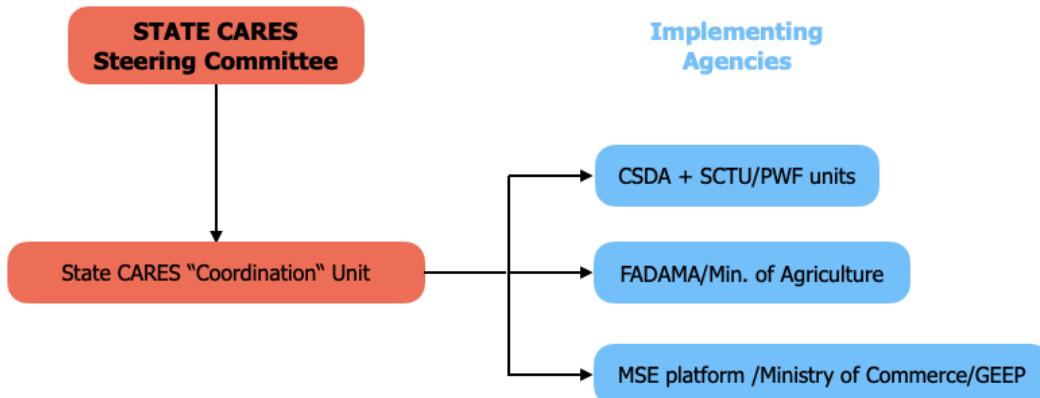
75. The management of the Program at the state level shall be exclusively based on the PforR framework for funding that will grant the state government autonomy in decision-making. The state structure implementing DLIs will be responsible for delivering the results in partnership with other stakeholders and for achieving the Program objectives. The CARES PforR will place a strong emphasis on the CDD structures across the results areas and delivery platforms to promote community ownership of, and responsibility for, operations and maintenance of infrastructure investments, where applicable.

76. A state-level Steering Committee comprising of commissioners and permanent secretaries of the key sectoral ministries and policy heads of agencies will be constituted to provide oversight and policy guidance to the Program. The Steering Committee will be led by the commissioner responsible for planning and budget or finance. A small unit for coordinating the State CARES Program—SCCU—comprising mainly of four to five planning and monitoring officers will be housed in the State Budget and Planning Unit. The SCCU will be responsible for (a) serving as the secretariat of State CARES Steering Committee (SCSC); (b) undertaking periodic collation of results from delivery units; and (c) monitoring progress of implementation and disbursements against results.

77. The SCCU will work closely and relate directly with the delivery platforms for the three results areas.

- (a) **Results Area 1: Social safety nets and basic service delivery.** The SCTU, the state public welfare (PWF) Unit, and the state CSDAs will be responsible for implementation and delivery of the DLIs. Some states, where these platforms are not available, will use other agencies and platform with mandate and responsibility for delivery on the results area. Some states have indicated that the various platforms will be merged to implement the interventions supported by the PforR through a pro-poor and basic service delivery organization.
- (b) **Results Area 2: Food security and safe food delivery.** The Fadama unit of the State Ministry of Agriculture will be responsible for the delivery of the DLIs in this results area.
- (c) **Results Area 3: Facilitating recovery and enhancing capabilities of MSEs.** State-owned MSE support agencies working in close partnership with the GEEP platform of the BOI at the state level will take responsibility for the delivery of the DLIs in this results area. Some state MSE platforms with sufficient and assessed capability will work solely (that is, take full responsibility) for delivery of the DLIs.

Figure 8. State-level Institutional Arrangement for the Proposed CARES PforR





78. **The Program will have a three-tier formal structure at the federal level for broad Program level oversight.** The key features of the proposed organizational structure and functional responsibilities at the federal levels are described below and shown in figure 9.

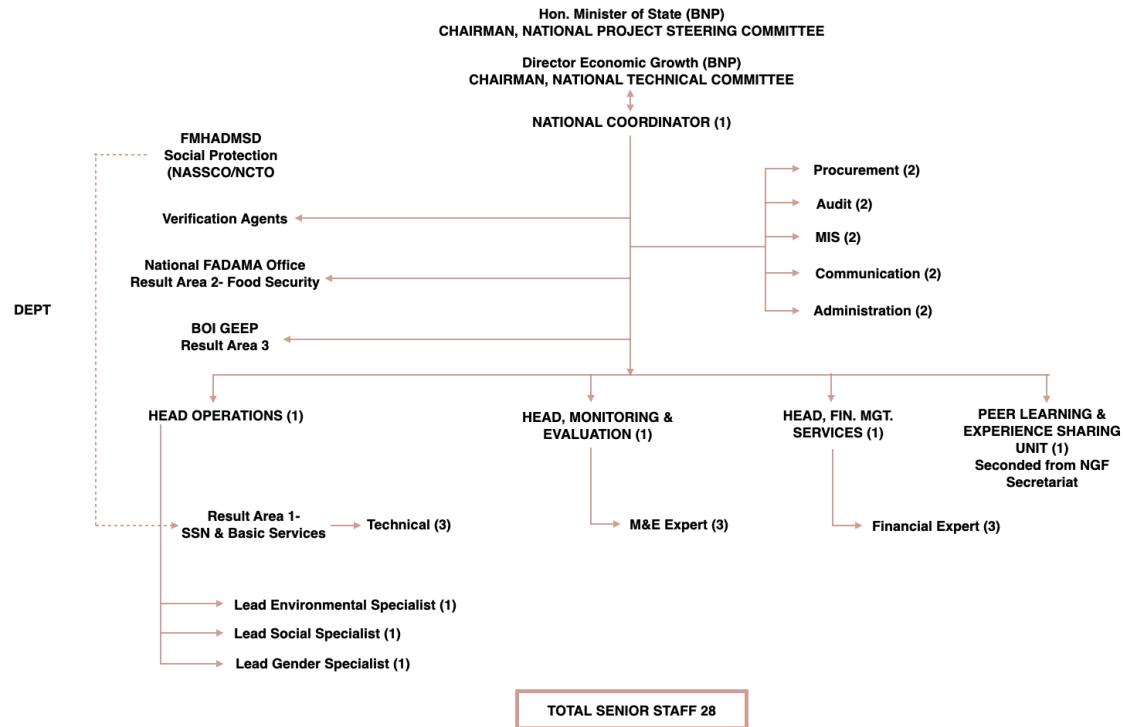
- (a) **The Federal CARES Steering Committee (FCSC)** will provide overall policy direction to the Program. The Steering Committee at the federal level will comprise key decision-makers from relevant MDAs. The FCSC will be chaired by the Federal Minister of State of Finance, Budget, and National Planning, and include representatives of Federal Ministry of Agriculture and Rural Development; Federal Ministry of Labor and Employment; Federal Ministry of Environment; Federal Ministry of Humanitarian Affairs, Disaster Management, and Social Development; Federal Ministry of Education; Federal Ministry of Water Resources and Permanent Secretaries for Budget and National Planning, IERD, Federal Ministry of Industry, Trade and Investment, and the NGF, as further detailed in the PIM. Among key role of the FCSC will be to (i) provide overall policy guidance for Program implementation, (ii) liaise with the national assembly for adequate allocation of resources, (iii) review project performance annually and provide feedback to government at both federal and state levels, and (iv) promote public enlightenment in support of the Operation.
- (b) **The Federal CARES' Technical Committee (FCTC)** will be responsible for Program oversight, overall technical guidance, coordination, strategic direction, and review and approval of the annual work Program and budget of the FCSU. As a subcommittee of the FCSC, the FCTC will be responsible for (i) providing technical oversight and guidance for Program implementation; (ii) reviewing and approving annual work program and budget for the FCSU; (iii) reviewing Program performance, accounting and audit reports, and enforcing implementation of decisions; (iv) conducting performance review of key FCSU staff; (v) garnering political support for national CDD policy; and (vi) approving amendments to the PIM and implementation plan. The FCTC will be chaired by the director (Economic Growth) of the supervising ministry and will comprise directorate level representation from the participating MDAs.
- (c) **The FCSU** will be responsible for Program management, day-to-day Program support at the federal level, and supporting the states on technical and capacity issues, financial management, M&E, and peer learning. In this capacity, the FCSU will be responsible for ensuring that World Bank guidelines and procedures are followed on issues of procurement, disbursements, auditing and overall financial management and that the E&S guidelines are followed across the Program implementation delivery units. Key roles and responsibilities of the FCSU include the following:
  - (i) Supervising and managing the private sector IVAs for the verification of DLIs and the authorization and disbursement of the funds to State Treasuries. IERD will be responsible for engagement of the IVA with support of the FCSU
  - (ii) Collating overall progress of implementation according to the Results Framework including the PDO and intermediate indicators
  - (iii) Providing technical support to assist the State CARES delivery platforms (CSDA, SCTU, PWF, Fadama, MSE, and so on) at the state level to build the capacity of platforms and improve delivery efficiency
  - (iv) Organizing peer learning and experience sharing among state teams—facilitated in partnership with NGF secretariat
  - (v) Organizing quarterly implementation progress review meetings
  - (vi) Preparing quarterly progress reports for onward submission to the FCSC and the World Bank



- (vii) Serving as secretariat for the Nigeria CARES Steering Committee and the Federal CARES Technical Committee
- (viii) Managing and ensuring disbursements of funds to the states
- (ix) Preparing work program and budget and quarterly, semiannual, and annual reports on the performance and financial standing of the project
- (x) Managing the project M&E and information system, including a database of service providers.

79. The FCSU will be headed by a national Project Coordinator, supported by a core technical team as shown in figure 9. Additionally, the National Fadama Office and National GEEP/BOI Office will provide technical and operational support to the states for Results Areas 2 and 3 of the Program, respectively. The FMHADMSD, through National Social Safety Nets Coordinating Office (NASSCO), NCTO and Social Protection Unit, will provide assistance as needed to the Result Area 1 Technical Unit in FCSU to support the delivery platforms at the State level. The NGF secretariat will coordinate on peer learning activities for all the participating states. The National FADAMA office, The National GEEP/BOI office and the NGF at the federal level will submit annual work plan and budgets for the technical support and peer learning work for integration into the overall budget and workplan of the FCSU. They would also provide progress report to the FCSU.

Figure 9. Federal-level Institutional Arrangement and Organogram for the Proposed CARES PforR



## B. Results Monitoring and Evaluation

80. **A Results Framework (annex 1) will guide the M&E for the Program.** A total of three PDO-level indicators and 11 intermediate indicators corresponding to the three results areas and three Intermediate Results corresponding to the IPF component will help determine the achievement of the Program outcomes at the end of the project. The three PDO indicators assess (a) the number of beneficiaries supported by the safety nets and



basic services interventions; (b) number of farmers supported to increase food production; and (c) number of vulnerable and viable firms supported through the Program. It is critical for states to meet these three indicators to protect livelihoods and food security and facilitate the recovery of local economic activities in the country. Intermediate indicators are either directly drawn from the DLI matrix or are related to the delivery of the DLI (more details are presented in annex 2).

**81. Each indicator has an end-of-program (2022) target (to be measured in 2023) for the total number of states participating in individual DLIs of the Program.** The end targets for PDO and intermediate indicators were calculated by aggregating the corresponding DLIs at the state level to arrive at the total number of individuals, farmers, and firms supported through the PforR for the duration of the Program. A total of nine out of the 11 intermediate indicators are disaggregated by gender and have specific targets set for the number of female beneficiaries or the proportion of women-owned firms to be furthered by the government interventions supported by the Program. The first two intermediate indicators in Results Area 2 will also measure the proportion of climate-smart inputs/services and agricultural infrastructure supported by the Program. The second intermediate indicator in Results Area 3 measures the proportion of firms supporting mini solar panel technologies and receiving operational support grants to retain operations. The responsibility for verification and assessment of progress of the indicators lies with the FCSU. The FCSU will contract an independent IVA to verify the achievement of results from each state and submit progress report on the Results Framework to the World Bank.

**82. The M&E units of the CSDAs, SCTUs, and PWFPUs will be responsible, using an agreed result monitoring template, for monitoring and evaluating the results and providing an update on implementation progress for Results Area 1.** They will collect the data, results, and relevant information from the communities, LGAs, beneficiaries, and service providers such as payment service agents in a timely and accurate manner and present to the SCCU for use by the IVA. The State CARES Unit will also use such information along with that of other platforms to produce a State CARES M&E report to be shared with the M&E unit of the FCSU and with the SCSC. The M&E units of the implementing agents will also work closely with the IVA for validation and cross-checking of the results data submitted. The FCSU will be responsible for producing the quarterly and annual program performance report.

**83. The State Fadama Coordination Offices (SFCOs) will have responsibility for M&E of Results Area 2** and will work closely with the Local Fadama Desk (LFD) to ensure that data and reports for verification of results by the IVA are collected accurately and on time. The SFCOs will also be responsible for collection of M&E data for overall Program monitoring beyond the data and reports required by the IVA and submitting them to the SCCU. The SFCOs will be helped by the National Fadama Coordinating Office (NFCO) to carry out the M&E functions and other forms of handholding support as may be needed. However, each SFCO will be responsible to feed program-related data from the LFD, farmers' fields, and SFCO to the SCCU and FCSU, which will consolidate the data and reports and generate the quarterly, biannual, and annual progress reports. The SFCO will also feed the program-related data to the NFCO central M&E system as may be necessary.

**84. The M&E units from individual interventions within each state will aggregate information for Results Area 3 so that the impact of the grants from the three DLIs on the MSEs recovery, enhancement of their capabilities, and resilience can be captured.** For states that partner with BOI GEEP platform for implementation of Results Area 3, the Program will rely on BOI GEEP platform to deliver accurate information on the progress of the DLIs to the SCCU and delivery to the FCSU. For states that are using their own platform, the implementing



agency will be responsible for collecting the data and relaying the data to the SCCU. The FCSU will be responsible for impact evaluation.

**85. The reports collected by implementing agencies will be submitted to the SCCU for onward submission to the FCSU for consolidation into the overall Program M&E reports.** The M&E data and reports are key inputs into decision-making regarding program implementation at various levels (local, state, and national) and should be utilized at the points in which they are generated. They will provide useful background information for the program mid-term review (MTR), impact evaluation, and the completion reports.

### C. Disbursement Arrangements

**86. The proceeds of the IDA credit under the Program results component will be disbursed to the Federal Governments Special Fund Account, a subaccount of the Treasury Single Account (TSA) held with the CBN—triggered by validated results under the six-monthly program assessment presented in a Program progress review report.** Upon achieving DLI-related results, a withdrawal application will be submitted to the World Bank, using the World Bank's standard disbursement form through the e-disbursement functionality in the World Bank's Client Connection system. Disbursements of performance-based financing (PBF) to performing states will be made directly from the Special Fund Account, to a subaccount of the Consolidated Revenue Fund Accounts of the respective states to be opened for that purpose and from where disbursements will be made to the implementing agencies. To mitigate the risk of delay in the transfer of funds from the FMFBNP to the states, it is envisioned that service standards will be established to ensure that states share of funds received in the TSA at the federal level are transferred to the states account on time.<sup>29</sup>

### D. Capacity Building

**87. Capacity-building support for CARES will be provided through the IPF TA component.** A dedicated FCSU at the federal level will provide technical support to the states for smooth implementation of the Program. For Results Area 1—Social Safety Net and Basic Services—a social protection unit in the FCSU, with two technical experts will draw necessary support from the FMHADMDS and support the implementation agencies (PWF, SCTU, Targeted Grant Transfer, and CSDA) at the state level. It was assessed during preparation that state implementation agencies for Results Areas 2 and 3 will require substantial technical support and handholding from national platforms for implementation. Technical support to the state Fadama delivery units will be provided by the National Fadama Office. The technical support and advice will cover operations, safeguards, and M&E. The same level of substantial technical support will be required at the state level for some of Results Area 3—MSE delivery units. Technical and capacity-building support for this area will be provided by the GEEP/BOI national office and will cover operations, safeguards, and M&E activities.

**88. The IPF TA component capacity building will extend to E&S capacity-building activities.** This will cover activities such as land acquisition and resettlement, principle of voluntary land donation and requirements, targeted sexual exploitation and abuse (SEA)/sexual harassment (SH) and SEA/SH case management procedure, GRM management and standard operating procedure, occupational health and safety (OHS), E&S screening process for subproject, and so on. These activities will be implemented in addition to other capacity-building

<sup>29</sup> This practice has worked satisfactorily in SFTAS. Transfers are made within the agreed timeline. Having professionals experienced in the implementation of World Bank-financed projects at the FCSU and support of the task team at implementation will ensure that disbursements will be made in time.



program relevant to Results Areas 1–3 including E&S coordination. Similarly, the TA will also support the preparation of operations manual, guidelines, E&S guidelines and templates, M&E check list, and so on. The IPF/TA also includes support for M&E, fiduciary, strategic communication, and sectoral operations. In terms of implementation, the FCSU will be the implementing agency for the TA/IPF component activities.

**89. Examples of capacity-building support that will be provided to each of the state delivery platforms through the IPF component are summarized below:**

- (a) **Results Area 1:** (i) conducting and managing of life skills sessions for eligible beneficiaries on Social Transfers, LIPW and Livelihood Grants Support; (ii) training on community mobilization and participatory rapid appraisal and planning for field officers of the CSDAs; and (iii) data collection, processing, and reporting techniques for PforR programs on social protection.
- (b) **Results Area 2:** (i) filling up vacancies in state Fadama implementation units, especially in states that were not part of Fadama III, which includes but is not limited Nasarawa and Enugu; (ii) repurposing the Fadama M&E and MIS to the needs of the CARES program; (iii) conducting refresher trainings or orientations at state and local government levels to communicate the transition from the Fadama approach to a more streamlined implementation process for the CARES program, consistent with the need for emergency response; and (iv) retooling the state and National Fadama Offices with relevant IT systems to enable remote coordination of program implementation.
- (c) **Results Area 3:** (i) enhancing capacity for adopting technology in digital enrollment of beneficiaries; (ii) scaling up digital payments in government-to-person payments to support beneficiaries; (iii) building institutional capacity in targeting, vetting, and verification of potential beneficiaries

#### IV. ASSESSMENT SUMMARY

##### A. Technical (including Program economic evaluation)

**90. The World Bank carried out a technical assessment that analyzed the strengths and weaknesses of the Nigerian Government in delivering interventions related to the three results areas at the federal and state levels.** Drawing on the findings of the assessment, the PforR program design incorporates elements of support to the government in strengthening intervention delivery systems; improving the flow of information; strengthening capacity and incentives for data collection and learning across the delivery chain.

**91. The technical design of the PforR incorporates a multisectoral synchronized approach to address the constraints in the three prioritized sectors in the economy.** The technical design of the PforR was informed by findings from several recent household and business surveys that show the economic crisis having a disproportionate impact on poor and vulnerable Nigerians, their food security, and on MSEs. Because states have diverse socioeconomic profile, the technical design of the Program allows the states the flexibility to allocate resources in the areas that best suit their needs. This is achieved by offering the states a menu of 11 DLIs and allowing them to ex ante determine results and targets that best allow them to respond to the crisis. The technical assessment also evaluated the lessons learned from long-standing platforms such as CSDP, Fadama, and GEEP to



assess the scope and coverage of the interventions that are supported using these platforms. The risks and mitigation measures on technical issues identified are incorporated in the Program Action Plan (PAP) (annex 6).

**92. Adequate implementation arrangements.** The technical assessment reviewed the institutional arrangements at the federal and state levels (described in section III) and assessed the technical, fiduciary, and social and environmental safeguards related systems in each of the delivery platforms. The assessment concluded that the basic institutional and implementation arrangements for multisectoral programming are in place, but that system adjustments, capacity improvements, and stronger incentives are required to ensure the government is able to achieve the stated objectives set out in the ESP. The detailed analysis, including recommendations that will inform the World Bank's technical and implementation support, is further highlighted in the fiduciary and environmental and social assessments. The recommendations are incorporated into the DLIs and the PAP (annex 6).

**93. Adequate M&E arrangements.** The technical assessment comprehensively reviewed the M&E arrangements in the implementing platforms for the delivery of interventions across the three results areas. The SCCU, in close coordination with implementing agencies, will be responsible for monitoring, evaluation, and oversight of the PforR. The SCCU will be staffed with relevant M&E professionals and budget and logistic resources for M&E activities. The Federal CARES Unit will have a role in providing M&E related capacity-building support to the states and consolidating program reports at the national level. Long-standing World Bank programs such as CSDP, YESSO, and Fadama have supported capacity to carry out M&E functions at the state and federal Level. The M&E-specific measures for each of the three results areas that are incorporated in the design of the PforR are described in section III.

**94. The economic analysis confirms that the PforR program will generate positive economic returns.** Many of the subprograms supported by CARES PforR were previously established under World Bank financing and have been previously assessed to have favorable costs/benefits ratio (see Technical Annex for details). Relative to other interventions, the CSDP is more cost-effective in constructing a unit classroom and health center. The CSDP approach fosters greater allocative efficiency in public expenditure in relation to the needs of the poor. Through the promotion of participatory decision-making at the local level (the participatory community planning process), the CSDP empowers communities to allocate scarce resources across sectors and the ability of the communities to control valuable resources, thereby ensuring that such resources are applied most efficiently in response to local priorities. Similarly, YESSO was assessed to transfer an average of US\$25.5 million wage benefits to unemployed youth, with the results expected in transferring US\$1 of benefits at a cost of US\$0.24.<sup>30</sup>

**95. The impact evaluation of Fadama III AF II shows that relative to the control group, similar interventions as those proposed in Results Area 2 increased crop income by 52 percent, livestock income by 142 percent, and aquaculture income by 59 percent.** The income gains were primarily driven by adoption of improved crop varieties and agricultural practices, increased access to assets for crop and livestock production, and agricultural infrastructure. Considering that the Program targets the poor and vulnerable, many of whom live in rural areas where poverty headcount rate is about 52 percent, the expected impacts on agricultural incomes can lift poor farmers out of poverty and prevent vulnerable farmers from falling into poverty. The economic internal rate of

<sup>30</sup> See <http://documents1.worldbank.org/curated/en/876291468197102279/pdf/PAD1826-PJPR-P126964-P157899-IDA-R2016-0123-1-Box396259B-OUO-9.pdf>.



return (EIRR) for Fadama III AF II was estimated at 53 percent and the interventions in Results Area 2 are expected to generate similar economic returns.

**96. The proposed Program is designed to alleviate market constraints that have arisen due to the COVID-19 pandemic which is adversely affecting MSEs.** These constraints contribute to increased unemployment rates, increased business closure, and loss of revenue in the country. The Program is expected to generate positive economic impact. A similar program in Nigeria that awarded US\$50,000 grants to winning enterprises was found through a rigorous evaluation to produce large gains in the labor earnings of existing employees and newly hired employees (mostly youth). The evaluation found a 37percentage point increase in the likelihood that the enterprise would be in existence three years later, a 23 percentage point increase in the likelihood that the enterprise has 10 or more workers, and a 23 percent increase in enterprise profits.<sup>31</sup> The expected impacts of the program interventions can trigger private sector-led growth, create and sustain employment rates, improve digitalization, and facilitate formalization with microfinance banks and digital lending platforms in the long run.<sup>32</sup>

**97. Rationale for public financing.** Since the onset of the COVID-19 pandemic in early 2020 and the ensuing global economic fallout, governments in high-income countries have spent over 10 percent of their GDP to ease the economic pain. In emerging economies such as Nigeria, that number is substantially less at 3 percent of GDP on average.<sup>33</sup> Containment measures taken to stop the spread of the virus is affecting all sectors of the economy in Nigeria, leading to widespread losses of labor and non-labor income, increasing food insecurity, and forcing farm and non-farm enterprises to close due to their inability to buy or sell inputs and supplies. On top of that, the fall in the global oil prices has severely constrained the government's ability to effectively respond to the crisis. In major crises—such as the one being caused by the pandemic—it is the imperative of the government to protect its poorest and most vulnerable citizens. This is more urgent in Nigeria where almost 65 percent of the population (more than 120 million individuals) are either poor or vulnerable. The interventions supported by the PforR are directly supporting the key objectives of the government's ESP. These interventions were already supported using funds from the public sector of the state and federal governments before the crisis. Public financing on provision of livelihood support, food security, and business support services is therefore necessary to mitigate the impact of the current crisis and strengthen the delivery systems of the government's interventions for long-term sustainability.

## B. Fiduciary

**98. Summary of Fiduciary Systems Assessment (FSA).** The FSA was conducted through a methodical review of systems and practices at the state level, involving the review of a number of analytical studies. These include Draft Federal Public Expenditure and Financial Accountability (PEFA) (2019); the Public Expenditure Management and Financial Accountability Review (PEMFAR) carried out in respect of the federal government and 25 states; a study on the Fiscal Sustainability of States (2017); and the Programmatic Integrated Fiduciary Assessment of Nigerian States (PIFANS) (2015) carried out in six states. The team also reviewed the lessons learned in implementation of World Bank programs at the state level. The World Bank has been supporting state governments in strengthening their service delivery and institutional and financial management systems and

<sup>31</sup> McKenzie, D. 2017. "Identifying and Spurring High-Growth Entrepreneurship: Experimental Evidence from a Business Plan Competition." American Economic Review 107(8):2278–2307.

<sup>32</sup> See: <https://www.aeaweb.org/articles?id=10.1257/app.5.2.122>.

<sup>33</sup> The Economist 2020. <https://www.economist.com/leaders/2020/09/26/covid-19-has-reversed-years-of-gains-in-the-war-on-poverty>.



processes through several operations.<sup>34</sup> The result of the 2018 Annual Performance Assessment (APA) conducted by the IVA involving all the 36 states under the SFTAS program was equally reviewed. These reports indicate that Nigeria and indeed the 36 states have continued to make progress in public finance management (PFM) reforms in key areas such as planning and budgeting, accounting and reporting, internal and external auditing, State Integrated Financial Management Information System (SIFMIS), cash management, budget preparation, and budget execution.

99. **Reasonable assurance.** The fiduciary systems, institutions, and practices provide reasonable assurance that they can support the use of the Program resources for the intended purposes and achievement of Program objectives in an effective, efficient, and transparent manner—subject to full implementation of the PAP.

100. **Risk assessment.** Fiduciary risks identified include weak internal controls over payroll and misuse of grants. Measures to improve the performance of public financial management systems, processes, and institutions are being incentivized under the ongoing SFTAS PforR (P162009). The risk of fraud in the selection of beneficiaries in the intervention areas of the CARES program is an area of concern. The mitigation measure for this risk will be managed through methodical implementation of the PAP and the verification protocols for selection of beneficiaries for each intervention. The overall Program integrated residual fiduciary risk (FM, procurement, and governance) is rated Substantial.

Table 12. Identified Fiduciary Risks and Mitigation Measures for CARES PforR

Activity	Risk	Risk Mitigating Measure
<b>Results Area 1</b>		
<ul style="list-style-type: none"><li>• Social transfer</li><li>• Labor-intensive public workfare</li><li>• Livelihood support</li><li>• Community and basic services infrastructure</li></ul>	<ul style="list-style-type: none"><li>• Fraud in selection of beneficiaries</li><li>• Misuse of grants</li></ul>	<ul style="list-style-type: none"><li>• Beneficiaries selected from SSR, SRB, and other register of beneficiaries.</li><li>• Quarterly audit of list of beneficiaries and payment to the beneficiaries by State Auditor-Generals.</li><li>• Grants disbursed in tranches upon work completion.</li></ul>
<b>Results Area 2</b>		
<ul style="list-style-type: none"><li>• Distribution of seeds, fertilizers and extension services to farmers</li><li>• Labor-intensive agriculture infrastructure for canals, feeder roads and warehouses</li><li>• Provision of agriculture assets for production and mitigation of food loss and waste</li><li>• Upgrade the sanitary infrastructure in markets</li></ul>	<ul style="list-style-type: none"><li>• Fraud in selection of farmer groups</li><li>• Misuse of grants</li></ul>	<ul style="list-style-type: none"><li>• Farmer groups registered with state/local government or profiled groups by SFCO.</li><li>• Use of eligible service providers at the local level for supply of inputs.</li><li>• Grants disbursed in tranches upon achievement of milestone.</li><li>• Quarterly audit of list of beneficiaries and payment to the</li></ul>

<sup>34</sup> State Employment and Expenditure for Results Project (SEEFOR, P121455); State and Local Governance Reform Project (SLOGOR, P133045); SFTAS (P162009); Kaduna Economic Transformation PforR (P161998); Promote Governance Reforms in Borno State (P163743); Sustainable Procurement, Environmental and Social Standards Enhancement Project (SPESSE, P169405); Public Sector Governance Reform and Development Project (PSGRDP, P097026).



Activity	Risk	Risk Mitigating Measure
		beneficiaries by State Auditor-Generals.
<b>Results Area 3</b>		
<ul style="list-style-type: none"><li>• Credit grant</li><li>• Operations grant</li><li>• IT enhancement grant</li></ul>	<ul style="list-style-type: none"><li>• Fraud in selection of recipient firms</li><li>• Misuse of grants</li></ul>	<ul style="list-style-type: none"><li>• Evaluation of MSEs through multiple channels - phone interviews, physical visits and randomized fraud audits to ensure validity of know-your-customer (KYC), authenticity and eligibility for the program by BOI.</li><li>• Periodic field visits by the state government and BOI.</li><li>• Quarterly audit of list of recipient firms and payments to the firms by State Auditor-Generals.</li></ul>

101. **Procurement exclusions.** Contracts for the procurement of works, goods, and services under the Program that exceed the OPRC thresholds will be excluded from the PforR financing.

### C. Environmental and Social

102. **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. E&S risks is rated Substantial.

103. **Assessment of Borrower's capacity.** In line with the six core principles, the relevant risks within the proposed results areas under the PforR cover E&S 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) 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 OHS issues due to labor-related actions in agriculture, during LIPW and MSE activities under the Program; (e) risk of exclusion of vulnerable and marginalized individuals/groups/disability exclusion, elite capture, SEA/SI, capacity to capture beneficiaries, and so on.; and (f) possibilities of GBV, SH, and 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.

104. **Recommended E&S measures.** The ESSA recommendation includes the following:

- (a) State governments should institute a scheduled program to build and strengthen the capacity of technical staff of the State 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, and so on.) in the states.



- (b) Some aspects of the EIA system should be modified to ensure that social assessments are fully covered and that affected 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, the government (state and federal) should create a tracking system to monitor E&S risks performance during Program implementation.
- (c) The states' Ministry of Environment should establish a framework (for example, 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 MSEs, contractors and workers, and laborers (including those involved in community microprojects) 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 MSEs.
- (e) Given that the Nigeria CARES PforR incorporates some climate-smart agricultural interventions, for example, distribution of inputs - improved seeds and fertilizer to farmers and rehabilitation of irrigation infrastructures, state governments should develop and implement a climate-smart agricultural program and action plan as part of Results Area 2.
- (f) To facilitate compliance with environmental laws and regulations especially regarding EIA and environmental audit and to ensure that beneficiaries especially under Results Area 2 follow all the available guidelines from the Fadama project regarding safe use of pesticides and fertilizers, the state and federal governments through National Environmental Standards 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) Environmental screening of Program activities, half yearly review and monitoring of progress on E&S issues, and annual E&S audit should be conducted to ensure compliance of the program activities with the E&S standards and regulations.
- (h) Stakeholder engagement and the existing GRM in CSDP, SCTU, Fadama State Job Creation Unit/SME Support Units, and GEEP should be strengthened 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 GBV response team should quickly set up such a team to address issues of GBV in the states and support it with a robust public enlightenment program about the evils of SEA and SH.
- (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.
- (k) All state governments, in collaboration with the SCCU, should develop, adopt, and implement a voluntary land donation protocol to screen all land selected for microprojects to ensure that the land is 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 GRM. As indicated in the exclusion criteria, any land selected for microproject that will involve displacement/resettlement will not be eligible for community microprojects.

105. **Environmental risk.** The overall E&S impacts of the CARES program are likely to be positive. The Program will not finance any activities that would cause high or significant E&S risks and impacts, and an exclusion list has been prepared that presents such activities (annex 5). 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 Results Area 2 could include overuse of chemical fertilizers, pesticides, among others, leading to soil and groundwater contamination. In addition, risks associated with OHS, GHGs, and labor management including the use of child labor will be mitigated in accordance with the PforR core principles of 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 apply. 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 E&S risks associated with Results Area 4 are covered under the IPF and the required environmental and social risks assessment has been prepared in line with IPF requirement. All related matters will be mitigated in accordance with the current data protection protocol. Mitigation measures on data protection for Results Area 1 will be in line with the federal data protection laws (Data Protection Bill 2020) when the bill is approved. In the meantime, all requirements 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 World Bank-supported NASSP. While seven out of the 12 recommendations are incorporated into the PAP for environmental and social management, the remaining recommendations need to be incorporated in the PIM.

106. **Labor management including risk associated with child labor.** The type of workers under the Program includes direct workers and contracted workers. While the initial assessment identified labor-related risks including the use of child labor, related mitigation measures are (a) a policy on working condition and management of worker relationship - Labor Management Procedures (LMP); (b) measures for protecting the workforce and to prevent child labor and forced labor; and (c) a workers grievance integrated in the project design in accordance with ESS2 Labor and Working Conditions.

107. **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 investments under Results 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

108. **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.



109. **OHS.** The risk of OHS (both COVID and non-COVID) applies to the Program. The Program design will ensure the compliance to lay down 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 consider availability of PPE for workers, distributed and used. Where necessary, the project design will also mainstream the use of technology for remote supervision and project monitoring.

110. **GHGs.** Activities from Results Area 2 are expected to result in net GHG emission. From the GHG and climate co-benefit assessment, the government will mainstream relevant mitigation measure in the Program design.

111. **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 empower communities and promote accountability. In terms of negative impacts and risks, associated with the PforR operation, the rating is Substantial, considering 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 1 million beneficiaries and the Program's institutional arrangements.

112. **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, blocking of grant transfer to groups and MSEs engaged in food processing, training on livelihood and small basic productive/commercial agriculture, and marketing of infrastructure, for example, warehouse. The design of these intervention is such that each state has the flexibility of participating in the 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.

113. **Furthermore, given the possibility that land for some community development microprojects 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 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 before appraisal. Based on the outcome of the assessment, appropriate gap filling measures was included in the overall PAP. It is important to note that based on previous World Bank engagement, the GON at the FCSU and SCCU is familiar with World Bank operations and risk management requirements and procedures.



114. 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. 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 E&S risks. Activities that will lead to large-scale land acquisition and/or physical displacement of people will also be excluded.

115. **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 such as 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 PAP.

116. **SEA and 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 Results 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 GRMs and will provide guidance to states on key GBV issues such as 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 PIU should include staff with GBV expertise tasked with leading on these issues and focal persons should be identified for each state.

117. **Citizens' engagement.** Citizen engagement will be critical to the success of this operation. The institutional 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 trigger 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.

118. **Contextual risk.** The Program will include interventions across all 36 states including FCV areas and contexts, where 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 incidents, 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.

119. **Climate co-benefits.** The Program will deliver significant climate change adaptation co-benefits in all results areas. The climate co-Benefit assessment for the Program (presented in annex 5) outlines climate-related exposure, potential impact, adaptive capacity, and project risks of climate change; discusses the climate change



impact on the Program's physical infrastructure and assets; considers the exposure of the Program location (36 states and FCT in Nigeria) to climate and geophysical hazards; and assesses the Program's adaptive capacity/risk to outcomes and service delivery.

**120. The Program will build resilience through all results areas by incorporating relevant climate resilience and adaption measures into the Program design.** Two out of the four intermediate Indicators for Results Area 2 explicitly measure the number of climate-smart inputs and services accessed by beneficiaries and the number of farmers accessing climate-smart infrastructure. An intermediate indicator in Results Area 3 will explicitly measure the number of grants made available for supporting operational costs in firms engaged in mini solar power technology. These explicit targets will (a) strengthen key agriculture institutions and build their adaptive capacity, (b) disseminate weather and climate products and services to enable climate-informed decision-making by different users (including smallholder farmers); (c) provide cash and in-kind transfers to help beneficiaries cope with impacts of climate change; (d) assist in procurement of climate-friendly facilities such as energy saving cookstoves instead of firewood to reduce emission of GHGs; (e) advance the use of nurseries (greening of environment) as livelihood options; (f) promote renewable energy such as solar powered facilities including energy saving bulbs; (g) incorporate climate-resilient design measures in the rehabilitation of improved agricultural infrastructure including use of revised EIA guidelines with climate change components for the rehabilitation of feeder roads; (h) help in the formation of cooperatives of processors for knowledge sharing and easy dissemination of climate-friendly ideas and operations; (i) organize effective waste management routine in the wet market; and (j) implement enhanced energy/water efficient technology such as procurement of solar-powered facilities, which can directly benefit the MSEs and reduce effects of climate change. Activities under DLI 3.3 will promote the procurement of climate-friendly IT infrastructure and systems to help in reducing GHG emission; e-waste management; integration of nutrient-smart practices such as site-specific nutrient application, precision fertilizers, residue management, legume catch-cropping; and improved hybrid such as redirection of livestock production from the dominant large ruminants and birds to small ruminants to low waste production to lower methane emissions.

**121. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing Program grievance redress mechanism or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit <http://www.inspectionpanel.org>.

## V. RISK

**122. The assessment of the overall risk of the Program is rated Substantial.** The key risks to the success of the Program are mainly macroeconomic, sector strategies and policies, fiduciary, E&S, and others (COVID-19) (described below).



123. **Macroeconomic risks are rated High.** The Nigerian economy remains dependent on the small oil sector for much of its fiscal revenues and foreign exchange earnings. Given the current shortfall in revenue as a result of downswing and volatility of the oil prices in the international market, and the possibility that the country may return into recession in the immediate future, the macroeconomic situation is relatively uncertain. Furthermore, the outbreak of COVID-19 pandemic in Nigeria already started showing significant human and economic costs. The administrative stress of addressing the pandemic epidemic has slowed down focus on reforms. Diminished revenue collection is also a significant risk since this would constrain the budget and expenditure performance of existing programs supported by this operation and reduce Nigeria's ability to manage domestic and external shocks and invariably protect or promote the poor and vulnerable. Supporting government at state levels to refocus budget performance to pro-poor programs in the immediate future, especially during this emergency, and to support programs that lay the foundations for recovery is a key mitigation strategy. The risk to maintaining the flow of funds remains high.

124. **Risks to sector strategies and policies are rated Substantial.** Sector strategy documents exist on social protection, CDD, MSE support, and agriculture. The number of Ministries, Departments and Agencies (MDAs) responsible for implementation presents a substantial management and coordination risk, especially at state levels. The State coordination mechanism which is to be established at the central planning and budget ministry or agency will be sufficiently resourced and empowered to coordinate the delivery agencies. The design of the CARES operation, based on existing and budgeted program, at the state level is apt and an attempt to avoid the inadequacy of the sectoral strategies and policies especially in terms of emergency response. The design of the operation is aimed at providing flexibility across states to avoid a one-size-fits-all approach and ensure sustainability even after the duration of the Program. A CDD policy framework has just been finalized on the CSDP and is being promoted to serve as the basis for a collaboration framework for a multisectoral response strategy. However, the absence of a comprehensive shock responsive strategy that integrates all the key and relevant sectors suggest that the risk is substantial.

125. **Fiduciary risks are rated Substantial.** Fiduciary risks, including PFM, procurement, and fraud and corruption, remain substantial across states and have tended to undermine expenditure management and control. Nevertheless, the World Bank's continuing engagement with the states through a number of projects in instituting improved financial management systems, procurement compliance, and renewing the legal and regulatory framework for budget management is contributing to mitigating the risks. Specific fraud and corruption prevention mechanism will be agreed for the Program.

126. **Environmental and Social risks are rated Substantial.** The Substantial assessment is based on the fact that there will be rehabilitation and upgrading of infrastructure and possible construction of new infrastructure during implementation of community microprojects. Although adverse E&S impacts are not envisaged under the circumstances, current weaknesses in the borrower's system and lack of capacity to address the E&S impacts and contextual risks (climate change, insurgency, banditry, and farmers-herders conflicts) may limit the PforR's ability to achieve its E&S operational objectives.

127. **Other risks rated substantial include the issue of COVID-19 pandemic and the widespread civil protests leading to sporadic violence in the country.** During the first surge of the pandemic, national lockdown and restriction of movements were put in place that lasted over two months, between April and June 2020. This has been relaxed. There is, however, the risk of a second wave and escalated COVID-19 pandemic in the future leading to another round of lockdowns and restrictions on movement. Even though the Program is structured to develop COVID-19 protocols and guideline as it relates to implementation of all the implicated interventions - to



be agreed at the commencement of the Program - and a number of the interventions can be implemented even in a lockdown situation, the risk arising due to COVID-19 remains substantial. Additionally, there has been recent nation-wide protest against police brutality. The protest turned violent and many of the government offices, including platforms envisaged for the program implementation were vandalized. There is a risk of such events in the future, and support to provide adequate formal and informal insurance for the platforms and the officials is to be agreed at the commencement of Program. Given that poverty, inequality and youth unemployment is the underlying motivation for the protest and vandalism, the risk from future civil protests to the Program is substantial.



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

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**ANNEX 1. RESULTS FRAMEWORK MATRIX**

**Results Framework**

COUNTRY: Nigeria

**NIGERIA: COVID-19 Action Recovery and Economic Stimulus Program****Program Development Objective(s)**

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

**Program Development Objective Indicators by Objectives/Outcomes**

Indicator Name	DLI	Baseline	End Target
<b>Increasing social transfers, basic services, &amp; livelihood support to poor and vulnerable households</b>			
Beneficiaries of targeted safety nets and with access to basic social services (Number)		950,000.00	2,527,385.00
Female beneficiaries of targeted safety nets and with access to basic services (Number)		380,000.00	1,010,954.00
<b>Increasing food security and safe functioning of food supply chains for poor households</b>			
Farmers supported to increase food production (disaggregated by gender) (Number)		566,046.00	1,294,405.00
Female farmers supported to increase food production (Number)		113,209.00	404,551.00
<b>Facilitating recovery and enhancing capabilities of micro and small enterprises</b>			
Vulnerable and viable firms supported under the Program (Number)		0.00	64,228.00
Female-owned vulnerable and viable firms supported by the Program (Number)		0.00	9,634.00



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**Intermediate Results Indicator by Results Areas**

Indicator Name	DLI	Baseline	End Target
<b>Increased social transfers, basic services, and livelihood support to poor and vulnerable households</b>			
Targeted beneficiaries receiving transfers and stipends disaggregated by gender and vulnerability profile (Number)	DLI 1, 2	450,000.00	547,486.00
Targeted female beneficiaries receiving transfers and stipends (Number)		180,000.00	218,994.00
Targeted beneficiaries with new income earning opportunities or household enterprises (Number)	DLI 3	2,130.00	48,917.00
Female targeted beneficiaries with new income earning opportunities or household enterprises (Number)		852.00	19,567.00
Poor communities with improved functional social services infrastructure (Number)		8,000.00	9,400.00
<b>Increased food security and safe functioning of food supply chain</b>			
Farmers utilizing agricultural inputs and services (Number)	DLI 5	440,375.00	733,240.00
Female farmers utilizing agricultural inputs and services (Number)		88,075.00	205,221.00
Farmers utilizing climate smart inputs and services (Number)		44,037.00	102,610.00
Farmers accessing improved agricultural infrastructure (Number)	DLI 6	81,968.00	259,361.00
Female Farmers accessing improved agricultural infrastructure (Number)		16,393.00	87,350.00
Farmers accessing climate-smart improved agricultural infrastructure (Number)		8,196.00	96,893.00
Farmers utilizing agricultural assets (Number)	DLI 7	43,703.00	301,804.00
Female farmers utilizing agricultural assets (Number)		8,740.00	111,980.00



Indicator Name	DLI	Baseline	End Target
Existing wet markets with upgraded water and sanitation services (Number)	DLI 8	181.00	1,769.00
Sellers benefitting from upgraded wet markets (Number)		0.00	1,526,211.00
Female sellers benefitting from upgraded wet markets (Number)		0.00	745,879.00
<b>Facilitating recovery and enhancing capabilities of micro and small enterprises</b>			
Firms receiving matching grants to support new loans originated after Covid-19 (disaggregated by gender) (Number)	DLI 9	0.00	28,463.00
Female-owned firms receiving matching grants to support post-COVID-19 loans (Number)		0.00	4,269.00
Firms receiving operational support grants (disaggregated by gender and firms directing grants to mini solar panels) (Number)	DLI 10	0.00	26,570.00
Female owned firms receiving operational support grant. (Number)		0.00	3,985.00
Firms working on mini solar panels receiving grants for operational support (Number)		0.00	1,328.00
Firms receiving grants to support IT-enhancement. (disaggregated by gender) (Number)	DLI 11	0.00	9,196.00
Female owned firms receiving grants to support IT enhancement (Number)		0.00	1,379.00
<b>Strengthened institutional support for coordinating and delivery</b>			
States CARES coordination office established and functional (Number)		0.00	30.00
Periodic verification of DLRs and DLIs and authorized disbursement conducted by Federal Support Unit (Number)		0.00	144.00
Staff participate in peer learning, experience sharing sessions and capacity building training. (Number)		0.00	600.00



Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Beneficiaries of targeted safety nets and with access to basic social services	Measures total number of beneficiaries of all the Social Safety Net and Basic services (Health, Education, Water and Nutrition) interventions	Thrice: Baseline, Mid-term and end of project	Overall M&E record and IVA report	Project M&E records	State CARES Coordination Unit & Federal CARES Support Unit.
Female beneficiaries of targeted safety nets and with access to basic services	Same as parent indicator.				
Farmers supported to increase food production (disaggregated by gender)	Aggregates numbers of farmers receiving inputs and services (DLI 2.1), accessing improved agriculture infrastructure (DLI 2.2) and receiving assets for production and small-scale primary processing (DLI 2.3). The indicator is disaggregated by gender to capture number of women farmers supported	Six-Monthly	M&E reports and IVA reports	Program M&E reports and data verified by IVA	State Ministries of Agriculture
Female farmers supported to increase food production	Same as parent indicator.				
Vulnerable and viable firms supported under the Program	Aggregates numbers of supported firms receiving matching grants to support new loans originated after	Bi-annual	State CARES Unit	Collected upon beneficiary's enrollment in the program	State CARES Unit



	Covid-19 (DLI 3.1), operational support grants (DLI 3.2) and receiving grants to support IT-enhancement (DLI 3.3). The indicator is disaggregated by gender to capture number of women owned firms				
Female-owned vulnerable and viable firms supported by the Program	Same as parent indicator.				



Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Targeted beneficiaries receiving transfers and stipends disaggregated by gender and vulnerability profile	Aggregates number of categorical poor on social transfers and those on LIPW receiving periodic stipends disaggregated by gender (40% female) and by poverty profile (aged, widow, physically challenged, among others)	Six-monthly	M&E report and IVA reports	Program reports, Payment Service providers documents, etc. (see verification procedure)	State CARES Coordinating Offices and Federal CARES Support Unit.
Targeted female beneficiaries receiving transfers and stipends	Same as parent indicator.				
Targeted beneficiaries with new income earning opportunities or household enterprises	Number of beneficiaries of Livelihood grants interventions – with active household enterprises	Six-monthly	M&E report and IVA reports	Program reports, Payment Service providers documents, etc. (see verification procedure)	State CARES Coordinating Offices and Federal CARES Support Unit.
Female targeted beneficiaries with new income earning opportunities or household enterprises	Same as parent indicator.				
Poor communities with improved functional social services infrastructure	Actual Number of Communities and Vulnerable groups with funded and completed Community Development and Group Development Plans	Six-monthly	M&E report and IVA reports	Program reports, etc. (see verification procedure)	State CARES Coordinating Offices and Federal CARES Support Unit.
Farmers utilizing agricultural inputs and services	Tracks the number and gender of farmers utilizing	Six-monthly	IVA reports	Program reports, transaction documents,	State Fadama Coordinating Offices



	various crop and livestock inputs and services. A breakdown of the indicator captures women farmer beneficiaries and number of farmers receiving climate smart inputs and extension services			etc. (see verification procedure)	
Female farmers utilizing agricultural inputs and services	Same as parent indicator.				
Farmers utilizing climate smart inputs and services	Same as parent indicator.				
Farmers accessing improved agricultural infrastructure	Tracks number and gender of farmers using infrastructure that has been improved/rehabilitated, including small-scale irrigation, feeder roads and soil conservation measures. A breakdown of the indicator captures women farmer beneficiaries and number of farmers receiving climate smart infrastructure – irrigation and soil conservation measures	Six-monthly	IVA reports	Program reports, transaction documents, etc. (see verification procedure)	State Fadama Coordinating Offices
Female Farmers accessing improved agricultural infrastructure	Same as parent indicator.				
Farmers accessing climate-smart improved agricultural infrastructure	Same as parent indicator.				



Farmers utilizing agricultural assets	Tracks number of farmers utilizing assets for production and small-scale primary processing. A breakdown of the indicator captures women farmer beneficiaries	Six-monthly	IVA reports	Program reports, transaction documents, etc. (see verification procedure)	State Fadama Coordinating Offices
Female farmers utilizing agricultural assets	Same as parent indicator.				
Existing wet markets with upgraded water and sanitation services	Tracks number of existing wet markets with water and sanitation services upgraded	Six-monthly	IVA reports	Program reports, transaction documents, etc. (see verification procedure)	State Fadama Coordinating Offices
Sellers benefitting from upgraded wet markets	Tracks number and gender of sellers in wet markets that have been upgraded with water and sanitation services. The buyers will also benefit from the upgraded services, but their numbers are hard to measure and so the indicator only captures sellers.	Six-monthly	Program M&E reports,	Program M&E reports based on counts from authorities responsible for managing the wet markets	State Fadama Coordinating Office
Female sellers benefitting from upgraded wet markets	Tracks the number of female sellers benefiting from upgraded water and sanitation services in wet markets	Same as parent indicator	Same as parent indicator		Same as parent indicator
Firms receiving matching grants to support new loans originated after Covid-19 (disaggregated by gender)	Tracks the number of supported firms receiving matching grants. A	Bi-annual	State CARES Unit	Collected upon beneficiary's enrollment in the program	State CARES Unit



	breakdown of the indicator captures the number of women owned firms				
Female-owned firms receiving matching grants to support post-COVID-19 loans	Same as parent indicator.				
Firms receiving operational support grants (disaggregated by gender and firms directing grants to mini solar panels)	Tracks the number of supported firms receiving operational grants. A breakdown of the indicator captures the number of women owned firms and of firms directing the operational grant to the purchase and installment of mini solar panels	Bi-annual.	State CARES unit.	Collected upon beneficiary's enrollment in the program protocols)	State CARES Unit.
Female owned firms receiving operational support grant.	Same as parent indicator.				
Firms working on mini solar panels receiving receiving grants for operational support	Same as parent indicator.				
Firms receiving grants to support IT-enhancement. (disaggregated by gender)	Tracks the number of supported firms grants to support IT-enhancement. A breakdown of the indicator captures the number of women owned firms	Bi-annual	State CARES unit	Collected upon beneficiary's enrollment in the program	State CARES Unit
Female owned firms receiving grants to support IT enhancement	Same as parent indicator.				
States CARES coordination office established and functional	Actual number of States with States CARE unit.	Every 9 months	M&E report of FCSU	Implementation Support Mission report	Federal CARES Support Unit



Periodic verification of DLRs and DLIs and authorized disbursement conducted by Federal Support Unit	Actual number of verification assessment cycle conducted by IVA on behalf of FSCU	Every 9 months	M&E report of FCSU	Implementation Support Mission Report	Federal CARES Support Unit
Staff participate in peer learning, experience sharing sessions and capacity building training.	Actual No of Staff of Federal and State CARES Coordination and Service Delivery Units trained	Every 9 months	M&E report of FCSU	Implementation Support Mission report	Federal CARES Support Unit



## ANNEX 2. DISBURSEMENT LINKED INDICATORS, DISBURSEMENT ARRANGEMENTS AND VERIFICATION PROTOCOLS

Disbursement Linked Indicators Matrix				
DLI 1	Number of beneficiaries receiving State Social Transfers			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	56,860,476.00	7.73
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
End-target	55,439.00		56,860,476.00	
DLI 2	Number of beneficiaries engaged and deployed into LIPW activities in social services and receiving stipends			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	53,907,110.00	7.33
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
End-target	42,048.00		53,907,110.00	



<b>DLI 3</b>	Number of beneficiaries supported with Livelihood Grants			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	47,987,225.00	6.53
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
End-target	46,788.00		47,987,225.00	
<b>DLI 4</b>	Number of direct beneficiaries of completed and functional Community and Basic Service Infrastructure microprojects			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	110,239,290.00	15.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
End-target	1,433,111.00		110,239,290.00	
<b>DLI 5</b>	Number of farmers utilizing agricultural inputs and services from the Program			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	105,138,381.00	14.30
Period	Value		Allocated Amount (USD)	Formula



Baseline	0.00			
Prior Results			0.00	
End-target	292,865.00		105,138,381.00	
<b>DLI 6</b>	Number of farmers accessing improved agricultural infrastructure			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	77,343,510.00	10.50
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
End-target	177,393.00		77,343,510.00	
<b>DLI 7</b>	Number of farmers utilizing agricultural assets (production and small-scale primary processing) provided by the Program			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	79,236,893.00	10.70
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
End-target	258,101.00		79,236,893.00	



<b>DLI 8</b>	Number of existing wet markets with upgraded water and sanitation service			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	40,712,690.00	5.55
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
End-target	1,588.00		40,712,690.00	
<b>DLI 9</b>	Number of firms receiving MSE Matching Grants to support new loans originated after June 16, 2020			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	55,331,595.00	7.52
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
End-target	28,463.00		55,331,595.00	
<b>DLI 10</b>	Number of firms receiving Operational Support Grants			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	73,970,592.00	10.01
Period	Value		Allocated Amount (USD)	Formula



Baseline	0.00			
Prior Results			0.00	
End-target	26,570.00		73,970,592.00	
<b>DLI 11</b>	Number of firms receiving IT Enhancement Grants			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	34,272,191.00	4.67
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Prior Results			0.00	
End-target	9,196.00		34,272,191.00	

**Verification Protocol Table: Disbursement Linked Indicators**

<b>DLI 1</b>	Number of beneficiaries receiving State Social Transfers
<b>Description</b>	Number of beneficiaries of the States Social Transfer Program that are enrolled and periodically receiving social transfers as agreed and detailed in the PIM. The DLI will be disaggregated by gender and vulnerability profile (aged, physically challenged, widow, chronically ill, etc. The indicator is aggregated using achievement from all 36 States and FCT.
<b>Data source/ Agency</b>	Federal CARES Unit.
<b>Verification Entity</b>	IVA
<b>Procedure</b>	IVA verifies: 1. Number and proof of successful direct cash transfer payments to stated number of enrolled beneficiaries 2. Number and proof of beneficiary selection from agreed State Register and enrollment by gender and vulnerability profile 3. Sample of beneficiaries to confirm receipt of benefits
<b>DLI 2</b>	Number of beneficiaries engaged and deployed into LIPW activities in social services and receiving stipends
<b>Description</b>	Measures the number of beneficiaries that are enrolled and engaged by the State Agencies in Labour Intensive Public Work activities in social services as agreed in the PIM. The beneficiaries are disaggregated by gender.
<b>Data source/ Agency</b>	Federal CARES Unit
<b>Verification Entity</b>	IVA
<b>Procedure</b>	IVA verifies: 1. Number and proof of successful direct stipends payments to enrolled beneficiaries 2. Number and proof of individual selection from agreed State Register and enrollment by gender and vulnerability profile 3. Sample Records of attendance and participation in public works with Personal Protective Equipments (PPEs), Occupation Health and Safety (OHS) and National and GIIP labor practices confirmed in place 4. Sample of work sites to confirm beneficiaries and work done



DLI 3	Number of beneficiaries supported with Livelihood Grants
Description	The DLI measures the number of households members that are enrolled, trained and supported with livelihood grants for income earning opportunities as agreed in the PIM.
Data source/ Agency	Federal CARES Unit
Verification Entity	IVA
Procedure	IVA verifies: 1. Reports and number of successful grant transfer to beneficiaries 2. Number and proof of individual selection from agreed State Register and enrollment by gender 3. Report of training attendance/register 4. Sample of beneficiaries to confirm receipt of benefits/grants and livelihood activity
DLI 4	Number of direct beneficiaries of completed and functional Community and Basic Service Infrastructure microprojects
Description	The DLI measures the number of direct beneficiaries in the poor communities that received community or group development grants, and have completed the microprojects in the plan. These are beneficiaries of functional microprojects in the prioritized sector of education, health, nutrition, water, and sanitation. The Beneficiaries are to be disaggregated by gender.
Data source/ Agency	Federal CARES Support Unit.
Verification Entity	IVA
Procedure	IVA verifies: 1. Record of number of CDPs/GrDPs appraisal by the appraisal team and approved by CSDA management team, and funded as agreed in PIM 2. Records of number and profile of benefiting members of the community and or vulnerable groups that are utilizing micro-projects in the CDP or GrDP with sample visit to community and vulnerable groups 3. Record of Environmental and social screening report conducted prior to commencement of microproject along with mitigation actions, timeline, responsible parties and budget in place, where needed 4. Record of voluntary land donation protocol developed with screening checklist 5. Report of semi annual Environmental and Social audit conducted including status of remedial actions taken that are



	stated in E&S screening report, additional remedial actions identified and action plan for implementation, if relevant
DLI 5	Number of farmers utilizing agricultural inputs and services from the Program
Description	The DLI tracks the number of farmers that have received and utilized various crop and livestock inputs and services (extension and advisory services and mechanization services) from the Program. The DLI provides an aggregate number of farmers receiving different input types and services received and utilized
Data source/ Agency	Federal CARES Support Unit
Verification Entity	IVA
Procedure	<p>IVA reviews the following records to verify DLI achievements:</p> <ol style="list-style-type: none"><li>Registers of names, numbers and gender of farmers receiving crop and livestock inputs, including the specific types of inputs (e.g. varieties of improved seeds) and quantities received by each farmer</li><li>Registers of names, numbers and gender of farmers receiving mechanization services and extension and advisory services;</li><li>Counter-signed forms from leaders of farmer groups confirming that farmers are utilizing the inputs</li><li>In addition, the IVA will visit a sample of heads of farmer groups to validate the records</li></ol>
DLI 6	Number of farmers accessing improved agricultural infrastructure
Description	The DLI tracks the number of farmers accessing agricultural infrastructure that has been improved/rehabilitated by the Program. The DLI provides an aggregate number for the different types of infrastructure, namely small-scale irrigation, feeder roads and soil conservation measures.
Data source/ Agency	Federal CARES Support Unit
Verification Entity	IVA
Procedure	<p>IVA reviews the following records to verify DLI achievements:</p> <ol style="list-style-type: none"><li>Registers of names, numbers and gender of individual benefitting from the infrastructure</li><li>The number of works contracts issued</li><li>Record of Environmental and social screening report conducted prior to commencement of infrastructures along with mitigation actions, timeline, responsible parties and budget in place, where needed</li></ol>



	<ol style="list-style-type: none"><li>4. Works completion reports certified by local FADAMA-CARES desk and State FADAMA Coordination Office</li><li>5. In addition, the IVA visits a sample of the sites to confirm that infrastructure has been rehabilitated/improved as per works contracts</li><li>6. Report of semi annual Environmental and Social audit conducted including status of remedial actions taken that are stated in E&amp;S screening report, additional remedial actions identified and action plan for implementation, if relevant</li></ol>
<b>DLI 7</b>	Number of farmers utilizing agricultural assets (production and small-scale primary processing) provided by the Program
<b>Description</b>	The DLI tracks the number of farmers utilizing assets for production and small-scale primary processing provided by the Program.
<b>Data source/ Agency</b>	Federal CARES Support Unit
<b>Verification Entity</b>	IVA
<b>Procedure</b>	<p>IVA reviews the following records to verify DLI achievements:</p> <ol style="list-style-type: none"><li>1. Register with names, number and gender of farmers receiving assets for each category (production and small-scale primary processing/preservation)</li><li>2. Counter-signed forms from leaders of farmer groups to confirm that farmers are utilizing the assets</li><li>3. In addition, the IVA will visit a sample of heads of farmer groups to validate the records</li></ol>
<b>DLI 8</b>	Number of existing wet markets with upgraded water and sanitation service
<b>Description</b>	The DLI tracks number of existing wet markets with water and sanitation services upgraded by the Program
<b>Data source/ Agency</b>	Federal CARES Support Unit
<b>Verification Entity</b>	IVA
<b>Procedure</b>	<p>IVA reviews the following records for each market to verify DLI achievements:</p> <ol style="list-style-type: none"><li>1. The number of markets and works contracts issued</li><li>2. Record of Environmental and social screening report conducted prior to commencement of upgrading works along with mitigation actions, timeline, responsible parties and budget in place, where needed</li><li>3. Works completion reports certified by local FADAMA-CARES desk and State FADAMA Coordination Office</li></ol>



	<ol style="list-style-type: none"><li>4. In addition, the IVA visits a sample of the markets to confirm that water and sanitation services have been upgraded with universal access as per works contracts.</li><li>5. Report of semi annual Environmental and Social audit conducted including status of remedial actions taken that are stated in E&amp;S screening report, additional remedial actions identified and action plan for implementation, if relevant</li></ol>
DLI 9	Number of firms receiving MSE Matching Grants to support new loans originated after June 16, 2020
Description	Provision of well-targeted grants to co-finance loans that eligible MSEs – as per eligibility criteria that will be defined in the project's operations manual - received during the COVID-19.
Data source/ Agency	Federal CARES unit
Verification Entity	IVA
Procedure	<p>IVA reviews the following records to verify DLI achievements:</p> <ol style="list-style-type: none"><li>1. Registers for number of new loans by financial intermediaries including loan agreement or new loan records issued by financial intermediaries to eligible beneficiary firms,</li><li>2. Registers for numbers of transfers of 40 percent of new loans to bank accounts / digital wallets of eligible beneficiary firms.</li></ol>
DLI 10	Number of firms receiving Operational Support Grants
Description	Extending grants to MSEs cover portion of its monthly operational cost including but not limited to staff salaries; documented utilities; documented private security expenses as well as mini solar panel acquisition expenses.
Data source/ Agency	Federal CARES Unit
Verification Entity	IVA
Procedure	<p>IVA reviews the following records to verify DLI achievements:</p> <p>for eligible formal beneficiary firms:</p> <ol style="list-style-type: none"><li>1. Registers for number of eligible formal beneficiary firms that received support grants direct to wage/salary payments into the bank accounts or digital wallets of employees;</li><li>2. Registers for number of eligible formal and informal firms that received support grants covering payments to private security personnel and purchase of solar panels;</li></ol>



	<p>3. Registers for eligible formal beneficiary firms that received support grants that covered documented verifiable operational costs; For informal firms; IVA reviews documentation and evidence that includes but not limited to: Registers for number of eligible informal firms that were biometrically enrolled to the CARES state's transacting platform e.g. BVN, mobile phone number of beneficiary informal firms, where digital data protection is in place</p>
DLI 11	Number of firms receiving IT Enhancement Grants
Description	Support adoption of digital payments, integration costs and costs of IT connectivity and IT solutions to firms and support firms to become ecommerce enabled and more technology friendly
Data source/ Agency	Federal CARES Unit
Verification Entity	IVA
Procedure	<p>IVA reviews the following records to verify DLI achievements:</p> <ol style="list-style-type: none"><li>Registers for number of eligible formal or informal firms that received support grants that covered acquisition and deployment of IT solutions;</li><li>Registers for number of eligible formal or informal firms that received support grants that covered acquisition of IT physical equipment;</li><li>Report of semi annual Environmental and Social audit conducted including pollution (e-waste, GHG emissions, resource efficiency, etc.) and labor dimensions of IT enhancement activities</li></ol>



### Detailed DLI Verification Procedure

#### *Results Area 1: Increased Social Transfers, Basic Services, and Livelihood Support for Poor and Vulnerable Households*

- The IVA will check and review the submissions on achievement of deliverables by the States, mainly in terms of (a) *results*, to confirm exact number of deliverables achieved and less but also on some *processes*, issues to confirm that the agreed procedure was followed, and safeguard guidelines were adhered to. In most cases, the processes and safeguard issues check will be based on samples and spot checks.
- For DLIs 1.1, 1.2, and 1.3, the IVA will check records to confirm the number of beneficiaries that are enrolled and participating in the interventions (social transfers, LIPWs and livelihood grants). The IVA will also check that they are receiving the transfers, stipends or grants as agreed. To verify that agreed process are followed, the use of the agreed State Social Registry as the basis for selection of beneficiaries will be verified, as any beneficiary not selected from the registry and or in line with the agreed criteria (as specified in the PIM), will be declared as an invalid deliverable. Specifically, in the case of DLI 1.3, attendance in training organized for beneficiaries of livelihood grants is required.
- For DLI 1.4, the IVA will review and confirm the number of CDPs and/or Group Development Plans appraised, approved and funded by the State Agencies as agreed in PIM. The number of individuals stated in the plans (to a maximum of 1000 per plan) will be taken as number of beneficiaries utilizing micro-projects of the plans, and as the deliverable. For environment and social safeguard the IVA will check Record of voluntary land donation protocol developed with screening checklist, Record of Environmental and social screening report conducted prior to commencement of microproject: Record of voluntary land donation protocol developed with screening checklist and Report of semiannual Environmental and Social audit conducted including status of remedial actions taken that are stated in E&S screening report, additional remedial actions identified and action plan for implementation, if relevant

#### *Results Area 2: Increasing Food Security and Safe Functioning of Food Supply Chain*

- The DLIs 2.1, 2.2, and 2.3 require the IVA to respectively verify the number of farmers utilizing agricultural inputs, accessing agricultural infrastructure and utilizing agricultural assets. Since the farmers will be reached through their groups using Community Driven Development (CDD) processes, the verification procedure will draw from the strong peer monitoring features of farmer groups to generate and corroborate information on the number of farmers reached. Each farmer receiving project support will be required to sign against their name using templates prepared as part of the Project Operations Manual. The templates will include names, gender and number of the farmers as well as the specific support received. After each farmer has signed alongside their name, the leaders of farmer groups will counter-sign at the bottom of the forms to authenticate the records. The signed records will be collected by the Local FADAMA-CARES desk at the Local Government Level. The Local FADAMA-CARES desk will send paper records to the State Fadama Coordinating Office together with electronic copies. In addition, the Local FADAMA-CARES desk will send a paper cover letter summarizing the content of the records. The cover letter will also be based on a template prepared as part of the Project Operations Manual. The IVA will review the paper records and create its own electronic records.
- In addition to the records on name, gender and number of farmers, the verification procedure for DLI 2.1 and 2.3 requires the IVA to visit a sample of heads of farmer groups to validate the records.



- In addition to the records on name, gender and number of farmers, the verification procedure for DLI 2.2 requires the IVA to review the works contracts issued, works completion reports certified by local FADAMA-CARES desk, and completion of safeguards screening checklists. Templates for these records will be prepared as part of the Project Operations Manual. The local FADAMA-CARES desk will be responsible to submit paper copies of the works contracts issued and original paper records of the certified works completion reports and completed safeguards screening checklists to the State Fadama Coordinating Office, together with electronic copies. The improvement/rehabilitation of some infrastructure might be carried out by the community itself using communal labor and not through a contractor. In cases where communal labor is used, the head of community will sign a template form describing the works carried out by the community and payments to the community, including labor and materials, among others. The template form will be prepared as part of the Project Operations Manual. In addition, the IVA will visit a sample of the sites for agricultural infrastructure to confirm that agricultural infrastructure has been improved/rehabilitated as per works contracts. The IVA will verify Record of Environmental and social screening report conducted prior to commencement of infrastructures along with mitigation actions, timeline, responsible parties and budget in place, where needed
- The verification procedure for DLI 2.4 requires the IVA to verify the number of wet markets with upgraded water and sanitation services with universal access. In particular, the IVA will review the works contracts issued, works completion reports certified by local Fadama-CARES desk, and completion of Environmental and social screening report conducted prior to commencement of infrastructures along with mitigation actions, timeline, responsible parties and budget in place, where needed
- Templates for these records will be prepared as part of the Project Operations Manual. The local FADAMA-CARES desk will be responsible to submit paper copies of the works contracts issues and original paper records of the certified works completion reports and completed to the State Fadama Coordinating Office, together with electronic copies. In addition, the IVA will visit a sample of the wet markets to validate the records and confirm that water and sanitation services have been upgraded with universal access as per works contracts. Report of semiannual Environmental and Social audit conducted including status of remedial actions taken that are stated in E&S screening report, additional remedial actions identified and action plan for implementation, if relevant

#### *Results Area 3: Facilitating Recovery and Enhancing Capabilities of Micro and Small Enterprises*

- For all DLIs of Results Area 3, the verification exercise will involve : a) *vetting criteria checks* – to confirm that benefitting firms meet the targeting and enumeration requirements; b) *results checks* – to confirm exact number of deliverables achieved; c) *inclusion check* – a confirmation of the number of beneficiary firms run by and employing women and youths; d) *systems and processes check* – to confirm that the agreed procedure was followed and safeguard guidelines were adhered to. In most cases the systems and processes check will be based on samples and spot checks.
- Specifically, for DLI 3.1 which is a financial market intervention, the IVA will check records of eligible beneficiary firms to confirm that the number of eligible beneficiaries receiving co-financing grants were well targeted and that grant sizes are within the 40 percent of the newly originated loans and is within the grant upper threshold. The IVA will verify from the registers that the origination dates of the (new) loans are within the specified timeline and that payments are made directly into bank accounts or mobile wallets of the beneficiaries. The IVA will also ensure that registers for eligible beneficiary firms include BVN numbers for entrepreneurs (firms' owners) so that deduplication



exercises for beneficiaries can be launched in case required. IVA will ensure that the records are originated using a robust and up to date database based.

- For DLI 3.2, the IVA will check that the records that include registers that include the number of eligible beneficiary firms (formal and informal) that are receiving the operational support grants directly into their verified bank accounts or mobile wallets as captured in the vetting documentation. The records should also indicate the purpose for which the grant was used per eligible firm. The BVN and phone numbers for eligible beneficiary entrepreneurs should be included in the registers (firms' owners) in case a deduplication exercise is required. The records of eligible beneficiary firms should also list membership of trade associations / microcredit institutions (for informal firms).
- For DLI 3.3, the IVA will check registers of number of eligible formal or informal firms that received support grants that covered acquisition and deployment of IT solutions; and registers of number of eligible formal or informal firms that received support grants that covered acquisition of IT physical equipment.
- Details of the verification protocol and the templates to be used during the periodic exercise will be specified in the DLI Verification Protocol and Procedure Manual. The IVA will also verify Report of annual Environmental and Social audit conducted Report of semiannual Environmental and Social audit conducted including status of remedial actions taken that are stated in E&S screening report, additional remedial actions identified and action plan for implementation, if relevant

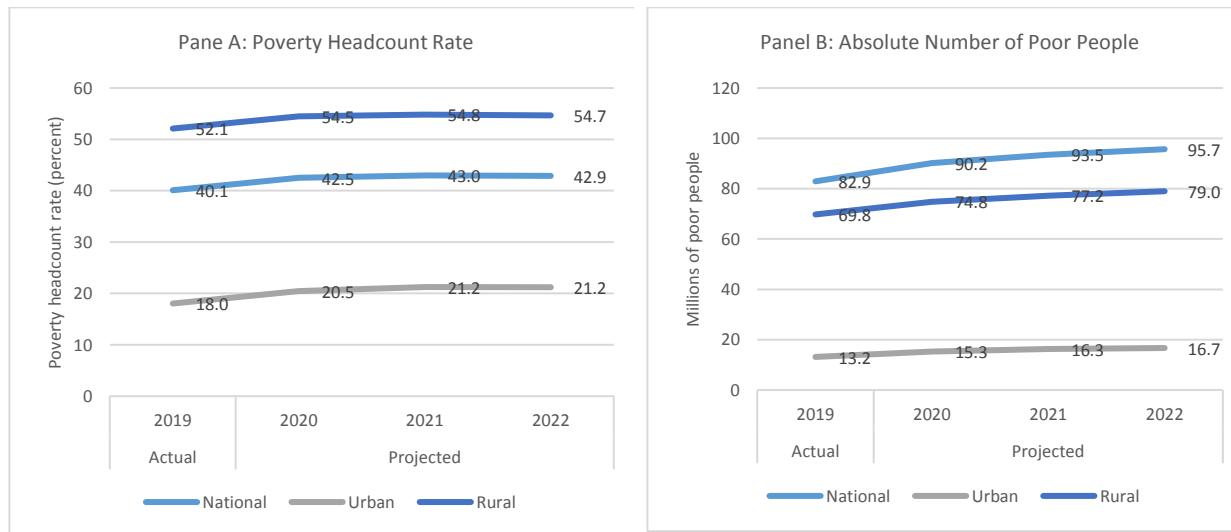


## ANNEX 3. TECHNICAL ASSESSMENT

**Strategic Relevance of the Program:**

- 1. The COVID-19 pandemic and the drop in international oil prices is severely affecting lives and livelihoods in Nigeria.** Nigeria's economy was still recovering from the economic recession in 2016 when the COVID-19 crisis hit the country in early 2020. Further collapse of oil prices of more than 60 percent since early 2020 has constrained the government's ability to respond to the health crisis and its ability to protect the livelihoods of poor and vulnerable households in the country. Containment measures taken to stop the spread of the virus is affecting all sectors of the economy, leading to widespread losses of labor and non-labor income, increasing food insecurity, and forcing farm and non-farm enterprises to close due to their inability to buy or sell inputs and supplies.
- 2. Without necessary measures, almost 100 million Nigerians could be living in poverty by 2022, as Nigeria faces its worst recession in almost four decades.** It is expected that the Nigerian economy will contract by more than 3 percent in 2020. In 2019, about 83 million people—equivalent to four in 10 Nigerians—were already living below the national poverty line, with a further 25 percent vulnerable to falling into poverty when shocks occur. With the economic recession induced by COVID-19, it is forecasted that almost 96 million Nigerians will be below the poverty line by 2022, an additional 12.8 million poor people compared with today, which arises from both the rising poverty rate and natural population growth. Figure 3.1 shows the estimated rise in poverty headcount nationally and in urban and rural areas (Panel A) and the estimated number of poor people.

Figure 3.1. Estimated Rise in Poverty Headcount and Number of Poor in Nigeria, 2020-2022, by Urban/Rural



Source: World Bank 2020a.

- 3. Strict lockdown and social distancing measures due to COVID-19 as well as the broader economic downturn have caused decline in labor and non-labor incomes of Nigerians, especially among informal sector workers.** In 2016, the informal sector accounted for 41 percent of Nigeria's GDP. Only 18 percent of Nigerians had a wage paying job in 2018/19, meaning the remaining 82 percent were self-



employed in farm and non-farm enterprises and as casual daily laborers. A high frequency phone survey conducted by the NBS and World Bank since the lockdown has found that barely 43 percent of respondents were working in April/May compared to 85 percent before the lockdown. Although the share of respondents who were working rebounded to 71 percent in June, there are rising concerns about whether aggregate demand in the economy will recover to keep employers and businesses open in the short to medium term with the virus still spreading throughout the country. Non-labor incomes, primarily in the form of international and domestic remittances, are expected to decline in the near term. Around half of all Nigerians live in households receiving domestic remittances in 2018/19. Lockdowns and restrictions on interstate travel caused by COVID-19 prohibit rural households from receiving much-needed non-labor income, which might mean foregoing necessary farm inputs or losing a non-farm enterprise. Similarly, international remittances amounted to 6 percent of Nigeria's GDP in 2019 and are expected to decline by 20 percent due to the job losses and economic slowdown in high-income countries in Europe and North America.<sup>35</sup>

**4. The deteriorating food security situation in the country is being exacerbated by COVID-19.** The number of people faced with food insecurity/undernutrition in the country increased by more than 180 percent between 2006 and 2018, from 9.1 million in 2006 to 25.6 million in 2018. 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 planting season is already under way in many parts of the country and the restriction on movements has disrupted supply networks for seeds, fertilizers, agrochemicals, and technical advice. These inputs have not only become less available but also more costly, and there is a risk that increasing prices could reduce farmers' demand for the inputs, leading to reduced area under cultivation and decreased food production. The functioning of food markets has been disrupted as movement restrictions have left farmers without buyers while on the other hand the consumers cannot find produce in neighborhood markets. Wet markets have been affected relatively more than supermarkets and formal retailers. Farmers relying on wet markets are finding it difficult to move goods to the markets, leading not only to decreasing farm-gate prices but also higher food loss and waste at the farm level. The high frequency phone survey conducted by NBS/World Bank found that around 38 percent of households that engaged in agriculture reported having to modify their farming plans due to COVID-19. Out of these, 52 percent reported reducing the area they planted, 30 percent planted crops that take less time to mature, and 25 percent reported delaying planting time. In summary, losing the upcoming planting season could directly endanger the livelihoods of more than 80 percent of the population that rely on agriculture and would also translate into decline in national food production with catastrophic consequences for food insecurity.

**5. The COVID-19 outbreak is expected to have a profound impact on the ability of enterprises to resume economic activity during and beyond the crisis period.** The impact of COVID-19 on businesses is occurring through five distinct channels: (a) reduced business activities due to lockdown effects; (b) reduction in demand due to lower consumer consumption, lower export demand, and lower demand of intermediates from other businesses; (c) reduced supply as some enterprises are hampered by worker absences, productivity declines, and the disruption of global supply chains; (d) tightening of credit conditions and a liquidity crunch, as a result of the increase in uncertainty and risk aversion; and (e) a fall in investment as uncertainty about the length of the outbreak and the depth of its impact affects businesses' plans. As compared to mid-size and larger firms, micro and small firms are particularly

<sup>35</sup> World Bank 2020c.



vulnerable because they have limited access to financial resources, digital technologies, and management capability to mitigate the impact and plan for recovery. The NBS/World Bank high frequency phone survey has found that non-farm household businesses reported facing acute challenges associated with COVID-19. The most widely reported challenges faced by non-farm businesses were difficulty raising money (87 percent of households owning non-farm businesses), difficulty buying and receiving supplies and inputs (77 percent), and difficulty selling goods and services (70 percent). Even when lockdowns are lifted, businesses will be affected due to lower demand and supply disruption. These firms are at a greater risk of losing productive resources, including their valuable human capital. This group of firms is typically characterized as being heterogeneous and possibly composed of three distinct segments: (a) *survivalists*: enterprises with fewer capabilities, productive assets, and negligible firm-to-market relationships;<sup>36</sup> (b) *constrained but motivated*: enterprises with productive capabilities and meaningful firm-to-market relationships; and (c) *growth-oriented - resilient - top performers*: enterprises with transformative capabilities and firm-employee and buyer-supplier relationships. Initiatives in developing countries that could be relevant for micro and small firms include support on business costs (for example, utilities), employment support (for example, wage subsidies), and business advice and upgrading. Operational costs need to be supported through limited time grants during the crisis phase for micro and small firms because offering credit or loans during these times could eventually lead them to insolvency.

### Technical Soundness

**6. The COVID-19 pandemic and the ensuing economic fallout has affected all sectors in the economy.** As such, sectoral approaches are unlikely to propel the Nigerian economy toward a path of sustainable recovery from the current recession. The continuous spread of COVID-19 within Nigeria is likely to further worsen domestic demand, which will hinder economic activity in the short to medium term. Decline in fiscal revenues due to the drop in oil prices as well as decline in tax revenues due to the slowdown in economic activity for households and businesses is likely to further affect government expenditures and its ability to support the poor and vulnerable segments of the society hard hit by the economic crisis. Businesses affected by lack of demand of their products will be unable to borrow from the banks to maintain operational costs (such as costs for staff, rent, and utilities) as households resort to using their savings to keep afloat during the crisis. While much of Nigeria's economic recovery hinges upon external factors such as the rebound of the global oil prices, a strong foundation for a medium-term recovery would also be contingent upon how Nigeria is able to support the economic activity through supporting pro-poor expenditure policies.

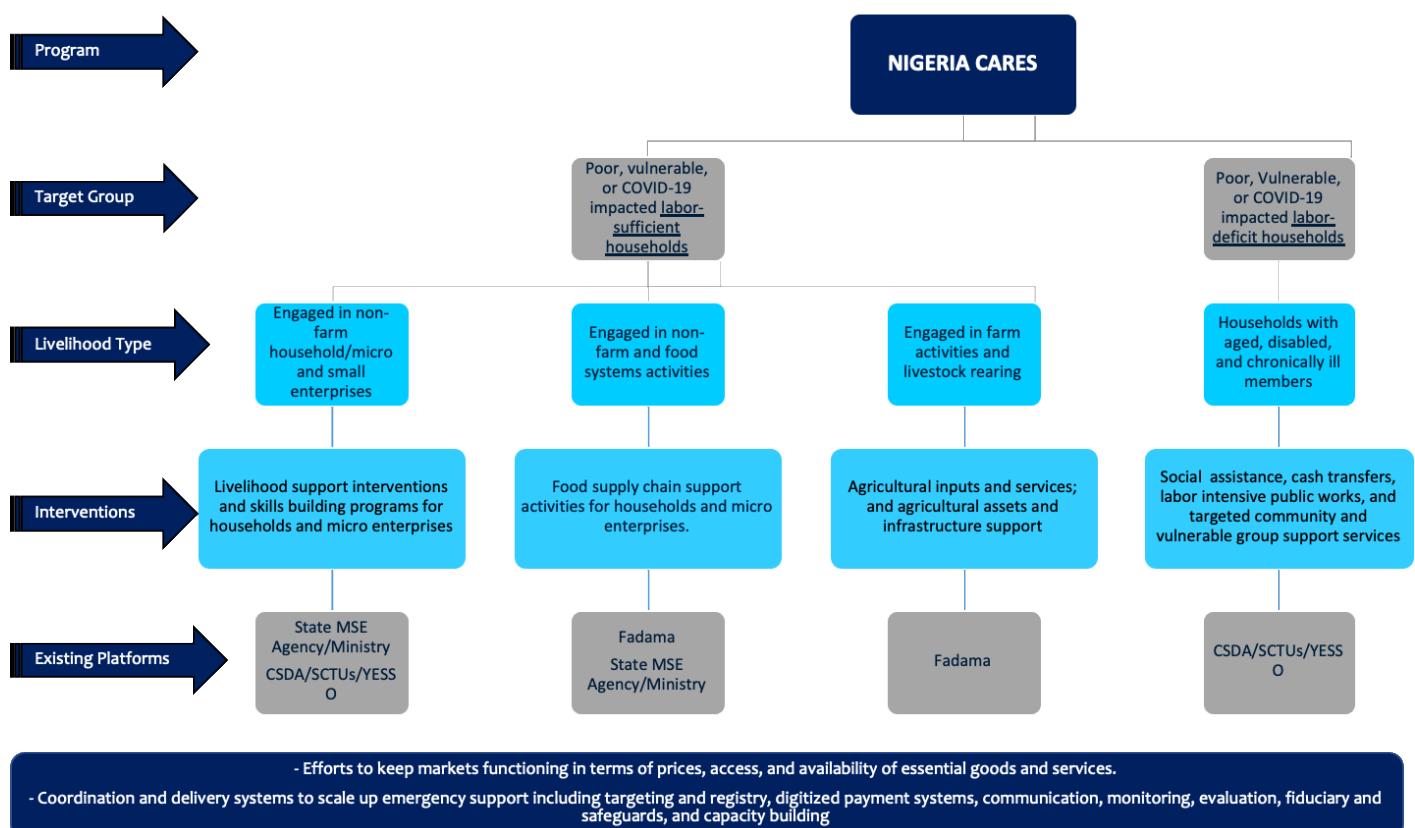
**7. The framework of support designed for the proposed CARES program presents an integrated multi-sectoral approach to address the negative impact of the COVID-19 pandemic.** Almost 65 percent of the population in Nigeria either live below the poverty line or are vulnerable to falling into poverty. The proposed CARES PforR program is designed to improve consumption and food security for poor and vulnerable households and to facilitate the recovery of local economic activities. Interventions designed to support poor and vulnerable households need to be cognizant of whether households can offer labor to support recovery efforts during this crisis. Support to labor-sufficient households engaged in non-farm

<sup>36</sup> Firm to market relationships refer to firms' relationships with workers, as well as buyers and suppliers on the supply chain. The idea is that if firms are unable to operate during lockdown or low demand period, how costly would it be for the firm to re-establish these relationships again. This could be a function of the skills hired by the firm, labor market frictions in re-hiring these skills, and the relationship specific investments that the firm makes in establishing buyer-supplier networks.



MSEs could take the form of direct livelihood grants to households or through support offered in the form of grants to firms (with conditions imposed to cover operational costs and maintain their staff). Similarly, support to labor-sufficient households engaged in agriculture could be through direct provision of grants, agricultural inputs and services, and agricultural infrastructure support or through upgrading of markets with hygienic water and sanitation protocols to enable farmers to sell their produce. Labor-sufficient households engaged in food system enterprises could be supported through grants, inputs, and transfers to keep the food supply chain functioning. Households that have limited labor to offer, such as households with aged, chronically ill persons, urban poor or persons with disabilities, could be supported through social transfers and public work schemes as well as targeted grants for community infrastructure projects to deliver basic services. The successful implementation of interventions targeted at different groups of vulnerable households critically hinges upon (a) efforts to keep markets functioning in terms of prices, access, and availability of essential goods and services and (b) coordination and delivery systems to rapidly scale up support for targeting, registration, digitized payments, communication, monitoring, fiduciary aspects, and capacity building. As such, it is important to leverage existing state-level programs that are consistent with the development objectives of the Program.

Figure 3.1. Proposed Framework of Engagement for CARES





## Government Interventions in Three Results Areas

### *Safety Nets*

8. **The GON has recently taken important steps to set up the foundations of the national social protection system in support of a pro-poor agenda.** In July 2017, the GON laid out the foundations to establish the national social protection system with the ratification of the NSPP framework under the leadership of the FEC. Concurrently, a Social Registry of poor and vulnerable households was established at the state and national levels. A social protection coordinating platform was also set up in the Presidency to provide oversight and coordination to all social safety net interventions at the federal and state levels. Several relevant social safety net programs that are targeted at the poor and vulnerable have been launched in the last few years. These programs are designed for individuals and households throughout the life cycle to prevent and reduce poverty and address socioeconomic shocks by promoting and enhancing livelihoods opportunities. Four levels of social protection programs are prioritized by the NSPP: protective, preventive, promotive, and transformative. The eight areas of policy intervention captured in the NSPP are education and health service, social welfare and child protection, social housing, livelihood enhancement and employment, social insurance scheme, social assistance, traditional family and community support, and legislation and regulation. The major social protection programs that are considered for CARES PforR support in Nigeria are summarized below:

- (a) **Social register** that includes a registry of poor and vulnerable households at the state and national levels and is being updated to include newly poor households as a result of COVID-19.
- (b) **State cash transfer programs** that provide cash transfers to poor and vulnerable households under an expanded national social safety nets system (NASSP, with participation from all states).
- (c) **State PWF/LIPW** that provides income-earning opportunities to unemployed low-skilled youth from poor and vulnerable households.
- (d) **SSTs for the aged, widows, chronically ill, and urban poor** that provide special grant transfers to the poor and vulnerable households who are unable to participate in the existing PWF program such as the aged, disabled, chronically ill, and urban poor.
- (e) **Livelihoods training and support** that provides financial literacy/microbusiness skills training and personal initiative/soft skills training to informal sector workers, low-wage workers, self-employed, migrants' workers, and the unemployed.
- (f) **Community and social development (basic infrastructure services) programs** that support a community-driven intervention with the objective of improving social and natural resource infrastructure services in a sustainable manner throughout Nigeria.
- (g) **School feeding programs** that provide at least one nutritious meal per day to young children in primary schools with the goal of increasing school enrolment.

9. **The social protection programs are funded through a combination of donor and government financing.** The social register, livelihoods training and support, SSTs, and the PWF programs are supported through the World Bank-financed YESSO (P126964). The NASSP (P151488) supports the development of the national register and the cash transfer programs to support consumption and food security of poor and vulnerable households across all states. The World Bank-financed CSDP (P090644) supports the CDD of basic social infrastructure across 30 states in Nigeria. The school feeding program is funded by the government through the National Social Investment Program (NSIP).



### *Food Security*

**10. The state governments have developed ASPs to sustainably increase agriculture production for national food security and support value addition to raise farmers' incomes and increase exports.** The state ASPs are informed by the national policy on agriculture development as outlined in the APP: 2016–2020. In particular, the state ASPs have adopted selected elements of the APP depending on their specific needs and priorities for agricultural development, which might vary across states due to differences in agroclimatic factors, comparative advantages in production of commodities, degree of urbanization, and exposure to climatic shocks, among others. Overall, the state ADPs include the following major activities: seed development and support, crop production, animal breeding and health, livestock and fisheries production, agricultural marketing, and rural development. These major activities include both short-term interventions to enhance *food security and support agricultural livelihoods* as well as *medium-term sector development* goals such as raising agricultural productivity and increasing farmers access to finance and remunerative markets. The proposed PforR would focus on scaling up the short-term *food security and livelihoods interventions* to mitigate the impact of the pandemic on food security and protect agricultural livelihoods. Below is a description of the major activities in state ASPs:

- (a) **The seed development and support activities** include multiplication of foundation seeds developed by national seed research institutes into certified or improved seeds (often through out-grower arrangements with farmer organizations) and distribution of certified or improved seeds to farmers (often as a package with fertilizers).
- (b) **The crop production activities** include delivery of extension and advisory services to farmers, provision of mechanization services, irrigation development, support for production assets, monitoring of crop pests and diseases, and monitoring of crop production trends.
- (c) **The animal breeding and health activities** include artificial insemination, surveillance and monitoring of animal diseases, vaccination campaigns, and animal health certifications.
- (d) **The livestock and fisheries production activities** include delivery of livestock and fisheries extension and advisory services to farmers, support for production assets, restocking campaigns and provision of various livestock and fisheries inputs, and monitoring of livestock and fisheries production trends.
- (e) **The agricultural marketing activities** include establishment of agricultural wet markets, supervision and operational support to the wet markets, management of public warehouses, promotion of agricultural exports, and assisting small-scale farmers to link with buyers, including through supporting assets for small-scale primary processing.
- (f) **The rural development activities** include construction, rehabilitation, and improvement of feeder roads.

**11. The state ASPs are supported through domestic resources as well as programs financed by various donors.** The active World-Bank financed programs supporting elements of the state ASPs are the Agro-Processing, Productivity Enhancement and Livelihood Improvement Support Program and the RAAMP. The major activities of state ASPs are expected to continue throughout the implementation period of the proposed PforR program, although their design could be updated to reflect the new national agriculture policy being developed—the Agricultural Technology and Innovation Plan: 2020–2024.

**12. In many of the states, there are SME support agencies of the state government and also Ministries of Commerce and Industry as well as Ministries of Cooperatives with programs and initiatives**



**on promotion and facilitation of MSEs.** Some of the MDAs provide small loans and grants to registered businesses. Registration and regulations of local firms and enterprises are also managed by the MDAs. At the federal level the GEEP initiative administered by the BOI exists in all 36 states of the Federation and FCT. GEEP provides loans of between NGN 10,000 (US\$28) and NGN 300,000 (US\$835) to traders, artisans, enterprising youth, and farmers. The program commenced in 2016 and has empowered 2.2 million such micro-enterprises with interest-free loans to grow their businesses to date, making it the largest public microcredit program. The majority of these micro-enterprises are in over 2,100 clusters and markets across all 36 states of Nigeria and the capital. As of today, about 5 million GEEP candidates are connected to the Consolidated Beneficiary Register for the NSIP. The number is growing. Candidates can also be served on other programs, that is, school feeding, cash transfers, and so on. The GEEP program has over 4,300 local agents nationwide to verify beneficiaries and perform credit checks before loans are disbursed to the beneficiaries' mobile wallet. Funds can be cashed out with minimal physical intermediation and human interaction to reduce transaction costs, fraud, and health risks. The program can also leverage technology related to data capture to provide faster financial intermediation and outreach to targeted enterprises. Partnership between state MDAs supporting household enterprises (micro and small) and GEEP can be a valuable mechanism, especially at this time when the local economy is at the mercy of the health crisis and the economic downturn.

**13. State governments' MSME Development Programs' funds are usually mobilized from several resources including state government budget and CBN intervention funds.<sup>37</sup>** The funding amount varies across states and are usually around NGN 2 billion (US\$5.26 million per state). State program objectives usually involve promoting and coordinating MSMEs' development for sustainable job creation and shared prosperity. State MSME programs are usually on top of priorities of the jobs creation agenda at the state level, given that the MSE sector is strategically positioned to absorb most jobs, improve per capita income, increase value addition to raw materials supply, improve export earnings, enhance capacity utilization in key industries, and unlock economic expansion. However, most MSEs are constrained by multiple factors such as a lack of viable financing options, lack of fundamental technologies to ensure competitiveness, and lack of adequate infrastructure (that is, electricity, connectivity, and physical infrastructure). Therefore, state MSME Development Programs usually comprise components including access to finance and entrepreneurship and skills acquisition.

#### **Technical Design of the Program**

*Results Area 1: Increased social transfers, basic services, and livelihood support to poor and vulnerable households*

**14. The technical design for Results Area 1 incorporates valuable lessons learned through implementing some of the flagship safety net interventions in the country.** All four interventions selected for support under Results Area 1 were previously supported by the World Bank through IPFs. The main platforms implementing the social transfers, public works, and livelihood grants were established under YESO, whereas the CSDA platform implementing community and group microprojects for social service infrastructure was established under the CSDP. Some of the valuable lessons learned during the implementation of these programs relate to the use of existing registries (established separately under

<sup>37</sup> CBN intervention funds refer to schemes that CBN finances to support MSMEs' development—usually referred to as MSME Development Funds (MSMEDF). [https://www.cbn.gov.ng/MSME/FAQ\\_MSME.asp](https://www.cbn.gov.ng/MSME/FAQ_MSME.asp).



the World Bank-financed NASSP); the need to leverage digital payment mechanisms through a transparent process; insights on categorical, geographical, and poverty-based targeting; and features of a robust M&E mechanism, among others. Table 3.1 presents the results logic for the activities, outputs, and outcomes for Results Area 1, translating how different constraints faced by poor and vulnerable households will be addressed through the activities incorporated in the technical design and what outcomes the outputs produced are expected to deliver.

Table 3.1. Results Chain for Results Area 1

Emergency Constraints	Main Activities	Output(s)	Outcome	PDO
<b>Households with disabled, aged, chronically ill, and urban poor members</b>	Social transfers: consumption support and transfers to aged, physically challenged and chronically ill, and urban poor	Enrolled individuals/HHs receiving periodic transfers	Enhanced income and consumption of food and basic services	
<b>Loss of labor and non-labor income among poor and vulnerable households</b>	LIPW: for immediate employment opportunity in social services and works	Individuals enrolled and receiving stipends for participating in LIPW in social services		Number of beneficiaries supported with safety nets and basic services
	Livelihood grants: to economically active household members and groups on livelihood activities	Individuals/HHs enrolled and trained on livelihood programs and supported with livelihood grants	HHs' income generating opportunities/enterprises established	
	Community and group investment: support for basic service infrastructure—CDPs and GrDPs	Completed basic infrastructure and services microprojects utilized by poor and vulnerable individuals, HHs, and groups	Improved access to basic, social infrastructure services (public goods)	

Note: HH = Household.

**15. Use of existing registries.** The CARES PforR Results Area 1 will use existing and new registries developed by the state, which will be leveraged in identifying the potential beneficiaries of the chosen interventions. The SSRs developed under YESO and NASSP are an electronic list of poor and vulnerable households in each state. The SSRs, which were developed through an inclusive community-based targeting procedure, can be leveraged in the identification of potential beneficiaries that will benefit from social transfers, public works programs, and livelihood grants. States may have also developed or are in the process of developing a registry of beneficiaries focused on a specific area of intervention which aligns with the CARES program objectives. Such registry of beneficiaries, for example the URB of IDPs developed in the North East under YESO, can be leveraged in the selection of benefiting individuals, households,



and groups, based on certification of the registry development process by the World Bank. The development of the register should include the collection of sufficient data about the individual or household to be able to estimate their economic well-being, as well as demographic information to inform categorical targeting associated with the interventions. The development of each register must follow a verifiable process, with sign-off from multiple stakeholders. All data captured will leverage computer-assisted personal interviewing systems, to reduce the errors associated with paper data captures, and data in each register will be collated and stored in an electronic database supported by an information system for ease of processing and data management.

**16. Lessons from existing programs on payment mechanisms.** Lessons drawn from existing interventions will guide the implementation of the payment mechanisms for the social transfers under CARES. Existing social protection interventions, including the CSDP, YESSO, and NASSP, have established payment mechanisms to carry out the various social transfers under their program of interventions. Leveraging existing structures such as the SCTU, each state will set up a digital payments mechanism through licensed financial service providers, which can include commercial banks, micro-finance institutions, mobile money operations, payment service banks, and other financial institutions with a valid operating license from the CBN. Each payment mechanism will be set up to ensure that full-value payment is made to the right person or association, through a cost-efficient digital mechanism that is accessible to recipients, promoting ease of access. The payment mechanism is expected to be secure, ensuring transparency while minimizing the risk of state government funds being lost through fraud, corruption, and operational inefficiencies. Payments can be periodic or one-off and may vary in value; the payment mechanism is expected to ensure timeliness of payments.

**17. Beneficiaries of social transfers will benefit from a payment mechanism that incorporates digital financial solutions and stimulates last-mile access to finance through mobile money, agency banking, and merchant cashback.** Community and groups receiving grant payments or transfers will be required to leverage more traditional banking platforms that include deposit money banks and micro-finance banks (MFBs), as they are expected to engage the financial institutions with a higher level of KYC requirements. Each payment mechanism set up per state will be assessed to ensure adequate management of beneficiary records by leveraging information systems, payroll, or payment schedule management using an integrated payment module which will allow for payroll generation, approval, and reconciliation management. Each state is expected to have valid partnerships with financial service providers, which will include ability to transfer funds through financial service providers to beneficiaries at the last mile of the payment's delivery chain. A central GRM will be set up at each state, leveraging existing structures from the CSDA and NASSP. Communities, households, and individuals will be sensitized on the availability of the GRM and the contact information for grievance redress at the local, LGA, and state levels. Redress on specific issues surrounding targeting and payments may take different forms depending on the specific grievance submitted; possible redress could include information clarification, payment regularization, and registry update, among others.

**18. Economic justification for Results Area 1.** Social protection measures are widely considered the most effective policy response to address the economic impact of COVID-19 on vulnerable workers and poor households. More than 200 countries around the globe have instituted social protection programs in response to the COVID-19 pandemic since March 2020.<sup>38</sup> Social assistance measures, similar to the ones

<sup>38</sup> Gentilini, et al. 2020. *Social Protection and Jobs Responses to COVID-19: A Real Time Review of Country Measures*. Available at



being proposed through Results Area 1, and which include cash-based transfers, public works, or in-kind support to households and communities, account for 60 percent of the total global social protection responses instituted from March to July 2020.

**19. Results Area 1 supports platforms and programs established using World Bank funds—CSDP and YESSO—which have been assessed for sound economic rationale and confirms favorable costs/benefits ratios.** An impact evaluation study of the CSDP, carried out in 2013, established that the CSDP, relative to other interventions, is more cost-effective. A unit classroom and health center in the CSDP are on average 1:2.25 and 1:2.72 times, respectively, lower than the cost of building the same structures by other organizations.<sup>39</sup> In comparison to other agencies, the CSDP has a more positive impact on the private and public sector by setting points of reference, such as prices and procedures, for the social and natural resource infrastructure industry. The CSDP approach fosters greater allocative efficiency in public expenditure in relation to the needs of the poor. Through the promotion of participatory decision-making at the local level (the participatory community planning process), the CSDP empowers communities to allocate scarce resources across sectors and the ability of the communities to control valuable resources, thereby ensuring that such resources are applied most efficiently in response to local priorities. Similar analysis carried out for the AF of YESSO confirms that the costs of YESSO (administration/management) for the PWF component remain US\$7.8 million per year, as estimated. Over a period of one year, YESSO is expected to transfer an average of US\$25.5 million wage benefits to unemployed youth. This results in transferring US\$1 of benefits at a cost of US\$0.24.<sup>40</sup> This compares favorably with the estimated cost/return ratios and labor cost ratio for several countries.<sup>41</sup> It is worth stressing that these are only economic returns. In addition, YESSO in the North East has potential for social returns with respect to reducing youth violence and economic benefits for assets created which are beneficial to communities. As such, the above estimate understates the benefits.

**20. Implementation arrangement.** Results Area 1 has four pillars for implementation: Social Transfers, LIPW, Livelihood Support, and Community and Group Basic Services Infrastructure. Findings from consultations with states revealed there are minimum of two and maximum of four MDAs involved in implementing similar interventions in these four areas. These include the Targeted Grant Transfer Project Implementation Unit (TGTPIU), the PWFPIUs in YESSO states and its variants across states without YESSO, the SCTU under NASSP operating conditional cash transfer (CCT) at state level, and the CSdas in CSDP states and related community-driven institutions in other states not operating CSDP. At the interaction with the states, three variants of implementation arrangements are emerging.

(a) **One institution implementing all the pillars of Results Area 1.** This will involve merging of all the existing implementing MDAs into one, with the CSda being the major hub in CSDP states. This implies that the units for SCTU, PWFPIU, and TGTPIU will be under a strengthened CSda and will be responsible for implementing all the interventions in the four result pillars of Results Area 1 as

<http://documents1.worldbank.org/curated/en/454671594649637530/pdf/Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures.pdf>.

<sup>39</sup> See: <http://documents1.worldbank.org/curated/en/649151467992818774/pdf/PAD1825-PJPR-P157898-P090644-Box394889B-OUO-9-IDA-R2016-0121-1.pdf>.

<sup>40</sup> See: <http://documents1.worldbank.org/curated/en/876291468197102279/pdf/PAD1826-PJPR-P126964-P157899-IDA-R2016-0123-1-Box396259B-OUO-9.pdf>.

<sup>41</sup> See: <https://openknowledge.worldbank.org/bitstream/handle/10986/11882/9780821389683.pdf>



applicable to each state. States such as Borno, Ekiti, Osun, Kwara, and Yobe are expected to adopt this variant for implementation.

- (b) **Three existing institutions implementing the four pillars of Results Area 1.** This implies that a strengthened SCTU will be responsible for implementing the pillar on Social Transfers while the relevant PWF implementation units across states will be responsible for the LIPW. The CSDA or any other relevant state agency will be responsible for implementing the two pillars for Livelihood Support and the Community and Group Basic Services Infrastructure. Most states with CSDP, YESO and NASSP are in this category.
- (c) **Existing institutions strengthened to implement the pillars.** This is especially for states without the CSDA and PWFPIU. This arrangement implies that existing platforms will operate similar interventions of the pillars (LIPW, Livelihood Support, and Community and Group Basic Services Infrastructure) while a strengthened SCTU will implement the Social Transfers pillar. Delta, Kaduna, Kano, and Jigawa are in this category.

**21. Each of the implementing institutions will be responsible for the delivery of the results as encapsulated in the DLIs.** The implementing institutions will also provide reports of their activities, especially achievements, challenges, and fiduciary management, to the States CARES Coordination Unit (SCCU) for collation and onward submission to the State CARES Implementation Steering Committee as well as the Federal CARES Implementation Support Unit (FCSU). Whether implementing units are merged or separate, appropriate and requisite staff (both in quantity and quality) should be in place to implement the different pillars of Results Area 1.

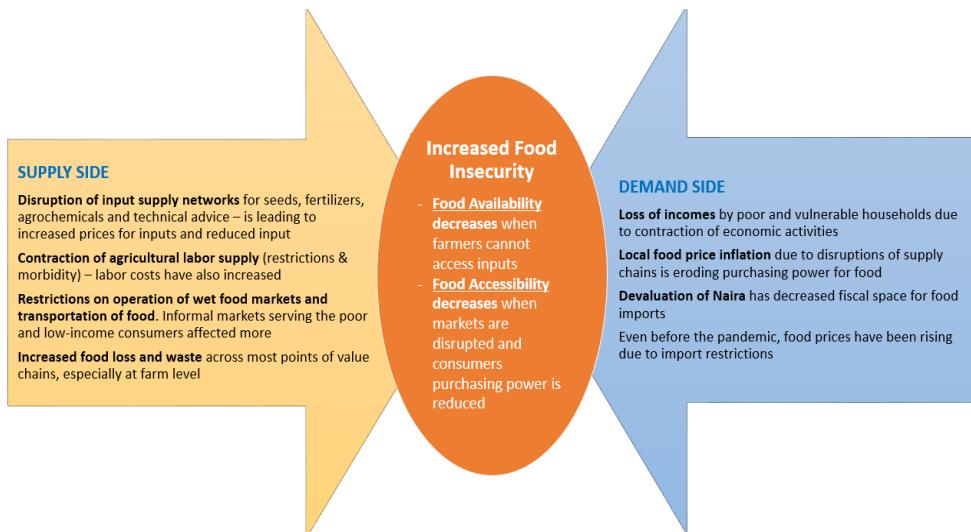
*Results Area 2: Increased social transfers, basic services, and livelihood support to poor and vulnerable households*

**22. The technical design of Results Area 2 aims to support the government interventions that mitigate the impacts of the COVID-19 pandemic on food security, facilitate safe functioning of food supply chains, and lay the foundations for recovery of agricultural livelihoods.** The pandemic is affecting food security from both the demand and supply sides. The supply-side pathways include disruption of input supply networks for improved seeds, fertilizers, agrochemicals, farm labor, and technical advice. These disruptions have made these inputs less accessible and more costly, especially for poor smallholders and women farmers who lack the connections and finances to compete for inputs. The pandemic has also affected the functioning of food supply chains due to movement restrictions, social distancing, and reduced operations of food enterprises. Farmers are finding it harder to find buyers. Again, the most affected farmers are the poor smallholder farmers who rely on spot transactions with buyers, as opposed to supply contracts. Since agricultural produce tends to be perishable, the lack of buyers often translates to increased food loss and waste at the farm level. And without regular buyers, farmgate prices have been depressed, leading to reduced incomes for farmers. Overall, the disruption of food supply chains has created a wedge between farmers and final consumers such that farmers are faced with depressed farmgate prices while on the other hand the consumers are faced with rising food prices. The resulting effect is that the incomes of both consumers and producers are depressed. If these effects are left unmitigated, there is a risk that farmers could retreat the scale of agricultural activities in future seasons, leading to persisting food insecurity. The demand-side pathways are mainly due to contraction of economic activities, which has led to loss of incomes and diminished the ability of poor and vulnerable households to purchase food and other commodities. At the macro level, the pandemic has led to



devaluation of the naira and diminished the prospects for large-scale food imports, hence the need for supply-side interventions to immediately increase domestic food production. Table 3.2 presents the results logic for the activities, outputs, and outcomes for Results Area 2, translating how food security related outcomes will be achieved through the activities incorporated in the technical design and what outcomes the outputs produced are expected to deliver.

*Figure 3.2: The Pandemic Is Increasing Food Insecurity through Both Supply and Demand Pathways*



*Table 3.2. Results Chain for Results Area 2*

Activities	Outputs	Outcome	PDO Element
<i>Support to increase food production:</i> Provision of improved seeds, fertilizers, and livestock inputs; seed multiplication; delivery of extension and advisory services; provision of mechanization services	Farmers mobilized for provision of improved inputs, extension services, and mechanization support; farmers are engaged for seed multiplication	Farmers utilize improved inputs, extension services, and mechanization support; increased production of improved seed	Number of farmers supported to increase food production
<i>Labor-intensive agricultural infrastructure:</i> Improvement/rehabilitation of existing tertiary irrigation canals and feeder roads; establishment of boreholes and tube wells; soil conservation	Works completed to rehabilitate/improve agricultural infrastructure	Increased access to improved agricultural infrastructure; short-term jobs created	
<i>Agricultural assets for production and mitigation of food loss and waste:</i> Provision of assets and equipment; training on proper use of assets and operation and maintenance	Farmers access assets for food production and small-scale primary processing	Farmers utilize assets and increase capacity to produce and process/preserve food	
<i>Upgrading wet markets:</i> Upgrading water and sanitation	Works completed to upgrade existing wet	Existing wet markets with upgraded and	



Activities	Outputs	Outcome	PDO Element
infrastructure in existing wet markets	markets	functioning water and sanitation services	

**23. The design of Results Area 2 was informed by analysis of impacts of the pandemic on food security.** A recent World Bank report<sup>42</sup> based on a national survey shows that the pandemic has had major disruptions on food security. The report shows that nearly 55 percent of the respondents in rural areas faced increase in the price of farming/business inputs. The figures are likely higher among poor and vulnerable farmers because they purchase relatively smaller quantities of inputs and do not have the connections or finances to access inputs when supplies are low and prices higher. Without access to inputs such as improved seeds, affected farmers revert to traditional seeds that are less productive and more susceptible to adverse conditions, for example, pest and diseases and agroclimatic factors. Farmers are having to cope not only with increasing input prices but also falling output prices. According to the report, nearly 30 percent of rural households are faced with a fall in price of the farming/business output. The report also shows that more than 80 percent of both rural and urban households faced an increase in price of major food items consumed—and this is primarily because of disruptions to food supply chains and reduced operation of wet food markets. A follow-on World Bank report<sup>43</sup> based on a survey conducted in the middle of the planting season shows that about 38 percent of households that engaged in agriculture made significant changes due to the pandemic. Of these affected households, about 52 percent reduced area planted, 30 percent cultivated crops that take less time to mature, and 25 percent did not plant on time.

**24. The technical design aims to address the specific constraints faced by women in farming and food supply chains.** Women provide about 37 percent of labor for crop production in Nigeria. The relatively low labor supply is partly because women have less access to land and on average cultivate smaller plot sizes (0.2 ha) compared to men (0.52 ha). Similarly, women face challenges in accessing improved seeds and fertilizers such than men use up to 8 times more of these inputs than women. Furthermore, women are 38 percent more likely to cultivate low-value roots and tuber crops than men and 19 percent less likely than men to cultivate cereals—a relatively higher-value commodity group. And because of multiple household responsibilities, women face time constraints to work on the farms or to supervise hired farm labor. Consequently, male hired labor used by women plot managers is significantly less productive than the same type of labor used by male plot managers. The Program will address these gender gaps through the following actions:

- (a) Deploying women farmer field facilitators and extension workers to help mobilize more women to be supported by the Program.
- (b) Targeting women farmers who express demand for improved seeds, especially for higher-value cereal crops to help them transition from planting low-value roots and tubers.
- (c) Mandating that the design of small-scale irrigation tertiary canals, tube well, and boreholes accounts for multiple uses of water by women to perform household activities such as washing and cooking.

<sup>42</sup> Lain, et.al. 2020. *COVID-19 From the Ground Up: What the Crisis Means for Nigerians*. A report based on survey conducted by NBS in April–May 2020.

<sup>43</sup> Siwatu, et.al. 2020. *Impact of COVID-19 on Nigerian Households: 2nd Round*. Washington, DC: World Bank.



- (d) Reducing drudgery of women through assets that increase their labor productivity in production and small-scale primary processing of food. In particular, assets for small-scale food processing would increase the incomes of women while reducing food loss and waste.
- (e) Ensuring that support to upgrade water and sanitation services in wet food markets is designed to meet the needs of women as they comprise the majority of market participants. In addition, cleaning and fumigation of the wet markets would also be performed by women to provide them more income earning opportunities.

**25. Rationale for public intervention.** The COVID-19 pandemic has caused staggering loss of life across the country, economic distress to individuals, and loss of government revenues. The overall economy is heading toward a recession due to declining output in various economic sectors, including agriculture. There is a role for public intervention to mitigate the impacts of the pandemic on the poor and vulnerable households to alleviate hunger, protect their means of livelihoods, and ensure that the population can access sufficient food to meet their dietary needs. Results Area 2 supports supply-side interventions to immediately increase food production and support the safe functioning of supply chains for inputs and food commodities. Experience from responding to such crises from the world over shows that support should not only aim to mitigate the short-term impacts on food security but also facilitate a rapid recovery of agricultural livelihoods. The Program aims to achieve these objectives through carefully selected interventions that can be delivered in a timely manner to support poor and vulnerable farmers and various actors in the food supply chains that serve poor households.

**26. Economic justification for Results Area 2.** The economic evaluation of the Results Area 2 Program was carried out through (a) ex ante analysis of expected impacts of individual interventions and (b) benchmarking using impact evaluation results on similar activities that were implemented by the Fadama III AF II project using exactly the same approaches, instruments, and platforms adopted by the Program. The evaluation confirmed the economic soundness of interventions in Results Area 2. The overarching conclusion of the analysis is that the selected interventions can effectively support the poor and vulnerable farmers to increase food production and facilitate recovery of agricultural livelihoods. In particular, the impact evaluation<sup>44</sup> of the Fadama III AF II shows that relative to the control group, similar interventions increased crop income by 52 percent, livestock income by 142 percent, and aquaculture income by 59 percent. The income gains were primarily driven by adoption of improved crop varieties and agricultural practices, increased access to assets for crop and livestock production, and agricultural infrastructure.<sup>45</sup> For example, adoption of improved seeds increased by more than 22 percent relative to the control group. The increased adoption of improved agricultural technologies and practices led to significant increase in crop yields. Rice yields increased by about 35 percent and maize yields increased by 48 percent. Considering that the Program targets the poor and vulnerable, many of whom live in rural areas where the poverty headcount rate is about 52 percent, the expected impacts on agricultural incomes can lift poor farmers out of poverty and prevent vulnerable farmers from falling into poverty. The EIRR for the Fadama III AF II was estimated at 53 percent and the interventions in Results Area 2 are expected to generate similar economic returns. Furthermore, the literature shows that over the past two

<sup>44</sup> The impact evaluation was carried out by the International Food Policy Research Institute team and local researchers. The report is titled Impact Assessment of Fadama-III AF II on Food Security and Livelihood Restoration in Northeastern Nigeria

<sup>45</sup> The main infrastructure supported in Fadama III AF II is rehabilitation of existing fences, markets, storage and aggregation facilities, production pens and houses for livestock, rural network of roads, irrigation schemes, canals, and ponds.



decades World Bank-financed projects with similar interventions in Nigeria have generated EIRR ranging from 47 percent to 53 percent.

**27. Implementation arrangement.** The Fadama implementation platform will be used to deliver the DLIs in Results Area 2. The Fadama implementation platform has been used to successfully implement the Fadama series of projects in all 36 states and FCT for nearly three decades. The main approach used by Fadama is CDD where farmers and the communities are mobilized to identify and operationalize their development priorities through participatory approaches that are well understood by the beneficiaries. A summary of the objectives and results achieved in the Fadama series of projects is provided in Table 3.3.

*Table 3.3. Summary of Objectives and Results Achieved through the Fadama Platform*

Project	Evolution of PDOs and Design	Key Results
<b>National Fadama Development Project:</b> <b>US\$67.5 million (1992–1999)</b>	Developing 160,000 ha of Fadama by small-scale irrigation to support agriculture during the dry season (more supply driven)	<ul style="list-style-type: none"><li>• Expanded irrigation by 154,000 ha</li><li>• Introduced new irrigation technologies</li><li>• Increased cropping seasons (up to 2 for rice)</li></ul>
<b>Second National Fadama Development Project:</b> <b>US\$100 million (2004–2009)</b>	Introduced CDD to sustainably increase the incomes of Fadama users, empower communities to take charge of their own development agenda, and reduce conflict between Fadama user groups	<ul style="list-style-type: none"><li>• More than 90 percent of community institutions planned and managed their own development (CDD platforms)</li><li>• Half the beneficiaries increased incomes by 60 percent</li><li>• 85 percent reduction of conflicts</li></ul>
<b>Third National Fadama Development Project (Fadama III):</b> <b>US\$250 million (2009–2014)</b>	CDD approach to increase the incomes of users of rural land and water resources in a sustainable manner	<ul style="list-style-type: none"><li>• Increased crop yields (pepper 101 percent, yam 55 percent, millet 22 percent, maize 19 percent, cassava 18 percent, cowpeas 12 percent, rice 10 percent)</li></ul>
<b>Fadama III AF I:</b> <b>US\$200 million (closing extended to 2019)</b>	CDD approach focused on priority food staples—cassava, rice, sorghum, and horticulture	<ul style="list-style-type: none"><li>• Increased crop yields (cassava 14 percent, rice 44 percent, sorghum 23 percent, tomato 48 percent)</li></ul>
<b>Fadama III AF II:</b> <b>US\$50 million (closing extended to 2019)</b>	CDD approach to restore livelihoods of conflict-affected households in the North East	<ul style="list-style-type: none"><li>• Increased crop yields (sorghum 28 percent, tomato 55 percent)</li></ul>

**28. At the state level,** the State Ministries of Agriculture will delegate day-to-day implementation and coordination of Program activities in Results Area 2 to the SFCO. The SFCO will implement Program activities following the procedures and approaches laid out in the Operations Manual and ensure compliance with procurement, financial management, and safeguards requirements. The State CARES Technical Committee (SCTC) will provide technical oversight across all Program results areas and will be responsible for reviewing and approving annual work plans. The SCTC will meet every six months and/or at any other time determined by the chair to assess progress of implementation and review and approve work plans and budgets. Administratively, the SFCO will report to the SCTC. The SFCO, using resources from the line ministries, including engineers and other consultant services, will review, screen, and provide clearance on the technical viability of all subprograms submitted for funding. To implement the Program with due diligence and economy, as required under the FA, state governments will cause the SFCO to ensure that (a) proper guidelines and procedures are followed on procurement, disbursements, auditing, and overall financial management and (b) there is compliance with E&S requirements in both developing and implementing the activities.



**29. TA and support.** The NFCO will provide technical and handholding support for Results Area 2, including supporting the SFCO in technical design and implementation, safeguards compliance, and results monitoring. The NFCO is an Office of the Federal Ministry of Agriculture and Rural Development entrusted with the responsibility for coordinating and monitoring the implementation of agricultural sector programs, including those that are externally funded. The support to the SFCO will be conducted according to the provisions of the FA. In conducting this role, the NFCO will work closely with the National CARES Support Unit (NCSU), which is responsible for overall national coordination of the CARES program and implementation of the IPF TA component of the Program. In particular, the NFCO will prepare detailed annual workplans (AWPs) for technical and handholding support that would be financed through the IPF TA component of the Program. The AWPs for the TA component would be reviewed by the National CARES Technical Committee, which will be responsible for technical oversight and review and approval of the annual work program and budget of the NCSU, NFCO, and National GEEP Office.

**30. At the local government level,** the Local Fadama-CARES Desk (LFD) will be mobilized to support on-the-ground implementation of the Program. The LFD will review and clear the Community Action Response Plans (CARPs) that will be prepared by farmer groups and their apex organizations (for example, Farmers Community Associations [FCAs]) to identify Program activities in Results Area 2. Support for preparation of the CARPs will be provided by farmer facilitators engaged under the Program to mobilize farmer groups and assist them to prepare CARPs. The LFD will be supported by civil servants, with qualifications and experience satisfactory to the SFCO, seconded to the Program to play the role of a clearing house for the CARPs. In addition, the Program will provide consultant services to the LFD to ensure the review and approval process proceeds in a timely and effective manner. The LFD will review and consider approving CARPs that meet the criteria spelled out in the Operations Manual, including demonstrating solid arrangements for operations and maintenance. A detailed description of the roles and responsibilities of the LFD will be outlined in the Operations Manual.

**31. At the community level,** the SFCO will undertake information campaigns to raise awareness about the CARES program and explain the eligibility criteria which target poor and vulnerable households cultivating not more than 1 ha of land. Such households are likely to belong to various farmer groups, including groups established by NGOs, agriculture development agencies under State Ministries of Agriculture, Fadama project, International Funds for Agricultural Development (IFAD) projects, and other donor-supported programs. Eligible households that are not members of groups will be encouraged to form new groups that will be registered by LGAs. The proper mobilization of farmer groups is critical because many of the program decisions will be undertaken by farmer groups and the FCAs comprising clusters of farmer groups and various economic interest groups. These entities will employ CDD approaches to identify and prepare subprograms for the CARPs and will be responsible to execute, supervise, operate, and maintain the subprograms. A team of facilitators and other specialists will be deployed to provide related and necessary TA and training support to farmer groups and FCAs. Once the CARPs are approved for financing by LFD, they would be screened by the SFCO for technical viability, consistency with Program design, and compliance with the applicable program guidelines. Upon successful screening, funds equivalent to the costs for design and implementation will be earmarked by the SFCO financial management unit for release against delivery of the contracted services/goods.

**32. M&E.** The SFCOs will have responsibility for M&E of Results Area 2 and will work closely with the LFD to ensure that data and reports for verification of results by the IVA are collected accurately and in a timely manner. The SFCOs will also be responsible for collection of M&E data for overall Program



monitoring beyond the data and reports required by IVA. The SFCOs would be supported by the NFCO to carry out the M&E functions and other forms of handholding support as may be needed. However, each SFCO will be responsible for feeding program-related data from the LFD, farmers' fields, and SFCO to the SCCU system, which will consolidate the data and reports and generate the quarterly, biannual, and annual progress reports. The reports would be submitted to the FCSU for consolidation into the overall program M&E reports. The M&E data and reports are key inputs into decision-making regarding program implementation at various levels (local, state, and national) and should be utilized at the points in which they are generated. They would also provide useful background information for the program MTR and the completion reports. The SFCO will also provide implementation progress report into the NFCO central M&E as may be necessary.

*Results Area 3: Facilitating Recovery and Enhancing Capabilities of MSEs*

**33. The technical design of Results 3 aims to support government interventions that mitigate the impacts of the COVID-19 pandemic for local economies.** Given that MSEs serve as the backbone of the Nigerian economy, Results Area 3 interventions will focus on easing their financial constraints, supporting their continued business operations, and enhancing firm capability through digital channels. The design of Results Area 3 was informed by the Nigeria BPS that was conducted in all 36 states in conjunction with the BOI. The survey has revealed MSEs are highly affected by the pandemic: less than half of the MSEs in Nigeria are still fully open; the rest are either partially open (40 percent) or closed (15 percent). More than 70 percent of MSEs experienced decreased turnover, with the average decrease of 50 percent or more. More than 50 percent of MSEs experienced reduced access to financial services. Most MSEs only have 60 days equivalent of cash on hand to sustain their business if the business situation does not improve. As for the most needed policies to support MSEs, policies related to access to finance (that is, loans with subsidized interest rates, access to new credit, deferred credit/interest payments, rollover of debt, and so on) were mostly demanded, followed by support on rent, mortgages, and utilities. Further, almost 50 percent of MSEs have changed their business model in response to the pandemic in adjusting to internet, online social media, digital platforms, or phone to support their business operations, especially for their marketing and sales functions. Internet sales now take up to 34 percent of total sales for small firms. The results of the BPS show that the design of this results area will mitigate the impact of COVID-19 and also lay a solid foundation for the post-COVID-19 recovery for these MSEs and local economies. Table 3.4 presents the results logic for the activities, outputs, and outcomes for Results Area 3, translating how MSE related outcomes will be achieved through the activities incorporated in the technical design and what outcomes the outputs produced are expected to deliver.

Table 3.4. Results Chain for Results Area 3

Activities	Outputs	Outcome	PDO Element
Provision of well-targeted grants to co-finance loans that eligible MSEs received during COVID-19	MSEs supported with grants to cover new loans for a defined period	Financial constraints of MSEs eased and production process/service delivery resumed	Number of vulnerable and viable firms supported by the Program
Extending grants to MSEs cover up to 50 percent portion of any verifiable/documented monthly operational cost for 6 months	MSEs supported for operational expenses including rents and salaries of staff	Reduce job loss/increase job security	
Support adoption of digital	MSEs identify and	MSEs' resilience and	



Activities	Outputs	Outcome	PDO Element
payments, integration costs, and IT connectivity costs to firms and support firms to become ecommerce enabled	receive new IT solutions	business continuity achieved, and capabilities upgraded	

**34. Access to finance.** State government's MSE Development Programs usually include access to finance or microcredit lending components. These components aim to provide loans and/or grants to help MSEs increase working capital and financial resource to expand their business operations, promote productivity, generate higher incomes, and create jobs. States would collaborate with state-level MFBs, the BOI GEEP, or its equivalent agency that will conduct their own risk management and credit appraisal. Loans are extended through local MSE associations and cooperative societies. The state agency supervising the program will serve as a coordinating entity. It will conduct the initial vetting process, which usually involves a reality check to ensure business existence and that the business meets the minimum criteria in terms of size and gender threshold, before passing on to MFBs, the BOI GEEP, or its equivalent entity, for further credit appraisal and disbursement of loans. The state agency also serves the function and monitoring of the program to ensure proper reporting and performance assessments are conducted periodically. MFBs would offer individual or group loans to eligible borrowers. These types of programs also help raise awareness about opportunities for MSEs on funding through microcredit institutions and commercial banks. State governments' MSME Development Programs promote the state government's endeavors to achieve economic growth, job creation, gender equality, improved sustainable industrialization, and fostering of innovation.

**35. Entrepreneurship and skills acquisition.** State government's MSE development programs also usually include a skills training and entrepreneurship component. The component usually collaborates with private sector institutions to provide technical and vocational training for entrepreneurs, either in the form of class-style instructions or hands-on trainings. The component also includes business management training to help young entrepreneurs start, finance, grow, and market their business; prepare business plans; keep business reports and accounts; and collaborate with partners, as well as cope with risks and business competition. The state agency serves as a coordinating entity and facilitates the communication of the launch of the program, as well as the application process. Applications go through a basic vetting process (same as the one in the Access to Finance Programs), after which beneficiaries are usually selected on first-come-first-serve basis. The state agency also keeps a file of the businesses benefitted from training. A few agencies have more sophisticated results monitoring to see the improvement in business productivity in relation to these trainings; most agencies do not have such monitoring. The purpose of these types of programs is to prepare the labor force for the job market, as well as create jobs directly and indirectly.

**36.** 34 states including FCT have subscribed to Results Area 3 by submitting the budget allocation that includes budget for this results area. Among these, 23 states are using BOI/GEEP to transact one or more DLIs under Results Area 3. Table 3.5 shows total number of states using BOI/GEEP as a transacting platform compared to the state's own MSE platform per DLI. Box 1 and 2 provide examples of state-owned platforms. The technical due diligence process undertaken during Program preparation assesses various aspects of the state platform, including governance structure, proper licensing, adequacy of risk management process, financial soundness, and internal control, as well as the monitoring and reporting framework. Table 3.5 shows the states' selection of transaction platform for this results area.



Table 3.5. States Choice of Transacting Platform for Results Area 3

	States	DLI 3.1	DLI 3.2	DLI 3.3
1	Abia		BOI/GEEP + State	BOI/GEEP + State
2	Adamawa			BOI/GEEP
3	Akwa Ibom		BOI/GEEP	
4	Anambra	State		State
5	Bauchi	BOI/GEEP	BOI/GEEP	
6	Bayelsa	BOI/GEEP	BOI/GEEP	
7	Benue	BOI/GEEP	BOI/GEEP	
8	Borno	BOI/GEEP	BOI/GEEP	
9	Cross River		State	State
10	Delta	BOI/GEEP	BOI/GEEP	BOI/GEEP
11	Ebonyi	BOI/GEEP	BOI/GEEP	
12	Edo	State	State	State
13	Ekiti	State	State	State
14	Enugu	State	State	State
15	FCT	State	State	State
16	Gombe		BOI/GEEP + State	BOI/GEEP + State
17	Imo		BOI/GEEP	
18	Jigawa	BOI/GEEP	BOI/GEEP	
19	Kaduna	State		State
20	Kano			
21	Katsina		State	State
22	Kebbi	BOI/GEEP	BOI/GEEP	
23	Kogi	BOI/GEEP	BOI/GEEP	BOI/GEEP
24	Kwara	State	State	BOI/GEEP
25	Lagos	State	State	State
26	Nasarawa			
27	Niger	BOI/GEEP	BOI/GEEP	BOI/GEEP
28	Ogun		BOI/GEEP	
29	Ondo	BOI/GEEP	BOI/GEEP	
30	Osun			
31	Oyo	BOI/GEEP	BOI/GEEP	
32	Plateau	BOI/GEEP	BOI/GEEP	BOI/GEEP
33	Rivers	State	State	State
34	Sokoto		BOI/GEEP	
35	Taraba	BOI/GEEP		

**Box 3.1: Kaduna State Platform for Results Area 3**

Kaduna State will leverage its existing platform: the Kaduna State Digital Enterprise Platform (KADDEP) to implement two DLIs in Results Area 3.

KADDEP is a digital platform that serves as the central platform. It manages all databases and user engagement integrated from various agencies and organizations for the program. Similar to the GEEP platform, KADDEP provides various services, including verification, command center and field operations, funds disbursement, validations, and accounts management.

KADDEP partners with the BOI GEEP platform for the verification and oversight-related services, as needed, and Sterling Banks' Specta credit platform for credit checks and funds disbursement services. The Specta credit platform is an online lending platform created to provide instant disbursements of up to NGN 5 million within five minutes. Customers just need to provide their bio data (including BVN), proof of identification, and address, as well as bank statement. The platform leverages the credit algorithm, instant customer scoring, and zero paperwork.

The Specta credit platform has been used to disburse over NGN 66 billion to more than 75,000 individuals and businesses in two years.

**Box 3.2. FCT Platform for Results Area 3**

FCT will leverage the Abuja Enterprise Agency (AEA) to implement the three DLIs under Results Area 3. AEA is the FCT vehicle for wealth creation, employment generation, poverty eradication, and value orientation with a mandate to facilitate business growth in the FCT.

AEA has developed a wide range of programs covering Entrepreneurship Training and Curriculum Development, Business Advisory and Linkages Provision, Microcredit and Business Expansion Support, and Venture Creation and Regulatory Support. For the implementation of Results Area 3, the agency will leverage its AEA microcredit program for DLI 3.1, Micro Business Support Fund for DLI 3.2, and Tech Support for MSEs for DLI3.3.

For the abovementioned programs, the CRM platform is used for beneficiary enumeration and verification. CRM is a flexible and scalable software platform that conducts automated risk assessment and credit origination. FCT Microfinance Bank will perform the rest of the functions including funds disbursement, cash out, and management.

The AEA microcredit program has been in operation since 2006. As of today, it has extended credit facility of over NGN 2 billion to 13,000 MSEs. It has created 29,093 jobs in 8,000 enterprises. It has also supported the growth for 12,500 enterprises and capacity building for 40,000 individuals. The micro business support fund that was launched in 2016 has provided business grants of NGN 32 million to 2,700 MSEs and created more than 5,000 jobs for 15,00 enterprises. The Tech Support program that was launched in 2012 has provided technical bundles to 5,000 individuals and created 6,000 jobs in 1,000 enterprises.

**37. Economic justification for Results Area 3.** The pandemic is adversely affecting employment and business sustainability across various sectors. In particular, it has the potential to affect 41.5 million MSEs that are mostly informal and account for 76 percent of the labor force and contribute to half of Nigeria's GDP. Also, it is threatening the livelihood of 40 percent of people in Nigeria, at least 85 million people who live on less than US\$1 a day. Employment in both the formal and informal sectors is at risk either from job loss or reduction in wages or hours. Unemployment could potentially rise to as high as 40 percent, with MSEs and youth mostly affected. Several sectors have been drastically affected by the fallout of the pandemic, including financial services, manufacturing, trade, tourism, infrastructure, and construction.



**38. The proposed Program is designed to alleviate market constraints that have risen due to the COVID-19 pandemic which is adversely affecting MSEs.** These constraints contribute to increased unemployment rates, increased business closure, and loss of revenue in the country. The Program is expected to generate positive economic impact. The main focus of the Program is to stimulate private investments through easing financing constraints, provision of grants for employment and job creation, and enhancing of MSEs' capabilities via digitization and technological infrastructure investments. At the onset of the pandemic, MSEs either had to close or faced significantly reduced operating hours. Demand and supply shocks and the lack of digital inventory management have left many micro-enterprises at risk. The World Bank's global BPS using firm-level data from 46 countries indicated that micro and small firms are more vulnerable than medium and larger firms. Accordingly, the CARES program will focus the emergency response on supporting Nigerian micro firms (employing from 3 to 9 employees) and small firms (employing from 10 to 100 employees). The expected impacts of the program interventions can trigger private sector-led growth, create and sustain employment rates, improve digitalization, facilitate formalization with MFBs and digital lending platforms, and reduce poverty in the long run.

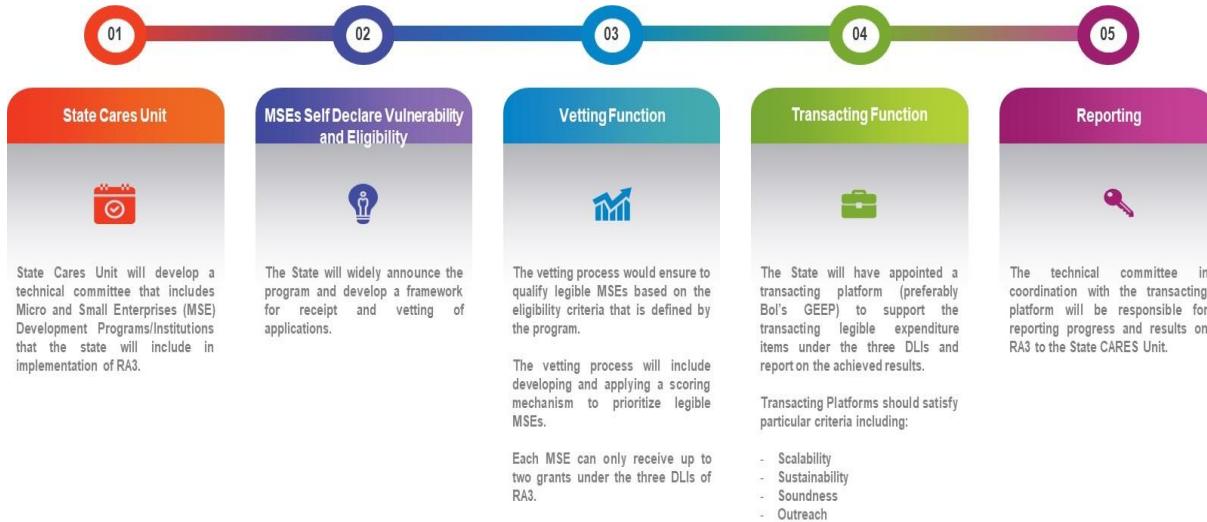
Figure 3.4. Eligibility Criteria for Targeted MSEs under Results Area 3



**39. Implementation arrangement.** The implementation of the Program will require close collaboration among existing MDAs that are operating in the space of MSE support at the state level. The critical first step for implementation of Results Area 3 is to widely advertise the Program in the state and clearly identify the legibility criteria, required supporting evidence, and application process and timeline. The state will also need to develop an application template that records the key information for the applicants and DLIs' preference.



Figure 3.5. Implementation and Institutional Arrangements for Results Area 3



**40. Vetting function.** The state's designated MSE platform will establish a vetting committee that includes all relevant MDAs, programs, and platforms that are involved in MSEs' development and would be able to contribute to the implementation of Results Area 3 of the CARES program. The vetting committee will be mandated to review the applications and supporting documents and ensure that the MSEs fulfil the eligibility criteria for the Program. This includes viability, vulnerability, age, and size. The micro and small firms (as defined above) should self-identify and apply to the vetting platforms at states. The application should include basic biographic information about the firm including age (eligible formal firms should have been functioning for two years or more and eligible informal firms should be at least three years or older). Firms will need to demonstrate viability through records that support favorable credit history and sustainable performance in addition to vulnerability as demonstrated by loss in revenue, sale of assets, or reduction in sales as a result of the COVID-19 outbreak. States will prepare an operations manual that defines, in detail, criteria for vulnerability and viability that are in line with the earlier defined objectives and scope—based on which eligibility of firms will be assessed. All eligible MSEs can choose and hence receive support from maximum 2 out of 3 DLIs under this Results Area. As part of the vetting process, the committee will develop a scoring framework and assign weights to the applicant's level of compliance with the eligibility criteria, supporting evidence, and gender and youth ownership and employment to provide more opportunities for women and youth-led enterprises.

**41. Transacting function.** Once the vetting committee identifies the beneficiaries, it will inform the transacting platform that the state identifies to process grants under Results Area 3 to beneficiaries. The transacting platform should be a licensed and regulated financial intermediary that satisfies the following criteria:

- Scalability:** is able to scale up financing to MSEs and enjoys a healthy financial position
- Sustainability:** is a sustainable financial intermediary that holds robust financial records
- Soundness:** enjoys a robust corporate governance framework and strong internal controls
- Outreach:** widely spread across local governments to be able to reach out and serve beneficiaries across the state.



**42.** The transacting platform will report on results as well as support verification of eligible expenditure. The BOI GEEP is a preferred platform and should be considered for ease of implementation. However, states have the right to choose a similar platform.

**43. M&E.** Measurement of achievement of the objective of Results Area 3 will depend on a robust M&E framework to be established, which will enable results from individual programs within each state to be aggregated so that the impact of the grants from the three DLIs on the MSEs' recovery, enhancement of their capabilities, and resilience can be captured. For states that adopt the BOI GEEP platform for implementation of Results Area 3, the Program will rely on the BOI GEEP platform to deliver accurate information on the progress of the DLIs. For states that use their own platform, the implementing agency will be responsible for collecting the data. The implementing agency should allocate sufficient resources to ensure full capacity to conduct M&E.

**44.** The BOI GEEP platform and the designated state-level implementing agencies will allocate time to each of the following activities:

- (a) Regular review of disbursements, nature of the activities being financed, objectives of the activities being financed, number of grant applicants, and rejected applications, among others. All these data points should be disaggregated, that is, by women, youth, and so on.
- (b) Review of the audit reports sent by the participating financial institutions.
- (c) For DLI 3.1, review on loan repayments associated with the co-financing grants.

**45. Reporting.** The M&E reporting will be conducted on a semiannual basis and will include

- (a) A consolidated review of the progress reports;
- (b) An Excel database - tracking the performance of each DLI shall be maintained and included in reporting;
- (c) Where appropriate, recommendations on projects experiencing implementation difficulties, which will be submitted to the Federal CARES Unit; and
- (d) A visit by the implementing agency to the MSEs in cases involving diversion or misuse of funds or nonperforming loans, to try and resolve the problems.

#### **States Selection of DLIs and Targets**

**46.** **Table 3.6 shows the number of DLIs selected by participating states in each of the results areas for the proposed CARES PforR.** It shows the amount allocated by each state to individual DLIs and the total number of DLIs selected by individual states. Based on the principle of the Program discussed earlier, each state, ex ante, will be given the opportunity to earn US\$20 million by achieving the targets in the DLIs that they have chosen.

**47.** **Table 3.7 shows the corresponding targets for each state in the DLIs that they have chosen.** The targets were chosen using a uniform 'unit' price per DLI, which includes the cost of the interventions as well as the cost of implementing the Program. Unit price for individual DLIs is uniform across all states. However, the targets across states differ based on the allocated amount to the DLI. The state-specific targets are achieved by dividing the state allocation for each DLI by the unit price of the DLI.

Table 3.6: States Allocation and Selection of Individual DLIs

SN	State	DLI 1.1	DLI 1.2	DLI 1.3	DLI 1.4	DLI 2.1	DLI 2.2	DLI 2.3	DLI 2.4	DLI 3.1	DLI 3.2	DLI 3.3	Total number of DLIs	Total Amount Allocated	
1	Abia	\$1.67M	\$1.67M	\$1.02M	\$2.30M	\$1.67M	\$1.67M	\$1.67M	\$1.67M		\$3.33M	\$3.33M	10	\$20.00M	
2	Adamawa		\$2.50M		\$3.50M	\$2.50M	\$3.50M		\$4.00M		\$4.00M		6	\$20.00M	
3	Akwa Ibom	\$2.00M	\$2.00M	\$1.00M	\$2.50M	\$2.50M	\$2.50M	\$2.50M	\$2.00M		\$3.00M		9	\$20.00M	
4	Anambra	\$2.50M	\$2.25M	\$2.50M	\$4.00M	\$2.11M	\$1.64M	\$1.75M	\$0.25M	\$2.00M		\$1.00M	10	\$20.00M	
5	Bauchi	\$3.39M	\$1.20M	\$2.37M	\$3.48M	\$3.31M		\$1.85M	\$0.45M	\$2.17M	\$1.78M		9	\$20.00M	
6	Bayelsa		\$2.00M	\$1.67M	\$3.00M	\$2.33M		\$2.66M	\$1.67M	\$4.00M	\$2.67M		8	\$20.00M	
7	Benue	\$1.25M	\$1.25M	\$1.25M	\$4.00M			\$5.00M		\$3.00M	\$3.00M		8	\$20.00M	
8	Borno	\$2.95M	\$2.15M		\$1.85M	\$2.86M	\$1.01M	\$1.99M	\$0.58M	\$4.62M	\$1.98M		9	\$20.00M	
9	Cross River	\$2.50M		\$2.50M	\$2.50M	\$1.88M	\$1.88M	\$1.88M			\$2.50M	\$2.50M	9	\$20.00M	
10	Delta	\$1.67M	\$1.67M	\$1.67M	\$1.67M	\$1.67M	\$1.67M	\$1.67M	\$1.67M	\$2.22M	\$2.22M	\$2.20M	11	\$20.00M	
11	Ebonyi		\$1.42M		\$4.58M	\$3.20M	\$0.64M	\$3.60M	\$0.56M	\$3.30M	\$2.70M		8	\$20.00M	
12	Edo	\$1.50M	\$1.00M	\$1.50M	\$4.00M	\$1.50M	\$1.50M	\$1.50M	\$1.50M	\$1.00M	\$3.00M	\$2.00M	11	\$20.00M	
13	Ekiti	\$2.00M	\$1.70M	\$1.65M	\$8.00M	\$2.00M	\$1.60M	\$1.20M	\$0.30M	\$1.10M	\$0.30M	\$0.15M	11	\$20.00M	
14	Enugu		\$1.42M		\$3.96M	\$3.08M	\$2.37M	\$2.02M	\$1.95M	\$1.50M	\$2.50M	\$1.20M	9	\$20.00M	
15	Gombe	\$2.00M	\$2.00M	\$2.00M	\$2.00M	\$2.00M	\$2.00M	\$2.00M	\$2.00M		\$2.00M	\$2.00M	10	\$20.00M	
16	Imo	\$1.50M	\$1.50M	\$2.00M	\$3.00M	\$2.50M		\$2.50M	\$3.00M		\$4.00M		8	\$20.00M	
17	Jigawa	\$3.35M		\$3.35M		\$3.50M	\$3.10M				\$3.35M	\$3.35M	6	\$20.00M	
18	Kaduna	\$1.49M	\$3.64M		\$2.21M	\$1.75M	\$1.85M	\$2.31M			\$3.97M		8	\$20.00M	
19	Kano					\$6.80M	\$8.84M	\$3.35M	\$1.01M				4	\$20.00M	
20	Katsina				\$1.61M	\$5.26M	\$4.06M		\$2.61M			\$4.72M	\$1.73M	6	\$20.00M
21	Kebbi	\$2.00M			\$2.00M	\$2.00M	\$3.00M	\$2.00M	\$3.00M	\$2.00M	\$1.00M	\$3.00M		9	\$20.00M
22	Kogi	\$1.00M	\$1.00M	\$0.60M	\$4.00M	\$2.00M	\$1.00M	\$2.00M	\$1.60M	\$4.00M	\$1.80M	\$1.00M	11	\$20.00M	
23	Kwara	\$2.10M	\$2.10M		\$3.27M	\$4.20M			\$2.46M		\$1.84M	\$2.85M	\$1.18M	8	\$20.00M
24	Lagos	\$2.20M	\$2.20M	\$2.20M		\$1.67M	\$1.67M	\$1.68M	\$1.78M	\$2.20M	\$2.20M	\$2.20M	10	\$20.00M	
25	Nasarawa	\$0.70M	\$1.80M		\$5.70M	\$2.65M	\$6.40M	\$1.25M	\$1.50M				7	\$20.00M	
26	Niger	\$1.67M	\$1.66M	\$1.67M	\$1.67M	\$1.83M	\$2.10M	\$1.62M	\$1.19M	\$1.20M	\$3.20M	\$2.20M	11	\$20.00M	
27	Ogun		\$2.50M	\$2.50M	\$2.50M	\$2.50M	\$2.50M	\$2.50M	\$2.50M		\$2.50M		8	\$20.00M	
28	Ondo	\$2.40M		\$3.80M	\$2.90M	\$2.20M	\$2.80M	\$2.90M		\$1.60M	\$1.40M		8	\$20.00M	
29	Osun	\$1.50M			\$1.50M	\$4.50M	\$2.50M	\$8.00M	\$2.00M				6	\$20.00M	
30	Oyo	\$1.80M	\$1.80M		\$2.40M	\$2.40M	\$2.40M	\$3.20M			\$3.00M	\$3.00M	8	\$20.00M	
31	Plateau	\$1.82M	\$1.82M	\$0.95M	\$2.68M	\$4.25M	\$0.96M	\$1.51M	\$0.55M	\$2.33M	\$1.13M	\$1.99M	11	\$20.00M	
32	Rivers	\$1.82M	\$1.82M	\$1.82M	\$1.82M	\$1.82M	\$1.82M	\$1.82M	\$1.82M	\$1.82M	\$1.82M	\$1.82M	11	\$20.00M	
33	Sokoto	\$2.00M	\$2.00M			\$4.17M	\$5.00M	\$3.17M				\$3.66M		6	\$20.00M
34	Taraba				\$2.53M	\$6.41M	\$4.85M	\$1.81M	\$1.46M	\$0.82M	\$2.11M		7	\$20.00M	
35	Yobe	\$3.60M	\$3.20M		\$3.20M	\$2.75M	\$2.25M	\$3.00M	\$1.00M	\$1.00M			8	\$20.00M	
36	Zamfara	\$1.23M	\$1.14M	\$1.08M	\$5.13M	\$5.10M	\$0.87M	\$1.57M	\$1.04M		\$2.86M		9	\$20.00M	
37	FCT	\$1.25M	\$1.50M	\$1.25M	\$3.00M	\$2.04M		\$2.03M	\$0.43M	\$1.00M	\$1.50M	\$1.00M	10	\$15.00M	
Total Allocations		\$56.86M	\$53.91M	\$47.99M	\$110.24M	\$105.14M	\$77.34M	\$79.24M	\$40.71M	\$55.33M	\$73.97M	\$34.27M		\$735.00M	
Total No of States		29	29	26	33	37	30	35	28	24	29	18			

Table 3.7: Individual Targets for each DLIs for participating States

	Unit Price (NGN)	₦ 400,000.00	₦ 500,000.00	₦ 400,000.00	₦ 30,000.00	₦ 140,000.00	₦ 170,000.00	₦ 120,000.00	₦ 10,000,000.00	₦ 758,160.00	₦ 1,085,760.00	₦ 1,453,530.00
	Unit Price (\$)	\$1,025.64	\$1,282.05	\$1,025.64	\$76.92	\$358.97	\$435.90	\$307.69	\$25,641.03	\$1,944.00	\$2,784.00	\$3,727.00
SN		DLI 1.1	DLI 1.2	DLI 1.3	DLI 1.4	DLI 2.1	DLI 2.2	DLI 2.3	DLI 2.4	DLI 3.1	DLI 3.2	DLI 3.3
1	Abia	1,628	1,303	995	29,900	4,652	3,831	5,428	65	0	1,196	893
2	Adamawa	0	1,950	0	45,500	6,964	8,029	0	156	0	0	1,073
3	Akwa Ibom	1,950	1,560	975	32,500	6,964	5,735	8,125	78	0	1,078	0
4	Anambra	2,438	1,755	2,438	52,000	5,878	3,762	5,688	10	1,029	0	268
5	Bauchi	3,305	936	2,311	45,240	9,221	0	6,013	18	1,116	639	0
6	Bayelsa	0	1,560	1,628	39,000	6,491	0	8,645	65	2,058	959	0
7	Benue	1,219	975	1,219	16,250	11,143	0	16,250	0	1,543	1,078	0
8	Borno	2,880	1,676	0	24,020	7,960	2,328	6,476	23	2,377	711	0
9	Cross River	2,438	0	2,438	32,500	5,223	4,301	6,094	73	0	898	671
10	Delta	1,628	1,303	1,628	21,710	4,652	3,831	5,428	65	1,142	797	590
11	Ebonyi	0	1,111	0	59,488	8,914	1,468	11,700	22	1,698	970	0
12	Edo	1,463	780	1,463	52,000	4,179	3,441	4,875	59	514	1,078	537
13	Ekiti	1,950	1,326	1,609	104,000	5,571	3,671	3,900	12	566	108	40
14	Enugu	0	1,111	0	51,512	8,574	5,433	6,564	76	772	898	322
15	Gombe	1,950	1,560	1,950	26,000	5,571	4,588	6,500	78	0	718	537
16	Imo	1,463	1,170	1,950	39,000	6,964	0	8,125	117	0	1,437	0
17	Jigawa	3,266	0	3,266	0	9,750	7,112	0	0	1,723	1,203	0
18	Kaduna	1,453	2,839	0	28,730	4,882	4,250	7,508	0	2,043	0	744
19	Kano	0	0	0	0	18,954	20,280	10,890	39	0	0	0
20	Katsina	0	0	1,571	68,428	11,307	0	8,487	0	0	1,696	465
21	Kebbi	1,950	0	1,950	26,000	8,357	4,588	9,750	78	514	1,078	0
22	Kogi	975	780	585	52,000	5,571	2,294	6,500	62	2,058	647	268
23	Kwara	2,048	1,638	0	42,510	11,700	0	7,995	0	947	1,024	317
24	Lagos	2,145	1,716	2,145	0	4,652	3,831	5,460	69	1,132	790	590
25	Nasarawa	683	1,404	0	74,100	7,382	14,682	4,063	59	0	0	0
26	Niger	1,627	1,293	1,623	21,671	5,090	4,822	5,278	46	617	1,149	590
27	Ogun	0	1,950	2,438	32,500	6,964	5,735	8,125	98	0	898	0
28	Ondo	2,340	0	3,705	37,700	6,129	6,424	9,425	0	823	503	0
29	Osun	1,463	0	1,463	58,500	6,964	18,353	6,500	0	0	0	0
30	Oyo	1,755	1,404	0	31,200	6,686	5,506	10,400	0	1,543	1,078	0
31	Plateau	1,773	1,418	928	34,895	11,839	2,193	4,919	22	1,200	407	534
32	Rivers	1,773	1,418	1,773	23,636	5,065	4,171	5,909	71	935	653	488
33	Sokoto	1,950	1,560	0	0	11,616	11,471	10,303	0	0	1,315	0
34	Taraba	0	0	2,470	83,354	13,515	4,148	4,752	32	1,085	0	0
35	Yobe	3,510	2,496	0	41,600	7,661	5,162	9,750	39	514	0	0
36	Zamfara	1,200	886	1,050	66,667	14,205	1,993	5,088	40	0	1,026	0
37	FCT	1,219	1,170	1,219	39,000	5,673	0	6,610	17	514	539	268

## Expenditure Framework

Table 3.8: Detailed Government Expenditure Framework in the sectors covered by the three Results Areas in US\$, millions

GOVT - PROGRAM EXPENDITURE FRAMEWORK												
	Social Intervention Program			Agric. Development Program			States MSME Program					
	Recurrent Expenditure	Capital Expenditure	Total Expenditure	Recurrent Expenditure	Capital Expenditure	Total Expenditure	Recurrent Expenditure	Capital Expenditure	Total Expenditure	Total Recurrent Expenditure	Total Capital Expenditure	Total Expenditure
States	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
Kebbi	5.38	41.61	46.99	10.02	95.71	105.73	3.66	23.97	27.63	19.06	161.29	180.35
Niger	3.53	2.70	6.23	8.38	40.51	48.89	1.38	15.90	17.28	13.29	59.11	72.40
Yobe	25.62	18.91	44.53	17.02	6.16	23.18	1.78	18.70	20.48	44.42	43.77	88.19
Gombe	4.48	28.23	32.71	9.94	56.34	66.28	1.11	22.34	23.45	15.53	106.91	122.44
Bauchi	57.89	43.63	101.52	21.55	34.24	55.79	0.47	26.24	26.71	79.91	104.11	184.02
Bayelsa	4.37	1.58	5.95	0.63	21.05	21.68	8.63	61.69	70.32	13.63	84.32	97.95
Osun	-	-	-	6.80	28.84	35.64	-	-	-	6.80	28.84	35.64
Anambra	3.25	32.32	35.57	4.67	30.60	35.27	1.16	22.99	24.15	9.08	85.91	94.99
Taraba	0.43	19.24	19.67	22.66	71.3	93.96	0.68	1.57	2.25	23.77	92.11	115.88
Adamawa	21.45	17.93	39.38	15.71	43.63	59.34	3.26	12.15	15.41	40.42	73.71	114.13
Borno	13.21	74.98	88.19	7.40	51.32	58.72	1.56	8.66	10.22	22.17	134.96	157.13
Enugu	1.67	0.88	2.55	4.04	16.83	20.87	3.57	3.53	7.10	9.28	21.24	30.52
Ebonyi	3.01	39.43	42.44	3.27	17.90	21.17	1.65	28.76	30.41	7.93	86.09	94.02
Abia	9.30	4.68	13.98	7.24	5.83	13.07	1.00	3.93	4.93	17.54	14.44	31.98
Oyo	28.68	55.62	84.30	9.19	35.70	44.89	2.22	3.60	5.82	40.09	94.92	135.01
Nasarawa	3.94	0.07	4.01	9.97	10.22	20.19	1.50	3.86	5.36	15.41	14.15	29.56
Ondo	0.11	9.28	9.39	11.44	41.79	53.23	2.46	6.48	8.95	14.02	57.55	71.57
Edo	5.01	28.59	33.60	6.11	3.95	10.06	1.58	47.03	48.61	12.70	79.57	92.27
Katsina	26.05	41.83	67.88	9.88	75.45	85.33	1.08	6.67	7.75	37.01	123.95	160.96
Jigawa	29.05	19.65	48.70	0.58	11.62	12.20	0.29	8.21	8.50	29.92	39.48	69.40
Ogun	1.18	9.16	10.34	2.49	6.83	9.32	0.87	8.84	9.71	4.54	24.83	29.37
Kano	0.51	2.36	2.87	4.39	10.47	14.86	0.51	1.50	2.01	5.41	14.33	19.74
Cross River	4.07	10.24	14.31	4.76	11.52	16.28	1.42	6.75	8.17	10.25	28.51	38.76
Ekiti	4.58	16.49	21.07	2.89	7.17	10.06	0.46	1.36	1.82	7.93	25.01	32.95
Kwara	1.94	2.56	4.50	2.04	46.50	48.54	0.16	29.80	29.96	4.14	78.86	83.00
Delta	-	40.00	40.00	-	26.63	26.63	0.30	41.45	41.75	0.30	108.08	108.38
Sokoto	6.47	11.57	18.04	0.84	47.32	48.16	0.25	7.30	7.55	7.56	66.19	73.75
Kogi	3.41	5.81	9.22	8.04	72.10	80.14	0.98	7.48	8.46	12.43	85.39	97.82
FCT	1.12	-	1.12	18.01	25.01	43.02	2.10	4.90	7.00	21.23	29.91	51.14
Kaduna	12.96	15.79	28.75	2.36	11.68	14.04	0.34	3.80	4.14	15.66	31.27	46.93
Plateau	0.86	16.61	17.47	0.02	0.04	0.06	0.50	13.73	14.23	1.38	30.38	31.76
Benue	2.25	2.69	4.94	4.16	39.54	43.70	0.36	2.05	2.41	6.77	44.28	51.05
Akwa Ibom	7.95	1.79	9.74	1.31	7.61	8.92	8.26	12.37	20.63	17.52	21.77	39.29
Zamfara	4.38	10.47	14.85	2.10	7.27	9.37	7.34	25.28	32.62	13.82	43.02	56.84
Lagos	15.30	26.15	41.45	15.32	45.83	61.15	11.52	105.28	116.80	42.14	177.26	219.40
Imo	4.14	5.20	9.34	10.51	8.75	19.26	5.77	7.80	13.57	20.42	21.75	42.17
Rivers	11.30	90.81	102.11	5.13	296.39	301.52	6.56	248.74	255.30	22.99	635.94	658.93
	328.85	748.86	1,077.71	270.88	1,369.65	1,640.52	86.75	854.71	941.45	686.47	2,973.21	3,659.68

Table 3.9: Detailed PforR Expenditure Framework in the three Results Areas, by States in US\$, millions

STATES	PforR – PROGRAM EXPENDITURE FRAMEWORK											
	Livelihood (Result Area 1)			Food Security (Result Area 2)			MSEs (Result Area 3)					
	Recurrent Expenditure	Capital Expenditure	Total Expenditure	Recurrent Expenditure	Capital Expenditure	Total Expenditure	Recurrent Expenditure	Capital Expenditure	Total Expenditure	Total Recurrent Expenditure	Total Capital Expenditure	Total Expenditure
	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
Kebbi	0.99	5.67	6.66	0.99	5.67	6.66	0.99	5.67	6.66	2.97	17.01	19.98
Niger	2.29	9.86	12.15	4.42	37.90	42.32	1.56	4.94	6.50	8.27	52.70	60.97
Yobe	3.00	7.00	10.00	1.80	7.20	9.00	0.20	0.80	1.00	5.00	15.00	20.00
Gombe	2.25	17.72	19.97	5.33	13.91	19.24	0.37	7.37	7.74	7.95	39.00	46.95
Bauchi	1.43	7.57	9.00	1.02	5.98	7.00	0.48	3.52	4.00	2.93	17.07	20.00
Bayelsa	1.33	5.33	6.66	1.33	5.33	6.66	1.33	5.33	6.66	3.99	15.99	19.98
Osun	-	-	-	1.10	5.60	6.70			-	1.10	5.60	6.70
Anambra	-	10.36	10.36	0.05	3.83	3.88	0.05	0.83	0.88	0.10	15.02	15.12
Taraba	2.73	6.21	8.94	3.22	5.73	8.95	0.55	1.56	2.11	6.50	13.50	20.00
Adamawa	0.97	4.81	5.78	0.01	10.98	10.99	1.06	5.64	6.70	2.04	21.43	23.47
Borno	1.69	5.26	6.95	1.01	5.44	6.45	0.99	5.61	6.60	3.69	16.31	20.00
Enugu	1.67	0.83	2.50	4.04	16.83	20.87	3.57	3.53	7.10	9.28	21.19	30.47
Ebonyi	0.96	9.71	10.67	0.56	6.39	6.95	0.18	2.04	2.22	1.70	18.14	19.84
Abia	1.52	4.86	6.38	0.67	5.83	6.50	1.22	5.25	6.47	3.41	15.94	19.35
Oyo	9.29	0.89	10.18	-	3.43	3.43	-	1.07	1.07	9.29	5.39	14.68
Nasarawa	3.69	4.51	8.20	2.36	9.44	11.80	-	-	-	6.05	13.95	20.00
Ondo	1.47	7.63	9.10	0.85	7.06	7.90	0.23	2.78	3.00	2.54	17.46	20.00
Edo	2.80	5.20	8.00	2.10	3.90	6.00	1.20	4.80	6.00	6.10	13.90	20.00
Katsina	0.54	6.32	6.86	0.62	6.24	6.86	1.00	5.28	6.28	2.16	17.84	20.00
Jigawa	0.89	17.84	18.73	0.58	11.62	12.20	0.29	8.21	8.50	1.76	37.67	39.43
Ogun	1.35	4.11	5.46	4.20	9.74	13.94	1.50	1.17	2.67	7.05	15.02	22.07
Kano				8.25	11.75	20.00			-	8.25	11.75	20.00
Cross River	1.67	6.33	8.00	2.10	4.90	7.00	1.50	3.50	5.00	5.27	14.73	20.00
Ekiti	2.68	11.52	14.20	1.30	5.03	6.33	0.46	1.36	1.82	4.44	17.91	22.35
Kwara	1.54	5.13	6.67	-	6.67	6.67	0.84	5.83	6.67	2.38	17.63	20.01
Delta	0.67	6.00	6.67	0.67	6.00	6.67	0.67	6.00	6.67	2.01	18.00	20.01
Sokoto	0.67	6.00	6.67	0.67	6.00	6.67	0.67	6.00	6.67	2.01	18.00	20.01
Kogi	0.80	5.80	6.60	0.80	5.80	6.60	0.80	6.00	6.80	2.40	17.60	20.00
FCT	0.10	2.50	2.60	0.05	5.16	5.21	1.50	3.50	5.00	1.65	11.16	12.81
Kaduna	0.12	5.53	5.65	0.17	0.22	0.39	12.96	15.79	28.75	13.25	21.54	34.79
Plateau	0.96	6.00	6.96	0.05	0.23	0.28	2.80	7.92	10.72	3.81	14.15	17.96
Benue	1.56	1.87	3.43	1.85	17.57	19.42	0.21	1.22	1.43	3.62	20.66	24.28
Akwa Ibom	5.44	1.62	7.06	1.18	6.68	7.86	4.85	0.75	5.60	11.47	9.05	20.52
Zamfara	1.71	6.86	8.57	1.71	6.86	8.57	0.57	2.14	2.71	3.99	15.86	19.85
Lagos	4.18	2.49	6.67	0.56	6.12	6.68	2.83	3.82	6.65	7.57	12.43	20.00
Imo	4.29	5.20	9.49	5.59	7.14	12.73	2.69	3.71	6.40	12.57	16.05	28.62
Rivers	5.45	1.81	7.26	3.64	3.64	7.28	5.45	0.00	5.45	14.54	5.45	19.99
	72.70	216.35	289.05	64.84	287.82	352.66	55.57	142.93	198.50	193.11	647.10	840.21

Note: Exchange rate: US\$1 = NGN 386



## ANNEX 4. FIDUCIARY SYSTEMS ASSESSMENT

1. The FSA was conducted through a methodical review of systems and practices at the state level, involving the review of a number of analytical studies. These include Draft Federal PEFA (2019); the PEMFAR carried out in respect of the federal government and 25 states; a study on the Fiscal Sustainability of States (2017); and the PIFANS (2015) carried out in 6 states. The team also reviewed the lessons learned in implementation of World Bank programs at the state level. The World Bank has been supporting state governments in strengthening their service delivery, institutional and financial management systems and processes through several operations.<sup>46</sup> The result of the 2018 APA conducted by the IVA involving all the 36 states under the SFTAS program was equally reviewed. These reports indicate Nigeria and indeed the 36 states have continued to make progress in PFM reforms in key areas such as planning and budgeting, accounting and reporting, internal and external auditing, SIFMIS, cash management, budget preparation, and budget execution.

### Conclusions

2. **Reasonable assurance.** The fiduciary systems, institutions, and practices provide reasonable assurance that they can support the use of the Program resources for the intended purposes and achievement of Program objectives in an effective, efficient, and transparent manner - subject to full implementation of the PAP.

3. **Risk assessment.** Fiduciary risks identified include weak internal controls over payroll and misuse of grants. Measures to improve the performance of public financial management systems, processes, and institutions are being incentivized under the ongoing SFTAS PforR (P162009). The risk of fraud in the selection of beneficiaries in the intervention areas of the CARES program is an area of concern. The mitigation measure for this risk will be managed through methodical implementation of the PAP and the verification protocols for selection of beneficiaries for each intervention. The overall Program integrated residual fiduciary risk (FM, procurement, and governance) is rated Substantial.

Table 4.1. Identified Fiduciary Risks and Mitigation Measures for CARES PforR

Activity	Risk	Risk Mitigating Measure
<b>Results Area 1</b>		
<ul style="list-style-type: none"><li>• Social transfer</li><li>• Labor-intensive public workfare</li><li>• Livelihood support</li><li>• Community and basic services infrastructure</li></ul>	<ul style="list-style-type: none"><li>• Fraud in selection of beneficiaries</li><li>• Misuse of grants</li></ul>	<ul style="list-style-type: none"><li>• Beneficiaries selected from SSR, SRB, and other register of beneficiaries.</li><li>• Quarterly audit of list of beneficiaries and payment to the beneficiaries by State Auditor-Generals.</li><li>• Grants disbursed in tranches upon work completion.</li></ul>
<b>Results Area 2</b>		

<sup>46</sup>—SEEFOR (P121455); —SLOGOR (P133045); —SFTAS (P162009); Kaduna Economic Transformation PforR (P161998); Promote Governance Reforms in Borno State (P163743); Sustainable Procurement, Environmental and Social Standards Enhancement Project (P169405 – SPESSE); Public Sector Governance Reform and Development Project (P097026 - PSGRDP)



Activity	Risk	Risk Mitigating Measure
<ul style="list-style-type: none"> <li><b>Distribution of seeds, fertilizers and extension services to farmers</b></li> <li><b>Labor-intensive agriculture infrastructure for canals, feeder roads and warehouses</b></li> <li><b>Provision of agriculture assets for production and mitigation of food loss and waste</b></li> <li><b>Upgrade the sanitary infrastructure in markets</b></li> </ul>	<ul style="list-style-type: none"> <li>Fraud in selection of farmer groups</li> <li>Misuse of grants</li> </ul>	<ul style="list-style-type: none"> <li>Farmer groups registered with state/local government or profiled groups by SFCO.</li> <li>Use of eligible service providers at the local level for supply of inputs.</li> <li>Grants disbursed in tranches upon achievement of milestone.</li> <li>Quarterly audit of list of beneficiaries and payment to the beneficiaries by State Auditor-Generals.</li> </ul>
<b>Results Area 3</b>		
<ul style="list-style-type: none"> <li><b>Credit grant</b></li> <li><b>Operations grant</b></li> <li><b>IT enhancement grant</b></li> </ul>	<ul style="list-style-type: none"> <li>Fraud in selection of recipient firms</li> <li>Misuse of grants</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation of MSEs through multiple channels - phone interviews, physical visits, and randomized fraud audits to ensure validity of KYC, authenticity and eligibility for the Program by BOI.</li> <li>Periodic field visits by the state government and BOI.</li> <li>Quarterly audit of list of recipient firms and payments to the firms by State Auditor-Generals.</li> </ul>

4. **Procurement exclusions.** Contracts for the procurement of works, goods, and services under the Program that exceed the OPRC thresholds will be excluded from the PforR financing.

## Scope

5. **Program expenditure framework.** The expenditure framework is an integral part of the approved revised 2020 budget in the respective 36 states and FCT and is also reflected in the MTEF. The expenditure framework covers expenditures by the implementing MDAs including CSDA, Fadama, and SME involved in the implementation of the PforR in the three results areas of the Program. The IDA contribution to the PforR amounts to US\$735 million within an expenditure framework estimated to be US\$840.21 million. The detailed expenditure framework is provided in tables 3.8 and 3.9.

6. Implementation of interventions in Results Areas 1 and 2 will rely on the CSDP and Fadama implementation structures (platforms), respectively. In Results Area 3, the BOI/GEEP will be used. A representative approach has been followed in the FM assessment of these implementation platforms. Other implementation platforms in Results Area 1 are YESSO<sup>47</sup> for the PWF and SCTU established under

<sup>47</sup> YESSO (P126964).



NASSP,<sup>48</sup> which are being used to implement ongoing World Bank-financed projects assessed as having adequate FM arrangements in place.

7. The Fadama platform was established through the joint efforts of the government and the World Bank in the 36 states and FCT. It has been used to implement World Bank-financed projects over the past 20 years. The Fadama FM arrangements form part of the core PFM architecture in the states. IT-based FM systems are used for accounting and reporting, there are adequate internal controls in place including an independent Internal Audit Unit. The FM performance during implementation was assessed as Moderately Satisfactory with the recurring FM issues flagged during project implementation being unretired advances and inadequate documentation for incurred expenditures.

8. The CSDP platform was similarly established through the joint efforts of the government and the World Bank in 30 states and has been in use for implementing World Bank-financed projects in the last 11 years. The FM arrangements in the CSDA are part of the core PFM architecture in the states. The FM performance rating during implementation of the World Bank-financed project is Moderately Satisfactory. It has a satisfactory IT-based FM system for accounting and reporting as well adequate internal controls including an independent Internal Audit Unit. The recurring FM issues flagged being unretired advances and inadequate documentation for incurred expenditures.

9. The BOI/GEEP will be used for transacting, that is, to disburse funds to the recipient firms. The BOI is the result of the merger in 2001 of Nigeria Industrial Development Bank, Nigeria Bank for Commerce and Industry, and the National Economic Reconstruction Fund. The BOI has a corporate office in the federal capital and a network of 24 state offices.

### **Review of PFM Cycle**

10. The Program FM arrangements will be carried out using the state governments' budget management systems which are generally functioning well. The existing PFM system will be adopted for the Program implementation. This system consists of (a) planning and budgeting; (b) budget execution; (c) accounting and financial reporting; (d) internal control; (e) treasury management and funds flow; (f) external auditing; and (g) legislative oversight. The assessment of the PFM cycle revealed that historical performance has been varied across the states but there is strong ownership of reform programs, particularly actions incentivized under SFTAS, which are leading to improved recent performance. Budget execution benefits from an adequate information management system as well as well-established internal control frameworks. State Auditor-Generals are in place in all subnational governments and are performing regular external audit.

### **Planning and Budgeting**

11. **Adequacy of budgets.** The budget estimates of the PforR program are included in the government budget. Budgetary planning and budgetary preparation system entail the determination of the budget years' service delivery framework through sector plans and preparation of the financial estimates based on the budget ceiling provided by the Ministry of Budget and Planning. The responsibility for preparing the annual budgets lies with the State Ministries of Planning and Budget and are prepared based on the

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<sup>48</sup> NASSP (P151488).



MTEF documents and on fiscal policy guidelines issued by the State Ministry of Finance or the Ministry responsible for Budget and Planning. In recent years, the states' annual budgets are passed by the State Houses of Assembly before the commencement of the fiscal year and governor's assent is secured soon after. Public participation and citizen engagement in the budget process is still evolving, results of the 2018 APA conducted under the SFTAS program revealed only three of the 36 states had fully met the requirements of citizens participation in budget preparation.<sup>49</sup> The timely publication of the annual budget is one part of the eligibility criteria for participation in the SFTAS program and the 2020 annual budget was submitted by 34 of the 36 states by end January 2020. Responding to the COVID-19 pandemic, all the 36 states published revised 2020 annual budgets by July 31, 2020, adhering to parameters defined by the SFTAS program for a credible COVID-19 responsive budget.

12. A brief assessment of Fadama, CSDA, and BOI/GEEP is provided below.

13. **Fadama.** The budget systems are well established and functional and are implemented and maintained by staff with adequate qualifications and experience in budget preparation. Budget preparation is informed by the budget call circular, budget envelope and prepared within government annual budgeting timelines. Budget conferences are held between the Ministries of Planning and the Ministries of Agriculture and budget proposals are discussed in the State Houses of Assembly. In the state budget, the allocation for Fadama is simply a one-line appropriation. However, within Fadama, detailed breakdown of the budget is prepared and used to monitor implementation. At the Fadama level there is a robust chart of accounts which supports recording and reporting of recurrent and capital expenditures by economic and functional classification.

14. **CSDA.** The budget systems are well established and functional with adequately qualified and experienced staff in budget preparation. Program budgets are informed by the budget call circular and budget envelope and prepared within government annual budgeting timelines with budget defense occurring at both the line ministry and the State House of Assembly. The CSDA appropriation is a one-line budget item. At the CSDA level, robust chart of accounts exists which supports the recording and reporting of recurrent and capital expenditures by economic and functional classification.

15. **BOI/GEEP.** BOI has an adequate budgeting process, that involves the Program staff and the head of the directorate under which the Program resides. The budget is reviewed and ratified by a Management Committee made up of the heads of different units including finance and audit. The managing director is responsible for the final approval of the budget. The budget is prepared in sufficient details and expenditures are broken down into economic classification.

16. **The Program budget.** The Program budget comprises recurrent and capital expenditure of the state MDAs implementing interventions in the three results areas. The process of planning and budgeting does not pose a significant risk to the Program. In the SFTAS program, timely publication of approved annual budget is incentivized. Planning and budgeting follow a structured and timely process consistent with states' PFM cycle. During the year however, the allocation of resources is much lower than the provision within the approved budgets resulting in high expenditure deviation from states annual budget.

<sup>49</sup> Under SFTAS 2018 results, the requirement was for States to publish online citizens' inputs from formal public consultations along with the proposed FY2019 budget. The public consultations must be inclusive and evidenced by jointly prepared minutes signed off by representatives of the state government, civil society organizations, and local governments.



Expenditures are therefore lower than the budget. Following the COVID-19 pandemic, substantive revision of the 2020 states' annual budget was incentivized under the SFTAS program. As part of this revision, all states have made budgetary provisions for the CARES program in 2020 and further captured in the MTEF in the outer years. The use of performance-based disbursement will engender commitment on the part of state governments to provide budgetary resources for the implementation of the CARES intervention, the lack of which will hamper their ability to access disbursement from the World Bank. Thus, mitigating, to some extent, the risk of the Program activities not receiving budgetary resources.

**17. The assessment revealed that a majority of the states have implemented several reforms in planning and budgeting, working toward improved timeliness, credibility, and transparency.** These reforms include the following: (a) implementing the Federal Account Allocation Committee directive to harmonize classification methodologies across the country, through the use of the national chart of accounts (GFS 2001 compliant); (b) introducing the SIFMIS for budget preparation and execution; and (c) enhancing citizens engagement in the budget process. The World Bank has supported the introduction of the SIFMIS through TA in 21 states under the SEEFOR, SLOGOR, and PSRGDP<sup>Error! Bookmark not defined.</sup> projects. Complying with the eligibility criteria in the SFTAS program, 32 of the 36 states published their 2020 annual budget prepared using the national chart of accounts (GFS 2001 compliant) online on their official websites by the end of January 2020. By comparison, for the FY2019 budget, 27 states met this requirement.

#### **Procurement Arrangement and Planning**

**18.** The procurement arrangements for the Program will be carried out in line with each individual state's public procurement system while the World Bank Procurement Regulation will govern the IPF component to be administered by the FCSU. As at March 2020, 31 out of the 36 states in the country already had acceptable procurement laws which are at different levels of operation. The procurement systems at the states are similar to that at the federal which are both based on the UNCITRAL model with minor differences to cater for peculiar domestication at the state level.

**19.** Procurement Implementation will mainly be carried out by the existing platforms of CSDA for Results Area 1, Fadama for Results Area 2, and GEEP for Results Area 3. Over the years, the World Bank had provided support to build fiduciary capacity at the state level through these platforms and in case of CSDA and Fadama, these platforms have been institutionalized in virtually all the states and have also been sustained to carry out their statutory functions through budgetary provisions. In certain instances where states have proposed alternative platforms (for example, in Results Area 3), procurable items are very low and will not be beyond the capacity of the proposed implementing agencies.

**20.** Procurement management is decentralized at the state and local government levels and as such, the implementing agencies have authority to commit resources and implement their own procurement activities. In accordance with the states' procurement laws, all new projects and programs undergo detailed analyses to understand their rationale, including economic, financial, E&S benefits and to reduce government reputational risks. Draft annual procurement plans are used to formulate the budget. As a rule, projects are designed before inclusion in the annual budgets. The procurement plans are finalized after the appropriation law is enacted in January and disclosed in the State Procurement Agencies' website. Although the appropriation law has been enacted every January during the last three years, the



finalization of procurement plan may be delayed if there is slippage in the passage of the appropriation bill by the legislature, which may affect procurement implementation

21. Review of procurement activities carried out in the last two years by the states through CSDA and Fadama platforms revealed that these implementing agencies implemented their procurement activities through annual procurement plans based on the approved annual work plans and budget. However, due to the fact that budget allocations were not made in full or timely by state governments, analysis of procurement plan implementation revealed cases of slippages in delivery period of contracts by as much as 3 months on average for completed activities. It is envisaged that the FCSU will provide support through the TA component where there are noticeable cases of contract management deficiencies.

22. The States Public Procurement Agencies have the statutory responsibilities to also carry out procurement post reviews and procurement audits to measure the performance of the procurement system and as such, will be required to provide oversight on all the Program procurement activities. From the records, only Edo and Lagos states have produced reports on procurement post reviews while there is no evidence of the effectiveness of this activity by other states. However, this item has been included as an action point to be implemented by State Procurement Agencies in PAP.

23. Table 4.2 shows the number of states that will leverage on existing platforms for each of the results areas and alternative arrangements made by States without existing platform for any of the results areas.

*Table 4.2. Existing Platforms at the State Level by Results Areas*

Results Area	No. of States with Existing Platforms	No. of States with Alternative Arrangements	Remarks/Implementing Agency
<b>Results Area 1 (Social Protection)</b>	30 CSDAs, 37 SCTUs and 15 PWFPUs and 6 TGTPUs	5 (Lagos, Delta, Kano, Rivers, and Sokoto)	The 5 states that are using different platforms either have a sound and reliable procurement system (for example, Lagos) or are leveraging on other well-established platforms that have been supported by the World Bank (for example, Sokoto - cash transfer unit; Rivers and Delta - SEEFOR)
<b>Results Area 2 (Agriculture and Food Security)</b>	36 + FCT (Fadama)	Nil	SFCOs have well-established and functional procurement units to implement procurement activities. However, NFCO will continue to provide technical support where necessary.
<b>Results Area (MSE Development)</b>	18 (Abia, Benue, Bayelsa, Borno, Jigawa, Kaduna, Katsina, Kebbi, Kogi, Kwara, Ebonyi, Plateau, Taraba, Cross-River, Nasarawa, Niger, Ogun, Sokoto)	11 (Adamawa, Akwa-Ibom, Anambra, Bauchi, Zamfara, Ekiti, Gombe, Ondo, Oyo, Delta, and Kano)	Procurement activities are very low and are not beyond the capacity of IAs



24. **Procurement profile of the Program.** There is adequate information on the extent and profile of procurable expenditure under the Program. Ongoing procurement activities that are within the Program boundary across the three results areas are such as will contribute to the PDO and include **Works** - (a) upgrading of the sanitary infrastructure in markets; (b) improvement in existing agriculture infrastructure for canals, feeder roads, and warehouses; and (c) rehabilitation of classroom blocks and primary health care centers; **Goods** - (a) acquisition of solar panels, (b) procurement of farm assets and equipment, and (c) procurement of ICT equipment; **Consulting Services** - (a) provision of extension services and training and (b) TA and training on digital payment system.

25. **Budget execution.** The performance assessment for the states also covered indicators on budget execution. Analysis of budget performance for the MDAs involved in the three results areas on the basis of budget economic classification for the years 2017, 2018, 2019, and half year of 2020 revealed an average performance of less than 40 percent during the period. Improved credibility of the state budgets is one of the results supported under the SFTAS program. Result of the SFTAS 2018 APA revealed only 12 out of the 36 states were within 30 percent or less in the expenditure deviation from the state annual budget. The assessment of budget execution in Fadama and CSDA for the government contribution to the operations revealed the following:

- **Fadama.** The analysis of the budget performance for 2017, 2018, 2019, and 2020, which was conducted, revealed an average performance of about 57 percent across states on the basis of budget economic classification. Though government funding had not been forthcoming, the results were not impacted as the activities largely utilized IDA resources.
- **CSDA.** The assessment showed that the budget performance of CSDAs for 2017, 2018, 2019, and 2020 averaged within 23 percent on the basis of budget economic classification. State governments did not provide appropriated budgetary resources. Though government funding had not been forthcoming, the results were not impacted as the activities largely utilized IDA resources.

26. The use of performance-based disbursement will engender commitment on the part of state governments to provide budgetary resources for the implementation of the CARES intervention as the lack of which will hamper their ability to access disbursement from the World Bank.

27. **Treasury management and funds flow.** Controls over the use of Program funds are satisfactory. The Ministry of Finance and by extension the Offices of the State Accountant-Generals exercise control over the flow of funds. Controls are initiated immediately following the budget release to MDAs through the Budget Office. Expenditure commitments are subjected to a process of validation at the MDA level by the departments responsible for accounting and financial control as well as the State Accountant-Generals Offices. Prepayment audits are undertaken on every expenditure transaction before payment is authorized. Strengthening the implementation of a TSA is being supported under the SFTAS program. Reviews conducted in the 2018 APA found that only 4 out of the 36 states have a TSA that covers at least 60 percent revenue and is backed by a formal cash management strategy.

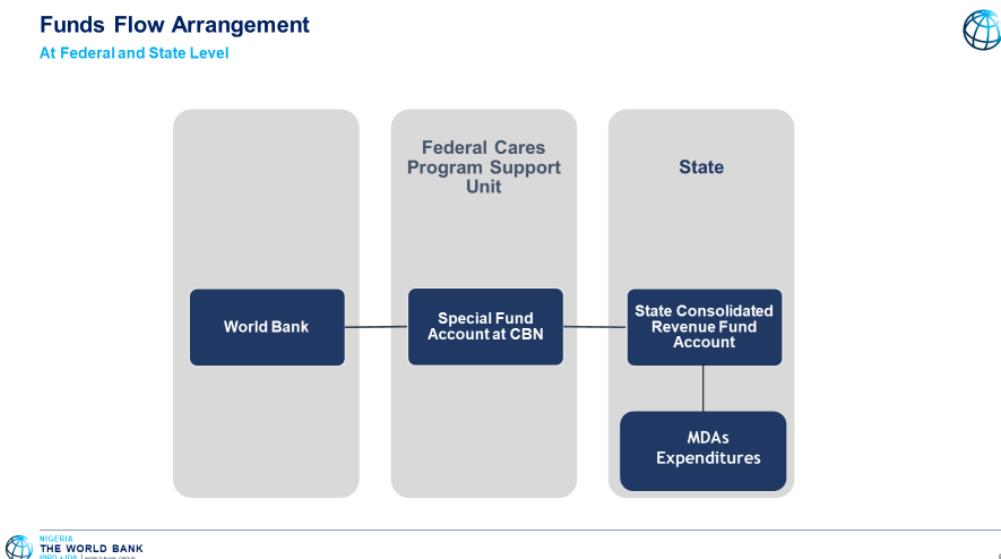
28. Results of the SFTAS 2018 APA revealed only 12 out of the 36 states were within 30 percent or less in the expenditure deviation from the state annual budget. In general, the budget execution performance analysis of the MDAs in the three results areas for the past three years revealed low rates following from poor flow of state government funding into each of the results areas. To mitigate this risk,



the adoption of fund release policy for improved predictability of resource flows to MDAs implementing CARES program will be implemented and monitored.

29. The proceeds of the IDA loan under the Program results component will be disbursed to the Federal Government's Special Fund Account, a subaccount of the TSA held with the CBN—managed by the FCSU. Disbursement is triggered by the achievement of the DLI-related results for the Program. The FCSU will submit the verification report for achievement of DLIs by each state for review by the World Bank. Upon notification of acceptance of the verification report, a Withdrawal Application will be submitted, using the World Bank's standard disbursement form through the e-disbursement functionality in the World Bank's Client Connection system. Disbursement of performance-based financing to performing states will be made directly from the Special Fund Account, to a subaccount of the Consolidated Revenue Fund Accounts of the respective states to be opened for that purpose and from where disbursements will be made to the implementing agencies. The implementation platforms have their bank accounts opened with commercial banks. To mitigate the risk of delay in the transfer of funds from the FCSU to the states, service-standards will be established in the PIM and monitored to ensure that states receive their share promptly.

Figure 4.1. Funds Flow from the World Bank to the States



30. **Prior results.** The participating states may claim results achieved anytime between the Concept Note review held on June 16, 2020, and the date of the FA. These prior results will be subject to verification and a cap of up to 25 percent of the PforR component allocation. In addition, each participating state may claim a onetime advance of up to US\$4 million (US\$2 million for FCT) on the effectiveness of the Program. Advances aim to facilitate and accelerate the achievement of DLIs not yet met. The advance will be settled from the amount due to be disbursed under achieved DLIs. The requirement for advance is occasioned by the simultaneous crisis due to the COVID-19 pandemic and the fall in international oil prices. Revenues to the states have declined and there is a need to provide some upfront resources to enable the states achieve the results. The sum of the amount disbursed for prior results and of the amount disbursed for advances shall not exceed 30 percent of the PforR component allocation. Any advances still outstanding



by the Program closing date will need to be refunded unless verification of DLIs with the same value is provided. The assessment of the flow of funds at the level of Fadama, CSDA, and BOI/GEEP indicates the following:

- (a) **Fadama.** The state government through the Office of the Accountant General (OAG) releases funds from the State Treasury to the Fadama unit, which proceeds to incur and record expenditures against approved budget. Fadama agencies maintain bank accounts with commercial banks into which budgetary resources are disbursed.
- (b) **CSDA.** Similarly, the state government through the OAG releases funds from the State Treasury to CSDA, which proceeds to incur and record expenditures against approved budget.
- (c) **BOI/GEEP.** Funds from the government are transferred into the BOI's central bank account, from where they move to BOI-designated commercial banks for onward disbursement to beneficiaries of the scheme. Fund disbursements are done directly into beneficiary bank accounts/mobile wallets.

### **Accounting and Financial Reporting**

31. **Accounting.** The Nigeria federation adopted the International Public Sector Accounting Standards (IPSAS) accrual basis of accounting and financial reporting as of FY2016. All the states have adopted the IPSAS basis of accounting, but its implementation is uneven across the states. In addition, the federation has adopted the new chart of accounts and budget classification system that is GFS 2001-compliant, its implementation is also uneven across the states. In the majority of states, accounting for and reporting on financial transactions is done using ICT-based systems. The performance of the accounting and financial reporting system is generally acceptable. The State Treasury staff are usually well-qualified and experienced in financial management.

32. The assessment of the accounting system at the level of Fadama, CSDA, and BOI/GEEP is elaborated as follows:

- (a) **Fadama.** The record-keeping and accounting system in place in Fadama are adequate. The accounting system is computerized, and the staff are qualified and experienced accountants with full capability to perform the accounting functions. Fadama FM staff were reviewed and cleared by the World Bank during the project life and remain in place in most states. The accounting system has a chart of accounts that allows for and facilitates the proper classification of expenditures by nature and of revenue by source. For this Program, Fadama will render financial returns to the OAG of the state for incorporation in the consolidated financial reports of the state - in-year and year-end. Program annual financial statements will be prepared by the OAG as part of the state's consolidated financial reports.
- (b) **CSDA.** CSDA also has an adequate accounting and record-keeping system in place. The accounting system is computerized. The Account Unit has adequately qualified and experienced staff performing the accounting function. The chart of accounts is robust and allows for the proper classification of expenditure by nature of expenses and of revenue by source. The agency renders financial returns to the OAG for consolidation into the financial statements.



- (c) **BOI/GEEP.** All transactions are accounted for on the BOI's core banking application including Customer Balances, Fund Ledgers, and so on. The accounting for all BOI programs is done by the finance department who reports to the CFO.

33. **Financial reporting.** Financial reporting under the Program will be done by the OAG of each state, being the responsible organ of government for preparing the annual General Purpose Financial Statements (GPFSs). For disbursement that are made by the BOI/GEEP platform, states will have banking relationship with the BOI office in their respective states and will be provided statements and the transactions contained therein included in the state's consolidated accounts. The Program expenditures are material within the context of the overall expenditure of the states. In the GPFS, the OAG shall include a disclosure note listing out expenditures for the year and the comparative prior year for all constituent elements of the CARES' PEF for that state. The FCSU shall compile the total Program expenditures for each year and consequently for the life of the Program through a simple compilation of the information from the GPFS of each participating state utilizing the information in the CARES' PEF disclosure note. In addition, State Accountant-Generals will prepare calendar semester unaudited interim financial reports (IFRs) on the basis of financial returns from the implementation platforms and submit to the SCCU for transmission to the FCSU within 30 days of the end of the relevant calendar semester.

34. In majority of the states, the accounting records for financial transactions are maintained using ICT-based systems, from which the relevant reports are generated. Using accounting software facilitated the timely preparation of the 2019 state financial statements. Under the SFTAS program, timely publication of audited financial statements is an eligibility criterion for participation. This has incentivized the states to improve the quality and timeliness of audited financial statements. Publication of in-year financial reports meeting strict criteria on content, timeliness, and classification is also one of the results under SFTAS. For 2018, very few states were able to meet the full requirements but several more are expected to show achievement in the 2019 round for which verification is underway.

35. For 2019, 24 states were able to publish IPSAS-compliant audited financial statements within six months of year-end and the remaining published by August 31, 2020, on their state websites. The GPFSs were prepared in accordance with the IPSAS and the basis for preparation was either cash or accrual. A review of the financial statements of the states indicates that the contents of the GPFSs include (a) five-year financial highlights; (b) a consolidated statement of financial position; (c) a consolidated statement of financial performance; (d) a cashflow statement; (e) a consolidated statement of changes in net assets/equity; (f) notes to the financial statements; and (g) a statement of accounting policies (IPSAS accruals) and the quality of GPFS prepared is generally good. The assessment of the financial reporting at the level of Fadama, CSDA and BOI/GEEP is as follows:

- (a) **Fadama.** The financial reports for this agency are prepared using a computerized accounting system. These financial reports will be incorporated in the Program annual financial statements which will be prepared by the OAG of the state for inclusion in the consolidated financial reports.
- (b) **CSDA.** The financial reports of CSDAs are prepared using a computerized accounting system to be incorporated in the Program annual financial statements that will be prepared by the OAG of the state for inclusion in the consolidated financial reports.



- (c) **BOI/GEEP.** The basis of accounting is the IFRs using the accounting modules within a banking application. Consolidated and separate annual financial statements are prepared by the BOI for submission to the CBN. Monthly, quarterly, and biannual returns are submitted to the CBN coupled with daily monitoring of significant or critical transactions through EFASS - Electronic Financial Analysis and Surveillance System.

36. **Procurement processes and practices.** A review of the questionnaires submitted by the states showed that the procurement method mainly adopted was restricted (rather than open) competitive processes even where there was no basis. However, procurement carried out by CSDA and Fadama platforms were through Request for Quotations (RFQs, 80 percent), Direct Selection (10 percent) and Request for Bids - national (10 percent) due to the nature of procurement and applicable thresholds. The situation is not expected to change significantly for the Program. Sample procurement files reviewed showed that the implementing agencies followed the established procurement regulations by publishing bidding opportunities above thresholds and issuing RFQs to at least three firms for activities below thresholds. Evaluation reports were prepared, and contract awards were approved according to the approval limits prescribed in the regulations.

37. The approved procurement thresholds and applicable procurement methods vary across the states, depending on their economic capacity and level of development of their procurement system. On average, the approved procurement thresholds and methods are as shown below:

*Table 4.3. Approved Procurement Thresholds and Methods*

Activity Estimate	Procurement Method	Review Threshold
< NGN 5 million	RFQ	Permanent Secretary
NGN 5million ≤ NGN 20 million	RFQ	Ministerial Tenders Board
NGN 20 million ≤ NGN 100 million	NCB	State Tenders Board
> NGN 100 million	International Competitive Bidding (ICB)	State Executive Council

No procurement activity under the Program is expected to fall within the ICB threshold.

#### **Internal Controls and Internal Audit**

38. **Internal controls.** The internal control arrangements in the states provide for an adequate segregation of duties between the Ministry of Budget and Planning (the budget holder), Ministry of Finance, and OAG. However, internal controls over public expenditures represent a key area of risk. Weak internal control measures at the states have tended to undermine expenditure management and control leading to budget deviations averaging 55 percent for 2016 and 2017. Findings from the Fiscal Sustainability of States (2017) conducted by the NGF, revealed that across the states, personnel costs constitute a significant percentage of aggregate expenditures. However, the accounting systems and controls over payroll are not historically strong. The weaknesses heighten the risk of the existence of ghost workers in the payroll, resulting in inflated wage bills. To address this risk, states are being encouraged through a DLI under SFTAS program to implement the biometric capture of civil servants and pensioners and linking this data to payroll. Separately, the BVNs are also being identified for each person and then linked to the payroll. This will increase the accuracy of payroll. The result from the 2018 APA in the SFTAS program reveals that 17 and 15 states, respectively, have implemented the biometric capture of their civil servants and linked BVN data with payroll.



39. **Beneficiary selection for Program interventions.** Elite capture of beneficiaries in the three results areas is identified as a Substantial risk. To mitigate this risk, that is, ineligible members of society being beneficiaries of the interventions, the programs of intervention will rely on targeting methodologies currently being used in each state developed in a World Bank-supported project, and specifically developed to support the capture of poor and vulnerable households in the country.

40. The development of the social register of poor and vulnerable households under the World Bank-supported YESSO<sup>50</sup> project and continued under NASSP, has ensured that the register has national coverage, with plans to continually expand until it covers all LGAs, wards, and communities that contain poor and vulnerable households. Beneficiaries in Results Area 1 will be selected from the state register and the payment mechanism leverages financial service providers, who are responsible for ensuring that transfers are delivered to the right beneficiary, in a timely manner, convenient to the beneficiary and at minimal costs. The process involves the service provider enrolling the recipient and providing each recipient with an account, which includes bank accounts, wallets, and virtual accounts. These accounts are used to hold transfer value, which is further cashed-out at payment points, also set up by the service providers through payment agents. All recipient accounts meet minimum KYC requirements as stipulated by financial sector policy framework governed by the CBN.

41. State Screening Committee, a multiagency body will be responsible for the selection of MSEs to participate in Results Area 3 based on the criteria developed for that purpose. Evaluation of MSEs via multiple channels - phone interviews, physical visits, and randomized fraud audits to ensure validity of KYC, authenticity and eligibility for the Program by BOI.

42. The State Auditor-Generals will audit the list of beneficiaries and payments to the beneficiaries in the interventions of the CARES program at the end of every calendar quarter and submit their report within 30 days of the end of the relevant quarter to the SCCU. In addition, GRM will be put in place to address complaints arising from the selection of beneficiaries and anti-corruption framework operationalized in the MDAs implementing the CARES program.

43. **Internal audit.** The internal audit function is in place in all states, but it has weak capacity. The internal audit process is largely focused on prepayment audits, lacking in oversight as a support to internal management. Leakages remain in the expenditure management system due to the dichotomy of a dearth of risk-based internal audit and control processes and lack of focus on systemic issues. A key challenge faced by the states continues to be the need to reduce the involvement of the internal audit function in upstream phases of the expenditure processing cycle. Instead, the capacity of the function should be enhanced in order to provide independent assurance that risk management arrangements, governance, and internal control processes are operating effectively. This is an institutional issue that cuts across the federation. Support is provided in the TA component of the SFTAS program to build capacity in risk-based internal audit function in a few selected MDAs working with the Institute of Internal Audit, Nigeria. The conclusion of the assessment of the internal audit arrangements at the level of Fadama, CSDA, and BOI/GEEP is as follows:

<sup>50</sup> YESSO (P126964); NASSP (P151488).



- (a) **Fadama.** The internal audit arrangements in Fadama are well-established and functional. The establishment of these arrangements and their strengthening have been supported as the platform was used in implementing World Bank-financed IPF projects over the past 18 years.
- (b) **CSDA.** The CSDAs have adequate internal audit arrangements whose establishment and strengthening have been supported while implementing World Bank-financed IPF projects over the past 11 years.
- (c) **BOI/GEEP.** The internal audit department reports to the Board Committee. The Board Audit and Risk Committee, and Board Credit, Investment and Governance Committee have oversight on the World Bank's internal control and risk management.

44. **Program governance and anti-corruption arrangements.** Consistent with OP/BP 9.0, and as part of the Integrated FSA, an assessment was conducted on the existing institutional and oversight systems and practices in Nigeria pertaining to 'Governance and Anti-corruption' and their applicability to the Program. The assessment examined the proposed design and implementation of the Program using the governance framework principles of transparency, accountability, and participation and whether the existing institutions and processes were able to meet requirements of the Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing (February 1, 2012). The assessment examined the extent to which fraud and corruption can surface during implementation and how these can be mitigated under viable action plans and other mitigating factors.

45. **The Program appears exposed to two main risks of fraud and corruption:** (a) fraudulent or corrupt invoicing processing and (b) diversion of funds.

46. **The national anti-corruption framework and agenda applies to all MDAs in Nigeria—all MDAs are therefore expected to adopt MDA-specific frameworks.** The anti-corruption legal framework rests essentially on the criminal justice system and more specifically on the Corrupt Practices and Other Related Offences Act, 2000, the Economic and Financial Crimes Commission (EFCC - Establishment) Act, 2004, as well as on the United Nations Convention Against Corruption (UNCAC), ratified in 2004. Additional pieces of legislation address conflict of interest promote transparency (asset disclosure and freedom of information) and strengthen the governance of extractive industries (Nigeria Extractive Industries Transparency Initiative Act). A recent peer review of the implementation of the UNCAC in Nigeria found compliance with the criminalization and law enforcement provisions to be only 28.5 percent. Since the review, additional reforms introduced by the federal government including the prosecution of financial crimes, the management of recovered stolen assets, and government overall transparency (under the open government Initiative) have contributed towards strengthening the anti-corruption framework.

47. **Asset disclosure requirements apply to all public officers, including at state and local government levels.** All public officers are constitutionally mandated to declare to the Code of Conduct Bureau their assets and liabilities on assumption and term of office and every four years for permanent employment. Failure of declaration of assets may entail removal from office, disqualification from holding any public office, and forfeiture to the state of any property acquired through abuse of office or dishonestly. State officials are being prosecuted for false declaration of assets.

48. **The Anti-Corruption Institutional Framework.** The Nigerian anti-corruption institutional framework comprises multiple agencies at the federal level, loosely coordinated by the President's office



(within the interagency task team on anti-corruption). The jurisdiction of these various anti-corruption agencies extends to the state level. The weakest level in the anti-corruption architecture is at the departmental level, with the line ministries' Anti-corruption and Transparency Units which are the most relevant for assessment under the Program. The anti-corruption nodal agency in Nigeria is the Independent Corrupt Practices and Other Related Offences Commission (ICPC) but in practice its jurisdiction overlaps with that of the EFCC. The Technical Unit on Governance and Anti-corruption Reforms, established in 2008 to monitor and evaluate anti-corruption and governance initiatives across all sectors in the country, is an important addition for corruption and governance risk assessment: it recently assessed the fiduciary performance of PFM systems in the Nigerian states.

49. It is important to note that despite concerted efforts, corruption is still perceived to be prevalent and remains a major impediment to economic growth. Nigeria has consistently ranked in the bottom 30 percent of countries on Transparency International's Corruption Perceptions Index and remains in the bottom quintile of countries in the control of corruption indicator in the World Bank's Governance Indicators. Public institutions lack capacity for systematically tackling corruption or preventing mismanagement and theft of public funds. Complex legislation, multiple anti-corruption agencies, and poor enforcement heighten the challenge of controlling corruption. Three Senate Committees oversee enforcement of the 25 laws that deal with anti-corruption issues.

50. **The ICPC.** Established in 2000 by the Corrupt Practices Act, the ICPC has both a repressive and preventive role. Membership of the commission comprises of a chairman and 12 other members (two from each of the six geopolitical regions of Nigeria)—all nominated by the President and confirmed by the Senate. Allegations of corruption can be conveyed to the commission by either email or by phone and could also be conveyed to it indirectly through websites, such as BribeNigeria or Egunje (which publish statistics on the geographical and sectoral distribution of gathered allegations) run by NGOs.

51. **The Economic and Financial Crimes Commission.** The EFCC (created in 2004) is the nodal agency for anti-money laundering, financing terrorism, and other economic and financial crimes. Its role is complementary to that of ICPC, its mandate overlaps ICPC. The EFCC investigates petty corruption. EFCC has a memorandum of understanding that it has signed with the World Bank. In 2019, EFCC's performance was recognized by the Integrity Vice Presidency. EFCC has agreed to collaborate with the World Bank with regard to putting in place, across the country, provisions to ensure that there are adequate anti-corruption and GRM measures. The details of these measures are currently being worked out. Support for these will be funded through the TA component of this project.

52. **Additional provisions are called for to mitigate specifically the risk of fraud and corruption under the Program,** based on this assessment: (a) GRMs will be implemented across key agencies involved in program implementation which will be undertaken by the EFCC; (b) the World Bank Anti-Corruption Guidelines will apply to the PforR; And (c) a protocol for reporting, recording, and investigating allegations and complaints pertaining to fraud and corruption will be agreed among the implementing agencies. The protocol shall establish a framework of responsibilities for this purpose with clear identification of those charged with ensuring regular oversight and adherence. On a half-yearly basis, each participating state shall provide a report to the FCSU. The reporting format will include the following: (a) location and date of the complaint; (b) allegation's description; (c) description of progress in investigation, if any; and (d) investigation outcome.



53. The Program governance and anti-corruption arrangements will rely largely on the country's national-level governance and anti-corruption arrangements. The EFCC, Independent and Corrupt Practices Commission (ICPC), the Certificate of Confirmity Bureau, and Nigeria Police handle investigations of fraud and corruption. Under the Program, all reports of fraud and corruption, including those received through the State Procurement Agencies will be channeled through the office of the State Attorney General and Commissioner for Justice, who will apprise the World Bank immediately on the occurrence of any such events. A signed submission from the State Attorney General of each state, shall be made every six months and provided to the FCSU for compilation and inclusion and such reports will form part of the progress report of the Program. Using a template agreed with the World Bank, this submission shall provide details of any allegations or complaints on fraud and corruption regarding any part of the CARES Program implementation. Where allegations or complaints are made, the submission shall provide status of actions taken.

*Table 4.4. Anti-corruption Arrangements in Nigeria*

Activity	Responsible Agency	Report Recipient	Investigation
GRM	Implementation Platforms	SCCU/FCSU	EFCC/ICPC
Anti-Corruption institutional framework at state level	State Attorney General, Commissioner for Justice	ICPC/EFCC	EFCC/ICPC
Fraud and Corruption report	State Procurement Agencies	State Attorney General, Commissioner for Justice	EFCC/ICPC

54. **Anti-corruption guidelines and protocol.** The World Bank's Guidelines on Preventing and Combating Fraud and Corruption in PforR Financing, dated February 1, 2012, and revised July 10, 2015 (the Anti-Corruption Guidelines) will apply to the Program, which provide for the Integrity Vice Presidency to have access to the books and records of beneficiaries of the Program proceeds and associated individuals. A clear protocol regarding roles and responsibilities, including access to information and persons, has been documented in the minutes of negotiations and made part of the PIM. In accordance with the World Bank's Anti-Corruption Guidelines for PforR operations, the Program will take steps to ensure that "any person or entity debarred or suspended by the World Bank is not awarded a contract or otherwise allowed to participate in the Program during the period of such debarment or suspension." During the procurement process, each implementing entity will verify the names of the contractor against the World Bank's/state's database of debarred or suspended contractors to ensure that such contractor is not awarded any contract under the Program by cross-checking the list of firms and individuals recommended for award of contracts against the list of firms and individuals debarred by the World Bank, available on the World Bank's external website: <http://www.worldbank.org/debarr>. The Program will rely on the oversight provided by central accountability institutions such as the EFCC, Independent Corrupt Practices Commission, CoC Bureau, Auditor General of the Federation, and the Nigerian Financial Intelligence Unit in the use of the Program resources.

55. The fraud and corruption protocol under the CARES program will entail that the borrower, acting through the ICPC (or other relevant agency), shall be responsible for carrying out any criminal and administrative investigations of all material and credible allegations of fraud and corruption under the Program, keeping the World Bank abreast of their progress and findings, and make public their conclusions/results.



56. The FCSU, in consultation with the entities implementing the CARES, shall provide the borrower and the World Bank, at the end of each calendar semester, with a report on allegations of fraud and corruption under the Program received and registered during such period, as well as the progress of and outcomes from any related investigations and any actions taken. If there are no such allegations, investigations or actions to report during any reporting period, the report shall so state.

57. Reciprocally, if the World Bank finds evidence of corrupt practices, the World Bank shall, to the extent consistent with World Bank policy, refer the case to the ICPC (or other relevant agency) through the FCSC secretariat for investigation under the relevant criminal and civil laws. In the event that the World Bank decides to conduct an administrative review into allegations or other indications of fraud and corruption in connection with the Program, the borrower shall cooperate fully with the representatives of the World Bank and take all appropriate and timely measures to ensure full cooperation of relevant persons and entities subject to government jurisdiction in such investigation, including (but not limited to) the CSDA/SCTU/PWF Units, Fadama/Ministry of Agriculture and MSE platform/Ministry of Commerce/GEEP, and their officers and employees and agents, in each case, allowing the World Bank to meet with such relevant persons/entities and to inspect all of their relevant accounts, records and other documents and have them audited by, or on behalf of, the World Bank. If the World Bank were to find evidence of corrupt or other sanctionable practices, the World Bank will refer the case to the ICPC (or other relevant agency) through the FCSC secretariat for investigation under the relevant criminal and civil laws.

58. The Borrower shall ensure that any person or entity debarred or suspended by the World Bank is not awarded a contract under, or otherwise allowed to participate in, the Program during such period of debarment or suspension by the World Bank.

59. Under the SFTAS program, reports on allegation of fraud and allegation are being compiled by the central unit and shared with the World Bank on a calendar semester basis. This has progressed satisfactorily to date.

60. **In all the states' procurement laws, there are provisions for the administrative review of all procurement-related complaints.** The law provides for dissatisfied parties at the administrative review level to seek redress from the state high court. Acts of malfeasance committed by civil servants are handled by the Office of the Head of Service, using the state's civil service rule.

61. **Records management.** The CSDA, Fadama, and GEEP/BOI platforms have functional and reliable record management systems albeit with some gaps. Also, each of the states' procurement laws makes it mandatory for implementing agencies to maintain comprehensive records of procurement proceedings which shall be made available for Inspection by the State Procurement Agency, an investigator appointed by the agency and the Auditor-General upon request and where donor funds have been used for the procurement, donor officials shall also have access upon request to procurement files for the purpose of audit and review.

### **Auditing**

62. **External audit and oversight - program audit.** State Auditor-Generals conduct independent audits of public finances in their respective jurisdictions and will be responsible for the audit of the Program



within each state. The audit report issued for the GPFS of the state shall include or be accompanied by a special audit opinion on the CARES' PEF disclosure note. The audited financial statements shall be submitted to the World Bank within nine months of the end of the government fiscal year.

63. Following from the interventions of the World Bank under various interventions, the external audit function across the states has been strengthened, resulting in the early publication of the 2018 and 2019 audited financial statements in a majority of the states. Although the quality of the audit reports of the audit reports of the GPFSs is uneven, some improvement has been noted. Under restructuring of the SFTAS program in response to the COVID-19 pandemic and simultaneous fiscal crisis, further results have been added enhancing the role of the State Auditor-Generals through the target to publish reports of financial and compliance audits of COVID-19 specific receipts and expenditures. To further support the auditors to perform their role, a further DLI has been added to SFTAS for states to enact and implement an Audit Law providing full legal, financial, and operational autonomy to the state and local government auditors which would enable them to deliver on their mandate with necessary independence.

64. The conclusion of the assessment of the external audit arrangement by the implementing entities is as follows:

- (a) **Fadama.** Fadama audit is conducted by respective State Auditor-Generals. The audit is up to date and quality of the report acceptable.
- (b) **CSDA.** The CSDAs are audited by the respective State Auditor-Generals. The audit is up to date and the quality of the report is acceptable.
- (c) **BOI/GEEP.** The audit of BOI is handled by private sector audit firm which is KPMG currently. An unqualified opinion was expressed on the 2019 audited financial statements.

65. Noting the Program boundary, the special audit opinion in the audited financial statements of the participating states, and the annual audited financial statements of the TA component will be considered as constituting the basis of the annual financial assurance required by the World Bank. As part of their audit, the auditors shall also review the transactions in the Special Fund Account (Program results component) and the Program audit will be part of the Program complementary notes and must be clearly identified in the state's GPFS. The Office of the Auditor General will carry out an independent Program financial audit of the expenditures, including the expenditures incurred by Fadama, CSDA, and Commerce Ministry through the BOI/GEEP. In addition to GPFSs, the annual audit documents will include the Program information and performance, responsibility for the financial statements, and the audit report of Auditor General. The audit will be carried out based on agreed TOR. The scope of the audit will include an opinion on the procurement system (screening to prevent debarred/suspended firms from being awarded contracts).

### **Procurement and FM Staffing**

66. **FM.** The states' Treasury Offices are endowed with adequately qualified and experienced staff in financial management. FM staff in Fadama and CSDP, that is, the accountants and internal auditors, are adequately qualified and experienced. They also have sufficient experience in implementing World Bank-financed IPF projects and adequate capacity to perform the FM function. The FM staff in both Fadama and CSDP have regularly submitted financial reports within the timelines and the reports were of acceptable quality. They have demonstrated capacity to use computerized accounting system which has



enhanced the performance of their work. BOI/GEEP has FM staff that are adequately qualified and experienced employed on permanent basis and are trained on a quarterly basis.

67. **Procurement.** The procurement staffing capacity at the CSDA, Fadama, and MSEs (for states leveraging on GEEP/BOI) is adequate to undertake all the required procurement work. However, the 6 states that are not using the CSDA platform for Results Area 1 already have either a functional and well-established procurement system (with trained procurement officers already deployed to their Implementing Agencies, for example, Lagos) or are leveraging on similar platforms that have been supported by the World Bank over the years. The volume of procurement at the MSEs are very minimal and comprise simple activities like provision of security services which can easily be procured through framework contracting where necessary.

68. **PAP.** A PAP has been developed, whose implementation will support the mitigation of the identified risks during the life of the Program. Monitoring the implementation of the PAP and refining the operational modalities as and when required will be critical to managing the risks during Program life.

69. **Implementation support.** Fiduciary support will include the following:

- (a) Monitoring of implementation progress and working with the World Bank task team to ensure the achievement of Program results
- (b) Support to the borrower to resolve implementation challenges
- (c) Monitoring of the performance of the fiduciary systems and audit reports (internal and external), including the implementation of the PAP
- (d) Monitoring changes in fiduciary risks to the Program and, as relevant, compliance with the fiduciary provisions in the legal covenants

#### ***IPF Component***

##### ***Financial Management and Disbursement Arrangements***

70. **General.** Procurement and financial management assessments of the FCSU that will implement the TA (IPF) component was conducted and the findings arising therefore informed the design of the implementation arrangements. The implementation arrangement includes implementing an enhanced accountability framework to mitigate the risk of misuse of funds for soft expenditures (especially travel, workshops, study tours). For the TA (IPF) component, the World Bank will disburse the funds to a US dollar designated account (DA) opened at the CBN. To mitigate the risk of delay in payments by the implementing entities, service standards will be established (to be included in the PIM) to ensure, among other things, that payments are made within 72 hours for eligible expenditures. The DA will be managed by the FCSU based on approved and costed AWPs, disburse funds through the Naira draw-down account (also held with the CBN) to finance eligible expenditures. Disbursements under the TA component will be made primarily as advances based on unaudited IFRs to be submitted on a quarterly basis. The DA ceiling will be based on six-month forecast expenditures and replenished quarterly for the same period. The detailed assessment and related arrangements are below:

71. **Planning and budgeting.** On an annual basis, the designated accountant for the TA component will prepare the budget for the fiscal year based on the AWP. The AWP and annual budget will be



submitted to the World Bank at least two months before the beginning of the fiscal year for review. The World Bank makes the decision to approve the AWP and the budget for disbursement.

72. **Funds flow.** The World Bank will disburse the funds for the TA component into US dollar DA opened at the CBN. The IDA will be managed by the FCSU. Disbursements will be made primarily as advances on a quarterly basis, based on (a) unaudited IFRs prepared by the FCSU and submitted quarterly to IDA and (b) forecasts for the subsequent six months. A Naira drawdown account will be established, from which Naira payments will be made for eligible expenditures and to other service providers. To mitigate the risk of delay in payments by the FCSU, service standards will be established (to be included in the OIM) to ensure, among other things, that payments are made within 72 hours for eligible expenditures.

73. **Disbursements.** A flexible disbursement ceiling will be applicable. The ceiling will be derived from approved AWP and budget and will be equivalent to six-months expenditure forecast.

74. **Disbursement categories.** A single disbursement category for financing out of the proceeds of the credit in respect of the TA component is envisioned.

75. **Accounting and financial reporting.** IDA funds will be accounted for on an accrual basis, using computerized accounting system. The annual financial statements for the TA component will be prepared in accordance with the relevant IPSAS. Calendar semester unaudited IFRs will be prepared and submitted to IDA within 45 days of the end of each fiscal calendar semester.

76. **Internal controls.** An internal auditor will be designated for the project. The internal auditor will prepare quarterly internal audit reports and will submit the reports to IDA within 45 days of each fiscal calendar quarter. Additional controls in the form of an enhanced accountability framework will be implemented to mitigate the risk of misuse of funds for soft expenditures (especially travel, workshops, study tours). The World Bank's Financial Procedures Manual will be adapted for the accounting and control procedures to be implemented.

77. **External audit.** The annual financial statements for the FCSU will be audited by an external audit firm based on TOR acceptable to IDA. The annual audited financial statements will be considered as constituting the basis for the annual financial assurance required by the World Bank, and the audited financial statements shall be submitted to the World Bank within nine months of the end of the government fiscal year.

78. **Financial management action plan.** Actions to be taken for the project to further strengthen its financial management system are listed in Table 4.5.

79. **Financial management implementation support plan.** FM supervision will be consistent with a risk-based approach. The supervision intensity is based initially on the assessed FM risk rating and subsequently on the updated FM risk rating during implementation. Given the Substantial risk rating, on-site supervision will be carried out at least twice a year. On-site review will cover all aspects of FM, including internal control systems, the overall fiduciary control environment, and tracing transactions from the bidding process to disbursements as well as IFR review. Additional supervision activities will



include desk review of calendar semester IFRs, quarterly internal audit reports, audited annual financial statements, and management letters.

Table 4.5. Financial Management Implementation Support Plan

Action	Date Due by	Responsible
<b>Agreement of format of unaudited IFR, Annual financial statement and external auditors' TOR for financial audit</b>	Before negotiations	FCSU with support and guidance of IDA task team
<b>Designate PA, PIA, and support accounting technicians</b>	Before effectiveness	FCSU

80. **Procurement.** An assessment of the capacity of the FCSU to support participating states in Program preparation through provision of TA was conducted as part of Program appraisal and a recommended action plan to mitigate identified risks was discussed and agreed. The TA with an estimated cost of US\$15 million is designed to be financed as an IPF component to the Program and will focus mainly on provision of services for the following:

- (a) The engagement of a professional firm as an IVA, for the states under TOR acceptable to the World Bank
- (b) Monitoring and reporting of overall progress of the Program
- (c) Provision of technical support to states as may be required
- (d) Engagement of the NGF secretariat for peer learning and experience sharing through a single source procurement process under TOR acceptable to the World Bank
- (e) Procurement of goods such as vehicles, computers, and office equipment for the FCSU

81. **Procurement under this IPF component will be carried out in accordance with the following World Bank procedures:** (a) the World Bank Procurement Regulations for IPF Borrowers (July 2016, revised in November 2017 and August 2018) and (b) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants," dated October 15, 2006 and revised in January 2011, and other provisions stipulated in the FAs. The national procurement procedures will apply to the project where necessary. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame will be agreed between the borrower and IDA in the Procurement Plan.

82. **The FCSU, with assistance from the World Bank, has prepared the Project Procurement Strategy for Development (PPSD).** The aim of the PPSD is to ensure that procurement activities are packaged and prepared in such a way that they expedite implementation, taking into account (a) the market analysis and the related procurement trends and (b) the procurement risk analysis. Based on the PPSD, the procurement plan for the first 18 months has been prepared. The final version of the procurement plan agreed during negotiations will be disclosed on the World Bank's external website and will be updated as required, to reflect the actual project implementation needs and improvements in institutional capacity.

83. **Summary of PPSD:** The contracts to be financed under the Program are majorly low value and low risk standard off-the-shelf goods, and non-complex consultancies. The market analysis has shown that capacity exists in the local market for most of the procurement activities. In addition to this, greater attention will be given to the few high value and high-risk consultancy activities. The market will be



proactively engaged to understand market trends and bidders' expectations, especially during the development of the technical specifications and TOR for goods and consultancy services respectively.

84. Procurement and stakeholder risks were identified and mitigated in the PPSD. These include:

- (a) *Fraud, Corruption and Collusion:* The Implementing Agency will ensure that strict application of Bank's Anti-Corruption Guidelines and collaborate with Govt Anti-corruption Agencies where necessary and that all procurement processes are done in line with the Bank's Procurement Regulations for IPF Borrowers" July 2016, Revised November 2017 and August 2018.
- (b) *Political Interference with Vested Interest & Poor Project Deliverables:* The Bank's Procurement Regulation will be followed for all procurement processes. In addition, the Bank will facilitate regular engagement and education of the participating states on the implications and repercussion of political interferences in the procurement process. Furthermore, the Implementing Agency will ensure participating states familiarize themselves with the DLIs and the verification procedures in order to enable them to achieve required results.
- (c) *Curfew / Lockdowns due to violent Demonstrations and Protests:* Ensure there is provision in the procurement document for the deployment of appropriate technology by economic operators to forestall any delay to delivery schedule in case of any lockdown or curfew arising from any nationwide protest

85. The summary of the procurement activities, market approaches and basis of their evaluation are shown in Table 4.6:

Table 4.6. 18-month Procurement Plan for CARES PforR

S/No.	Contract Title and Description	Procurement Category	Estimated Cost (US\$) / Unit and Risk Rating	Bank Over-sight (Prior/Post)	Procurement Approach/Competition	Selection Method	Evaluation Method
1	Procurement of Computers & Accessories	Goods	80,000 (moderate)	Post	Limited/ National	RFQ	Lowest Evaluated Cost
2	Procurement of Office Equipment	Goods	100,000 (low)	Post	Limited/ National	RFQ	Lowest Evaluated Cost
3	Procurement of Operational Vehicles	Goods	320,000 (low)	Post	Limited/ National	RFQ	Lowest Evaluated Cost
4	Engagement of MIS Web portal Hosting Firm	Non-Consulting Service	25,000 (low)	Post	Limited/ National	RFQ	Lowest Evaluated Cost
5	Engagement of Internet Services provider	Non-Consulting Service	25,000 (low)	Post	Limited/ National	RFQ	Lowest Evaluated Cost
6	Engagement of Security Services provider	Non-Consulting Service	25,000 (low)	Post	Limited/ National	RFQ	Lowest Evaluated Cost
7	Engagement of Printing & Publication Firms	Non-Consulting Service	95,000 (moderate)	Post	Limited/ National	RFQ	Lowest Evaluated Cost
8	Engagement of	Consulting	120,000	Post	Limited-National	CQS	Lowest



S/No.	Contract Title and Description	Procurement Category	Estimated Cost (US\$) / Unit and Risk Rating	Bank Over-sight (Prior/Post)	Procurement Approach/ Competition	Selection Method	Evaluation Method
	Consultancy Firm on the Baseline Data	Service	(substantial)				Evaluated Cost
9	Engagement of Consultancy Firm on Third Party Monitoring (on state by state basis)	Consulting Service	25,000 (moderate)	Post	Open/National	CQS	Lowest Evaluated Cost
10	Engagement of Consultancy Firm on MIS	Consulting Service	120,000 (low)	Post	Limited/National	CQS	Lowest Evaluated Cost
11	Engagement of Consultancy Firm on Environmental and Social Safeguard	Consulting Service	120,000 (low)	Post	Limited/National	CQS	Lowest Evaluated Cost
12	Engagement of Consultancy Firm on IVA	Consulting Service	9,000,000 (High)	Prior	Open/International	QCBS	Lowest Evaluated Cost
13	Engagement of Consultancy Firm on Outcome Evaluation Study	Consulting Service	120,000 (moderate)	Post	Limited/National	CQS	Lowest Evaluated Cost
14	Engagement of Technical Specialists & Consultants (5no., various)	Consulting Service	40,000 (substantial)	Post	Limited/National	INDV	Lowest Evaluated Cost
15	Engagement of External Audit	Consulting Service	50,000 (low)	Post	Limited/National	CQS	Lowest Evaluated Cost

86. Main procurement activities will be carried out at states' level, and as such, the World Bank has already conducted an Integrated FSA of all the 36 participating states and FCT to ascertain their capacity to implement the Program and also design mitigation measures where weaknesses are observed.

87. **Selection of consultants.** Consultants shall be selected using Request for Expressions of Interest, short list, and the World Bank's Standard Request for Proposal, where required by the Procurement Regulations. Short lists of consultants for services estimated to cost less than US\$300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 7.25 of the 'Procurement Regulations for IPF Borrowers' July 2016, revised November 2017 and August 2018. Consultant services requiring hiring of research institutes and universities, and individuals from these entities, public training institutions and NGOs, to carry out various studies, data collection, training and M&E will be selected in accordance with paragraph 3.21 through 3.23 and section VII of the 'Procurement Regulations for IPF Borrowers' July 2016, revised November 2017 and August 2018.



88. **Procurement capacity.** The proposed Procurement Specialist is experienced and qualified for the job. His capacity has been developed over the years as the Procurement Specialist on the CSDP. He has also been trained on the new World Bank Procurement Framework, including the use of Systematic Tracking of Expenditure in Procurement (STEP). He will be supported on the Program by two assistants. In the course of assessment, the main risks identified, and mitigation measures are:

*Table 4.7. Procurement Capacity Risks and Mitigation Measures*

S. No	Risk	Mitigation Measure
1	Sustainability of the procurement capacity	Continuous engagement with government officials to discourage arbitrary re-deployment of procurement officers who have been trained and assigned to Project.
2	Consistency in applying agreed procurement arrangement during implementation, especially for post-review contracts	Review of implementation of the procurement plan during Implementation Support Missions and PPRs

89. **Operating costs.** The operating costs shall include local contractual support staff salaries, employment benefits, travel expenditures, and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance, and repair; office rental and maintenance, materials and supplies; utilities and communication expenses; and bank charges.

*Table 4.8. Procurement Action Plan*

S. No	Action	Responsibility	Due Date	Remarks
1	Procurement Plan for the first 18 months prepared and agreed with the World Bank	FCSU	Completed	Completed
2	Develop acceptable TOR for the Engagement of the IVA and other critical consultancy assignments and launch Requests for Expression of Interests	FCSU	Before Project Effectiveness	Required for procurement efficiency.

*Table 4.9. Threshold for Procurement Methods and Prior Review*

Expenditure Category	Contract Value Threshold (US\$, thousands)	Procurement Method	Contracts Subject to Prior Review (US\$, thousands)
<b>Goods, IT and Non-Consulting Services</b>	5,000 or more	ICB	All
	Less than 5,000	NCB	Above 2,000
<b>Consultants (Firms)</b>	100 or less	RFQ or National Shopping	None
	Less than 300	Shortlist of National Consultants	None
<b>Consultants (Individuals)</b>	500 or less	Shortlist of National Consultants	None
	100 or more	IC	All
	Less than 100	IC	None

**ANNEX 5. SUMMARY ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT**

1. The ESSA was prepared by World Bank staff through a combination of reviews of existing program materials and available technical literature, interviews, and extensive consultation with government staff, regulatory agencies, farmers, private sector organizations, and sector experts. An E&S risk screening was undertaken at the concept stage. The ESSA process was informed by World Bank Guidance on PforR Environmental and Social System Assessment (July 1, 2019). The findings, conclusion, and opinion expressed in the ESSA document are those of the World Bank. The ESSA was publicly disclosed on October 5, 2020. The Environmental and Social Review Summary (ESRS), the Environmental and Social Commitment Plan (ESCP) and the Stakeholder Engagement Plan (SEP) were publicly disclosed on October 19, 2020.

2. During preparation of the ESSA, extensive consultations were carried out virtually despite the speed and urgency with which this project has been developed to meet the growing economic crisis and threats due to COVID-19. The consultations were virtual in line with World Bank's guidelines for consultation during the pandemic. The consultations were limited to the platforms implementing the Program. Thus, the Nigeria CARES teams, including the E&S teams and representatives of the implementing agencies in all the states, and farmers and the federal team have been consulted. During the consultation, the details of the PforR program were presented to the participants, after which some questions were raised concerning the E&S systems of the states. Each state team was given some time to respond. They also provided additional written responses and documentations. The states were also given the opportunity to ask questions about the Program and the E&S requirements, for which the World Bank team provided some clarifications. After the general consultations, some states were thereafter contacted for further information on specific issues. Further consultations will be carried out with MSEs that are proposed to benefit from Results Area 3 and previous beneficiaries of cash transfers.

**Scope of the ESSA**

3. The ESSA examines the extent to which the federal and state government's existing E&S management systems operate within an adequate legal and regulatory framework to guide E&S impact assessments, mitigation, management, and monitoring at the PforR program level and incorporate recognized elements of good practice in E&S assessment and management. The ESSA thereafter defines measures to strengthen the system and recommend measures that will be integrated into the overall Program. The ESSA is undertaken to ensure consistency with six core principles and key planning elements of the PforR ESSA. During preparation, a scoping exercise was conducted to determine the applicability of each of the six PforR Environmental and Social Core Principles to the various program DLIs and results chain. This scoping exercise was subsequently used to structure the remaining analysis of the ESSA.

**Expected Environmental and Social Impacts and Risk of the Program**

4. The E&S risks of the Program have been assessed and deemed to be substantial. The substantial assessment was based on the fact that there will be rehabilitation and upgrading of infrastructure and possible construction of new infrastructure during implementation of community microprojects. Although adverse E&S impacts are not envisaged under the circumstances, current weaknesses in the borrower's system and lack of capacity to address the E&S impacts and contextual risks (climate change, insurgency,



banditry, and farmers-herders conflicts) may limit the PforR's ability to achieve its E&S operational objectives.

5. In line with the six core principles, the relevant risks within the proposed results areas under the PforR cover E&S issues and include the following:

- (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; and sanitary infrastructures in wet markets
- (b) OHS issues—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 OHS issues due to labor-related actions in agriculture, during LIPW and MSEs' activities under the Program
- (e) Risk of exclusion of vulnerable and marginalized individuals/ groups/disability exclusion, elite capture, SEA/SH, capacity to capture beneficiaries, and so on
- (f) Possibility of GBV and IPV as programs that provide cash transfer and other social support can, in some circumstances, be associated with increases in GBV and IPV. Also, the project envisions a range of rehabilitation projects, labor-intensive activities, and enhancement of employment in MSEs and these are activities that can increase GBV risks due to changes in labor patterns and income, creation of new hot spots for vulnerability, and changing community dynamics.

6. The Program, being an intervention program to facilitate recovery from economic crisis as a result of the COVID-19 pandemic, has a lot of social benefits that will result from the achievement of the DLIs. For example, the implementation of activities related to DLI 1.1, that is, social transfers to aged people, chronically ill, urban poor, widows, and the new poor (due to COVID-19) is expected to facilitate poverty reduction (some people will exit from poverty especially the new poor), enhanced nutrition outcomes, and food security. It will also result in enhanced longevity given available funds to treat chronically ill people who will receive the transfers. The payment system, which is through payment service providers, will enhance financial inclusion in Nigeria with all its associated benefits.

## **Recommendations**

7. Following the identification of E&S risks, the E&S management system in place to manage the identified risks was assessed. The assessment was done using the following criteria: strengths of the system or where it functions effectively and efficiently and is consistent with World Bank Policy and Directive for Program-for-Results Financing, inconsistencies and gaps between the principles espoused in World Bank Policy and Directive for Program-for-Results Financing and capacity constraints, and actions to strengthen the existing system. Information from this analysis and identification of gaps and opportunities/actions were used to inform the recommendations and PAP. The recommendations are as follows:

- The FCSU and SCCU should institute and deliver 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 assessment processes, environmental pollutions, hazards, and other environmental issues in the state.

- There is a need to formulate/develop guidelines and manuals for mainstreaming stakeholder engagement process, environmental, and OHS issues into the implementation of the Program. The World Bank Group's Environmental Health and Safety guidelines will be adapted for environmental and OHS issues. The manual should help guide the operation of MSEs, contractors, and workers and laborers (including those involved in community microprojects) who are part of the Nigeria CARES PforR. The guidelines should contain the requirement of adequate on-site training on OHS issues to workers and laborers, provision of PPE, and other guidelines relating to specific activities of MSEs. This guideline would be developed before commencement of Program implementation
- The FCSU, SCCU, and implementing agencies should conduct E&S screening of Program activities, half-yearly review and monitoring of progress on E&S issues, and annual E&S audit, especially regarding the compliance of the Program activities with the E&S standards and regulations.
- There is a need to strengthen the existing GRM in the CSDP, SCTU, Fadama, State Job Creation Unit/MSE Support Units, and GEEP and disseminate the same to stakeholders to build the confidence of the beneficiaries on the system GRM.
- Affected states should set up community-level (through relevant traditional rulers/institutions) conflict resolution committees to address conflicts related to herders/farmers/water users and other conflicts related to marginalization of ethnic minority in the Program.
- States without a GBV response team should quickly set up such a team to attend to GBV issues in the states and support it with robust public enlightenment program about the evils of SEA and SH.
- Community management committees, including representatives from different categories of persons in the community such as community leaders, youths, women groups, and persons with disabilities, should be set up to manage the implementation of community microprojects.
- The FCSU and SCCU should ensure that an E&S E&S specialist, an OHS officer, a GBV/gender officer, and a GRM officer are engaged in the PIU at the federal and state level (for states without an E&S specialist in the implementing agencies). The engaged officers work in the PIUs throughout Program implementation.
- States should conduct security needs assessment, which would serve as the basis for dealing with security issues.
- In collaboration with the SCCU, all state governments should develop, adopt, and implement a voluntary land donation protocol, in line with World Bank guidelines, to screen all land selected for microprojects to ensure that the land is 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 GRM. As indicated in the exclusion criteria, any land selected for microproject that will involve displacement/resettlement will not be eligible for community microprojects.

#### *Climate Co-benefits and GHG Accounting*

8. **Climate change affects all sectors of the economy in Nigeria.** The country is highly vulnerable to climate change and is classified as one of the ten most vulnerable countries in the world, according to the



2017 Climate Change Vulnerability Index. Climate change inaction (business-as-usual) could cost Nigeria an estimated 2 to 11 percent of GDP by 2020 and between 6 and 30 percent by 2050 (DFID 2009). This is equivalent to a loss between US\$100 billion and US\$460 billion. In signing the Paris Climate Agreement in September 2016, President Buhari committed Nigeria to reducing GHG emissions. Nigeria's landmark achievement since the signing of the Paris Agreement is the successful issuance of two sovereign Green Bonds to finance carbon-efficient projects, mostly in the energy and forestry sectors, with great potential to create thousands of new jobs, green the economy, and reduce carbon emission and deforestation.<sup>51</sup> Climate change alone is estimated to reduce crop yields by 50 percent. Access to water and irrigation will, therefore, be an important determinant of the stability of yields and the adaptation to the effects of climate change. Similarly, conflict is disrupting food supplies and contributing to the displacement of people. In Borno, most IDPs depend on agriculture for their livelihoods and are at risk of not meeting food requirements. Thus, improving productivity is a strong factor in the effort to stimulate growth, reduce poverty, and enhance food security.

**9. The Government recognizes the significant threats climate change poses to the accumulation of the country's natural, physical, and human resources and to the prosperity of its population.** In signing the Paris Climate Agreement in September 2016, Nigeria committed to reducing GHG emissions unconditionally by 20 percent and conditionally by 45 percent. These targets are well articulated in the nationally determined contributions. Beyond the targets, Nigeria's broader aim is to build a climate-resilient society across the country's diverse landscapes. In 2017 and 2019, Nigeria issued sovereign Green Bonds. The proceeds of the Green Bond issue are financing selected carbon-efficient projects mostly in the energy and forestry sectors, creating thousands of new jobs, greening the economy, and reducing carbon emission and deforestation. The selected projects have links to the ERGP and the nationally determined contributions. The Green Bond Program contributes to Pillar 47 of the ERGP, striving to build a climate-resilient economy across the country's diverse terrain. The project will promote different types of climate-smart agricultural technologies such as cash transfer for LIPW activities in social services and works, improved varieties, nutrient management, effective irrigation measures, improved agricultural infrastructure, and improved soil fertility management conditional capital grants for new post-COVID-19 loans and for IT equipment.

#### *GHG Accounting*

**10. GHG accounting.** The implementation phase of the Program is two years and the capitalization phase is assumed to be eight years. The 'without Program scenario' is assumed to not differ from the 'initial scenario'. The analysis further assumes the dynamics of change to be linear over the duration of the Program. The Program will promote afforestation practices on 50,000 ha converting deciduous forest into perennial/tree crop (< 5yrs). The crop production activities will promote different types of climate-smart agricultural technologies such as improved varieties, nutrient management, effective irrigation measures, no burning, and improved soil fertility management. These improved technologies will be introduced to 349,270 ha of annual crop production. Improved practices will be introduced to 50,000 ha of perennial/tree crop that was converted from deciduous forest. The Program will also introduce

<sup>51</sup> Climate Change Adaptation and Resilience in Nigeria, World Bank Policy Note for Post-election engagement, 2019  
[https://worldbankgroup-my.sharepoint.com/:f/g/personal/jagene\\_worldbank\\_org/EslIZht246pAm7isumQM5VcBVvzlQqhVIdx37sx1Jvn-gA?email=fokunmadewa%40worldbank.org&e=VnvT2G](https://worldbankgroup-my.sharepoint.com/:f/g/personal/jagene_worldbank_org/EslIZht246pAm7isumQM5VcBVvzlQqhVIdx37sx1Jvn-gA?email=fokunmadewa%40worldbank.org&e=VnvT2G)



improved practices for irrigated rice on 53,000 ha. The livestock management will include improved management activities such as feeding practices, specific agents, and breeding to a total of 172,700 heads of livestock, including sheep, swine (breeding), and goats. The net carbon balance quantifies GHGs emitted or sequestered as a result of the Program compared to the ‘without Program scenario’. Over the Program duration of 10 years, the Program constitutes a carbon sequestration of 23,630,073 tCO<sub>2</sub>e. Per hectare, the Program will sequester 59.2 tCO<sub>2</sub>e, which is 5.9 tCO<sub>2</sub>e per year (Table 5.1).

Table 5.1. Results for the Ex Ante GHG Analysis in tCO<sub>2</sub>e

Components of the Project	Gross Fluxes		GHG Balance	
	Without	With		
	All GHG in tCO <sub>2</sub> e			
	Positive = source / negative = sink			
Afforestation conversion of deciduous forest for perennial crop	0	-8,545,167	-8,545,167	
Annual crops through improved practices	0	-8,645,782	-8,645,782	
Perennial crop through improved practices	-350,000	-6,789,125	-6,789,125	
Improved irrigated rice practices	3,560,752	3,560,752	0	
Livestock management through improved management practices	502,346	502,346	0	
<b>Total</b>	<b>3,713,098</b>	<b>-19,916,975</b>	<b>-23,630,073</b>	
<b>Per hectare</b>	<b>9.3</b>	<b>-49.9</b>	<b>-59.2</b>	
<b>Per hectare per year</b>	<b>0.9</b>	<b>-5</b>	<b>-5.9</b>	

11. **Carbon sources and sinks.** The main carbon source of the Program is from livestock management. Improved agricultural technologies and practices for annual crops will lead to a carbon sink for the Program (figure 5.1).

Figure 5.1. GHG Emissions and Carbon Sequestration in tCO<sub>2</sub>e, Net Carbon Balance Per Project Activity and the Entire Program, and the Share of Emission Sources and Carbon Sinks in tCO<sub>2</sub>e for the Entire Project

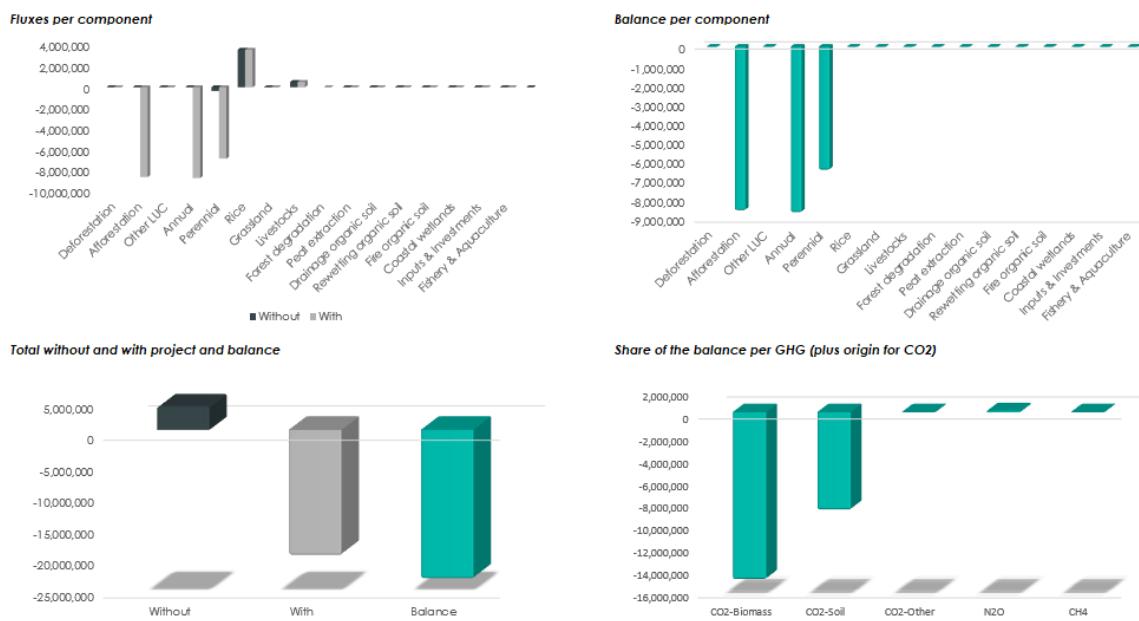


Table 5.2. Climate Actions Incorporated in the DLI Design

DLI	Number of States Selecting DLI	Total DLI Allocation (US\$) (A)	Total Allocation per Results Area	Climate Actions
1.1 Number of beneficiaries receiving State Social Transfers	29	56,860,476	268,994,101	<p><b>Mitigation:</b></p> <ul style="list-style-type: none"> <li>Provision of cash and in-kind transfers to help beneficiaries cope with climate shocks.</li> <li>Promote the procurement of energy efficient cookstoves.</li> <li>Awareness on the consumption of climate friendly (green) products for increased nutrition.</li> <li>Facilitating digital (cash less), where possible, payment and expenditure patterns minimizing use of transportation as a way of mitigating GHGs emission.</li> </ul> <p><b>Adaptation:</b></p> <ul style="list-style-type: none"> <li>Promoting the planting of trees and gardening for adapting to climate shocks.</li> <li>Provide cash and in-kind transfers to help beneficiaries adapt to the impacts of climate change</li> <li>Target cash transfer programs to beneficiaries who are vulnerable to climate change risks.</li> <li>Promote the procurement of climate friendly household facilities such as energy saving stoves instead of stoves that would require extensive consumption use of fuel wood or kerosene to reduce emission of GHGs.</li> <li>Promote livelihoods diversification support to build climate resilience.</li> </ul>



1.2 Number of beneficiaries engaged and deployed into LIPW activities in social services and receiving stipends	29	53,907,110		<p><b>Mitigation:</b></p> <ul style="list-style-type: none"><li>• Climate friendly household waste collection such as waste sorting to promote recycling, reuse and recovery.</li><li>• Promote tree planting for environmental sustainability.</li><li>• Create awareness on waste management.</li><li>• Carryout regular training and awareness of beneficiaries on climate friendly waste disposal and management techniques as against techniques such as burning and use of chemicals to decompose wastes which increase GHG emission.</li><li>• Promote the principle of waste-to-wealth as part of the LIPWs and as further incentives to beneficiaries.</li></ul> <p><b>Adaptation:</b></p> <ul style="list-style-type: none"><li>• Carryout regular training and awareness of beneficiaries on climate adaptation.</li><li>• Procurement of climate friendly equipment for the LIPWs.</li><li>• Combining public works with climate-resilient community development.</li><li>• Promoting bioengineering measures that contribute to climate adaptation such as tree planting around civil/public work areas as adaptation strategy.</li><li>• Promote the use of climate friendly materials that are biodegradable.</li><li>• Promote the use of micro-smart refuse dumps to reduce the large volume of methane and other gases produced by large refuse dumps.</li></ul>
1.3 Number of beneficiaries supported with Livelihood Grants	26	47,987,225		<p><b>Mitigation:</b></p> <ul style="list-style-type: none"><li>• Promoting climate mitigation measures such as alternative sources of energy, solar-powered machines.</li><li>• Priority should be given to business plans whose chain of production are climate friendly. For example, processing of <i>gari</i> (Cassava flakes), oil palm, plantain flakes, yam flakes, potato flakes, groundnut oil and cake using solar powered machines.</li><li>• Integration of community leaders. For example, Religious leaders, traditional leaders, school leaders among others into the activities of the beneficiaries on climate friendly utilization of common resources such as production of alternative medicine using communal resources.</li><li>• Facilitate the sustainable use of alternative sources of energy for their operations to enhance climate resilience</li></ul> <p><b>Adaptation:</b></p> <ul style="list-style-type: none"><li>• Creating climate change awareness.</li><li>• Promoting the use of low carbon cookstoves.</li><li>• Promoting tree planting by beneficiaries as a way of adapting to the effects of climate change.</li></ul>
1.4 Number of direct beneficiaries of completed and	33	110,239,290		<p><b>Mitigation:</b></p> <ul style="list-style-type: none"><li>• Promoting the use of alternative energy sources and energy-efficient materials in infrastructures.</li></ul>



functional Community and Basic Service Infrastructure microprojects				<ul style="list-style-type: none"><li>• Partnering with beneficiaries to develop climate smart villages by using alternative and cheaper climate friendly energy sources to power schools, health centers, and water and sanitation plants to improve climate resilience.</li><li>• Regulation and enforcement of the use of climate smart infrastructure. For example, procurement of energy saving devices, high albedo roofing sheets and so on.</li></ul> <p><b>Adaptation:</b></p> <ul style="list-style-type: none"><li>• Promoting the use of climate resilient materials for the rehabilitation of existing micro-projects in accordance with the national upgraded EIA with climate change considerations.</li><li>• Designing micro-projects to minimize land consumption as a way of adapting to climate change by reducing encroachment into green areas.</li><li>• Establishing small surface water reservoirs to moderate land surface temperature as an adaption to climate change.</li></ul>
2.1 Number of farmers utilizing agricultural inputs and services from the Program	37	105,138,381	302,431,475	<p><b>Mitigation:</b></p> <ul style="list-style-type: none"><li>• Creating more awareness on climate change among the rural and peri-urban farmers.</li><li>• Disseminating early warning systems for climate-related disasters to farmers.</li><li>• Promoting adoption of traditional climate smart techniques like mulching, use of organic fertilizers, and zero tillage to increase climate resilience.</li><li>• Promoting the use of agro-forestry for micro-climate improvement by enhancing carbon sequestration.</li><li>• Strengthening research on production of improved, high yielding, varieties of crops that are resilient to the effects of climate change.</li><li>• Strengthening research on the production of improved and resistant livestock hybrid to climate induced drought, heat, humidity, flooding, pest and diseases.</li><li>• Strengthening research in the production of resistant breeds of poultry to the shocks of extreme weather conditions.</li><li>• Downscaling value-added weather information and services to local farmers, herders and fish farmers through international and local agencies like International Funds for Agricultural Development (IFAD), ADPs, FADAMA and so on.</li><li>• Providing support and advisory system for farmers on how to manage climate variability and change through the use of extension services.</li><li>• Bridge the gap between extension services and farmers especially those whose Subject Matter Specialization (SMS) are climate smart related</li><li>• Promotion of knowledge-smart climate change mitigation activities (farmer-to-farmer learning, capacity development, community seed banks and farmers'</li></ul>



				<p>cooperatives, crop diversification, market information and off-farm risk management.</p> <p><b>Adaptation:</b></p> <ul style="list-style-type: none"><li>• Creating climate change awareness, promoting climate resilient crops, strengthening research on climate impact.</li><li>• Climate change training and awareness raising activities.</li><li>• Incorporation of organic farming techniques and adoption climate-smart agricultural practices (CSAP) such as crop rotation, soil conservation, green manures, mixed cropping, inter-cropping, cover cropping, improved seeds and hybrids.</li><li>• Pumping of fresh water into ponds to reduce temperature and toxicity due to drying of the ponds.</li><li>• Promoting planting for farmers based on weather advisory to determine the optimum planting date, on-season practices, harvesting dates to adapt to changing rainy season characteristics due to climate change.</li><li>• Promoting use sing alternative energy sources and energy-efficient materials in infrastructures.</li></ul>
2.2 Number of farmers accessing improved agricultural infrastructure	30	77,343,510		<p><b>Mitigation:</b></p> <ul style="list-style-type: none"><li>• Promote soil conservation measures, and alternative energy sources and energy-efficient materials in infrastructures.</li><li>• Promoting soil and water conservation measures for farmers against climate risks.</li><li>• Massive downscaling, provision and use of micro-irrigation projects as against existing large-scale multi-purpose irrigation projects. This will cover wider areas and assist more in micro-climate moderation.</li><li>• Introduction of climate-smart grazing infrastructure and techniques such as ranching.</li><li>• Use of alternative power sources such as solar and wind energies operate tube wells for irrigation and for watering livestock.</li><li>• Use of energy efficient infrastructure to reduce greenhouse emission and mitigate against the effect of climate change.</li><li>• Effective management and conversion of animal waste to reduce emission of GHGs such as methane from animal waste</li><li>• Creation of good produce marketing network for easy and profitable sale of produce</li><li>• Strategic design of agricultural land-use to minimize deforestation and to improve carbon sequestration and reduce carbon dioxide.</li><li>• Creating more carbon sinks by afforestation through agro-forestry practices.</li><li>• Encouragement of land restoration through Farmer Managed Natural regeneration particularly in the dry land areas of Nigeria.</li></ul> <p><b>Adaptation:</b></p>



				<ul style="list-style-type: none"><li>• Small-scale irrigation to enhance climate resilience, and rehabilitation of feeder roads to incorporate climate resilience.</li><li>• Use of bio-engineering such bamboo, elephant grass, carpet grass for gully stabilization to reduce erosion and also serve as effective sinks for carbon dioxide.</li><li>• Promoting farmers cooperatives with similar objectives to collaborate in knowledge sharing.</li><li>• Promote rainwater harvesting.</li><li>• Enhancing the capacity to suppress pest and disease outbreaks, as well as buffering crop production from the impacts of greater climatic variability and extreme weather events.</li><li>• Promote climate and environmentally friendly pest management.</li></ul>
2.3 Number of farmers utilizing agricultural assets (production and small-scale primary processing) provided by the Program	35	79,236,893		<p><b>Mitigation:</b></p> <ul style="list-style-type: none"><li>• Prioritize energy-efficient asset and renewable energy infrastructure.</li><li>• Moving from non-climate resilient to climate resilient and energy efficient assets.</li><li>• Promote the procurement of energy efficient equipment.</li><li>• Redirection of livestock production from the dominant large ruminants and birds to small ruminants to low waste production and hence, low methane emission</li><li>• Provision of renewable energy infrastructure that can easily be assessed by farmers in their operations.</li><li>• Formation of cooperatives of processors for knowledge sharing and easy dissemination of climate friendly ideas and operations.</li></ul> <p><b>Adaptation:</b></p> <ul style="list-style-type: none"><li>• Integration of nutrient-smart practices such as site-specific nutrient application, precision fertilizers, residue management, legume catch-cropping.</li><li>• Adoption of energy-smart practices such as agro-forestry, conservation tillage, residue management, planting of legumes and livestock management.</li><li>• Creating awareness on food production and food waste in response to climate-induced food security.</li></ul>
2.4 Number of existing wet markets with upgraded water and sanitation service	28	40,712,690		<p><b>Mitigation:</b></p> <ul style="list-style-type: none"><li>• Promoting energy efficient infrastructure and waste management the wet markets.</li><li>• Procurement of energy efficient infrastructure in the processing in the wet markets to reduce GHG emission.</li><li>• Use of water efficient facilities for processing and sanitation to minimize water spillage and reduce pollution.</li><li>• Efficient waste management to reduce emission of GHGs into the atmosphere.</li><li>• Enactment of waste-to-wealth policy to encourage wet market operators to convert some wastes like bones, hoofs, horns, shells, scales and feathers to useable</li></ul>



				<p>materials thereby creating wealth while improving resilience against the shocks of climate change.</p> <ul style="list-style-type: none"><li>Periodic training in maintaining a green environment and practices that are essential and considered an effective mitigation strategy</li></ul> <p><b>Adaptation:</b></p> <ul style="list-style-type: none"><li>Regular/constant cleaning of market to discourage the use of climate unfriendly reagents.</li><li>Using climate friendly and energy efficient tools for operations in the wet markets.</li><li>Modification of techniques of wet market operations to be climate friendly.</li><li>Regulation of hours to create time for the cleaning and maintenance of the wet market.</li><li>Redirecting and integration of wet market wastes and spillages into aquaculture systems.</li><li>Climate friendly management of wet market wastes to control of GHG emissions.</li></ul>
3.1. Number of firms receiving MSE Matching Grants to support new loans originated after June 16, 2020	24	55,331,595		<p><b>Mitigation:</b></p> <ul style="list-style-type: none"><li>Promoting the procurement of renewable energy supply in business.</li><li>Promotion and facilitation of energy security among the MSEs funded by CARES projects.</li><li>Promote climate friendly sustainable/renewable energy supply.</li><li>Promoting non-reliance on fossil fuel combustion for operations and transportation.</li><li>Creating awareness on climate change/renewable energy.</li></ul> <p><b>Adaptation:</b></p> <ul style="list-style-type: none"><li>Promoting the greening of office environments.</li></ul>
3.2. Number of firms receiving Operational Support Grants	29	73,970,592	163,574,377	<p><b>Mitigation:</b></p> <ul style="list-style-type: none"><li>Promoting the use of energy efficient technology/renewable facilities by the firms for the conditional operational support grants.</li><li>Conservation and restoration of biodiversity through downscaling afforestation, reforestation, and better forest management of targeted ecological/forests units that can enhance carbon sequestration and reduce GHG emission.</li></ul> <p><b>Adaptation:</b></p> <ul style="list-style-type: none"><li>Promoting the use of energy / water efficient technology, which can directly benefit the MSEs and reduce effects of climate change.</li></ul>
3.3 Number of firms receiving IT Enhancement Grants	18	34,272,191		<p><b>Mitigation:</b></p> <ul style="list-style-type: none"><li>Promote the procurement of climate friendly IT infrastructure to help in reducing GHG emission.</li></ul> <p><b>Adaptation:</b></p> <ul style="list-style-type: none"><li>Use of e-transactions between the MSEs and their supplier and between them and their clients to minimize activities that will require emission of GHGs into the atmosphere such as and to thereby emitting carbon</li></ul>



				monoxide, Sulphur dioxide and other gas effluents into the atmosphere.
		US\$ 735,000,000	US\$ 735,000,000	

*Table 5.3. List of Excluded Activities*

S. No.	Activity
1	All activities under Results Area 4 (Strengthened Institutional support for state coordination and delivery). This results area will be financed through an IPF instrument.
2	Construction of large-scale water (surface and underground) infrastructure including dams and primary and secondary canals.
3	Construction projects that are not considered to be part of community microprojects and that exceed the amount budgeted for community microprojects.
4	Construction or other projects that will involve land acquisition and resettlement of project-affected persons. However, voluntary land donation will be permitted.
5	Works, goods, and consultancy contracts above the Operations Procurement Review Committee thresholds.
6	Significant expansion of manufacturing or industrial processing facilities
7	Other activities or projects that will have adverse effect on the environment that is deemed high.



## ANNEX 6. PROGRAM ACTION PLAN

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
See Table below	Other		NA	Due Date	31-Dec-2020	See Table below

S/N	Action Description	Due Date	Responsible Party	Completion Measurement
1	<b>Establishment and resourcing of State CARES Coordinating Unit in the Ministry of Budget and Planning for oversight and coordination of the multiple delivery platforms</b>	Prior to Program effectiveness	State Governors and Minister of the FCT	Covenant and eligibility criteria
2	<b>A formal capacity building program to strengthen the skills of the M&amp;E staff at State Delivery Units, Coordinating Units and Federal CARES support Unit On the data collection, indicators specification and reporting system for the CARES</b>	Prior to Program implementation and every 6 months.	Federal CARES Support Unit and World Bank as part of the IPF workplan	Training Module and reported in M&E framework and Implementation Support Supervision Report of World Bank Task team
3	<b>States submit audited financial statements with the necessary information required for the CARES Program audit</b>	FY 2020 by September 2021, FY 2021 by September 2022 and FY 2022 by September 2023	States Accountant General	States submit the audited financial statements to the Federal Cares Support Unit.
4	<b>Audit of list of beneficiaries and payment to the beneficiaries in the intervention areas of the CARES Program conducted by the States Auditors General audit at the end of every calendar quarter</b>	30 days after the relevant calendar quarter	States Auditor General	States Auditor General submit their report to the States CARES Coordination Unit and the Federal CARES Support Unit
5	<b>Undertake procurement and contract performance audit of CARES Implementing Agencies</b>	FY 2020 by September 2021, FY 2021 by September 2022 and FY 2022 by September 2023	State Procurement Agencies	States submit the audited procurement and contract performance report to the Federal Cares Support Unit
6	<b>States Accountants General prepare calendar semester unaudited interim financial reports</b>	30 days after the end of the relevant calendar semester	State Accountants General	States Accountants General submit their report to the States CARES Coordination Unit and the Federal CARES Support Unit
7	<b>Conduct environmental and social screening of program activities and monitoring of progress on</b>	Environmental screening before Program activities	Federal CARES Support Unit; State CARES Coordinating Unit and	Submit Quarterly to the Bank Completed report with recommendations



	<b>environmental and social compliance.</b>		Implementing Agencies	about E&S issues, including the progress of the implementation of actions indicated in this table to the Bank
8	<b>Strengthen (formalize and document) existing GRM in CSDP, SCTU, FADAMA State Job Creation Unit/ MSE Support Units and GEEP to make it more robust and build trust</b>	January 2021	Federal CARES Support Unit; State CARES Coordinating Unit and Implementing Agencies and State Legal Unit/Ministry of Justice	Revised GRM with clear reporting channel.
9	<b>Where relevant program / sub-program activities will happen, states to set up community level (through relevant traditional rulers/ institution) conflict resolution committee to address conflict related to program activities.</b>	Prior to implementation of sub Program activities	State CARES coordination Unit, CSDA, Ministry of Local Government and Chieftaincy,	List and contacts of committee members and Memorandum of inauguration, minutes of committee meetings.
10	<b>All CSDAs to develop, adopt and implement a Voluntary Land Donation(VLD) framework/protocol in line with World Bank Guideline to screen all land selected for micro projects (All donated land must be free of economic, social and physical encumbrances).</b>	March 2021	CSDAs, State Ministry of Land, Urban and Physical Development and Ministry of Local Government and Chieftaincy Affairs	Developed and submit voluntary Land donation framework/protocol with screening checklist satisfactory to the Bank.
11	<b>Ensure Engagement of Environmental/OHS specialist, social specialist, officer, GBV/ Gender, GRM officer, in the PIU at the federal and state level (for states without environment and social specialist in the implementing agencies). To be maintained throughout the life of the program implementation</b>	Prior to Effectiveness	Federal CARES support unit and state CARES Coordinating Units	Inclusion of the listed specialist in the team and maintained throughout the Program implementation.
12	<b>Community management committees including representatives from different categories of persons in the community including community leaders, youths, women groups and PWD's should be set to manage the implementation of community micro projects.</b>	During preparation of the Community or Group Development Plan under DLI 1.4. (Result Area 1)	State CSDA or PIU for DLI1.4	Approved Community Development Plan or Group Development Plan with list of committee members, Minutes community meetings on selection and design and implementation of micro projects.
13	<b>States without a GBV response team should quickly set up and publicize its Response Team for response to issues of SEA/SH and support it with robust public enlightenment program.</b>	At least 90days after effectiveness of CARES	States Ministry of Women Affairs and Social Development and Ministry of Justice	Document setting out referral pathway and available service provider by the relevant MDA



14	<b>Conduct half yearly reviews and annual environmental and social audit</b>	Half yearly and annually, as relevant, throughout Program implementation	FCSU / State CARES Coordinating Unit (SCCU)	Submit semi-annual reviews and annual E&S audits to the Bank
15	<b>Conduct security need assessment</b>	Before commencement of implementation in each State	All States and FCT (especially North-west and North East,)	Development and Agreement on security action plan
16	<b>Adoption of fund release policy for improved predictability of resource flows to MDAs implementing CARES program.</b>	Not later than Program effectiveness	Ministry of Budget and Planning; Ministry of Finance	MDAs BERs showing cumulative budget releases against appropriations
17	<b>Protocol for reporting, management and investigating of fraud and corruption allegations operationalized in MDAs implementing CARES program.</b>	Not later than Program effectiveness	FCSU/State CARES Coordination Unit	Report on fraud and corruption allegations included in Program implementation progress report

#### ANNEX 7. IMPLEMENTATION SUPPORT PLAN

1. **The strategy for implementation of the CARES program is based on the assessed risks of the Program (as delineated in the Systemic Operations Risk-Rating Tool [SORT]), as well as the assessed capacity of the participating federal and state level agencies and platforms (implementing partners) that are responsible for delivering results under the operation.** The implementation strategy will adopt a flexible and demand-driven approach to address challenges that might arise during implementation. This will be complemented by consistent, proactive outreach and frequent communication with implementing partners, particularly at the state level. This effort will be intensified at the early stages of Program implementation to ensure smooth rollout across states. The team will also work closely with the federal-level coordination unit to facilitate information exchange and sharing lessons learned across states to accommodate the specificities of the Program.
2. **The team will adopt an enhanced implementation support strategy to accommodate for the design complexity and scale of the Program.** The team will continuously monitor the institutional capacity of the key implementing partners and emerging implementation risks and assess the need for early response to emerging implementation challenges. The implementation support strategy is multipronged and will include (a) Joint Review Missions (JRM) (on quarterly basis and might run more frequent during the first year); (b) monthly technical meetings/workshops for (i) federal and state level coordinators; (ii) results area coordinators across states; and when required (iii) state-level CARES team(s); (c) on-demand external technical expertise; and (d) audit and fiduciary reporting (including safeguards, procurement, and financial management).
3. **Implementation Support Plan.** The World Bank will provide hands on—just-in-time—support for the three results areas. Moreover, the federally managed TA component will ensure that implementing partners will be able to find the required guidance and technical, fiduciary, social, and environmental support on emerging implementation issues. Implementation support will take place through remote and field visits and will primarily focus on the following:



- (a) **Technical inputs.** The World Bank will make available relevant expertise throughout the lifetime of the two-year Program. The support will start during preparation, before effectiveness, and be more intensified during the initial six months of the Program rollout.
- (b) **Fiduciary requirements and inputs.** The team will undertake consistent supervision of financial management and procurement arrangements. This support will be provided at the federal and state level and will be carried out as required as part of the Program supervision plan and as needs emerge.
- (c) **Safeguards.** The World Bank will monitor compliance with the ESSA during JRM s and technical guidance will be provided accordingly, including training on E&S management.
- (d) **Implementation progress monitoring.** The Program's Implementation Manual will develop a monitoring modality that will allow aggregation of implementation progress at the federal level to enable the World Bank team and implementing partners to monitor and track progress. This includes frequent monitoring of (i) progress against DLIs, (ii) disbursements (overall and per state), and (iii) reporting on bottlenecks causing delays. A program monitoring report will be produced on a monthly basis, but its format and frequency may be adjusted during Program implementation and as deemed necessary.

#### 4. The focus of implementation support is summarized below:

Table 7.1. Focus of Implementation Support During Various Stages of the Program

Time	Focus	Skills Needed
Before effectiveness	Technical support for <ul style="list-style-type: none"><li>• Institutional strengthening and development and adoption of manuals and guidelines;</li><li>• Training on guidelines, safeguards, and DLIs' data gathering;</li><li>• Timely effectiveness across the states and FCT; and</li><li>• Communications and creation of awareness.</li></ul>	Technical, M&E, and institutional relations; roles and responsibility management
First three months	Technical support for <ul style="list-style-type: none"><li>• Governance, management, and accountability mechanisms;</li><li>• Procurement training and supervision;</li><li>• FM training and supervision;</li><li>• E&amp;S monitoring and reporting;</li><li>• Institutional arrangement and Program supervision; and</li><li>• Results areas.</li></ul>	Technical, audit, M&E, procurement, financial management, institutional, E&S
Up to 48 months	Technical support for <ul style="list-style-type: none"><li>• Results areas;</li><li>• Procurement management;</li><li>• FM and disbursement;</li><li>• E&amp;S monitoring and reporting;</li><li>• Program supervision, monitoring, and reporting; and</li><li>• Peer learning.</li></ul>	Technical, M&E, procurement, financial management, institutional, E&S team management



Table 7.2. Task Team Skills Mix Requirements for Implementation Support (over Program Duration)

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task team leader	40	As required	Country office based
Co-task team leaders	30	As required	HQ or country office based
Economist	30	As required	HQ or country office based
Technical specialist	30	As required	HQ or country office based
FM specialist	20	As required	Country office based
Procurement specialist	20	As required	Country office based
Fiscal and debt economist(s)	20	As required	HQ and country office based
Public sector specialist(s)	20	As required	HQ and country office based
Operations specialist	20	As required	HQ and country office based
Social specialist	4	As required	Country office based
Environment specialist	4	As required	Country office based

#### ANNEX 8: IPF COMPONENT

1. The IPF component of the Program will be managed at the federal level to provide oversight and support to the states of the CARES program. The component will be implemented through a three-tiered federal implementation and organizational structure as shown in **Error! Reference source not found.** and would consist of the following entities:

- (a) The FCSC responsible for overall policy direction to the Program. The Steering Committee will comprise key decision-makers from relevant MDAs. The committee will be chaired by the FMFBNP and will include representation from the Federal Ministry of Agriculture and Rural Development; Federal Ministry of Labor and Employment; Federal Ministry of Environment; FMHADMSD; Federal Ministry of Education; Federal Ministry of Water Resources, and Permanent Secretaries for Budget and National Planning. The key roles of the FCSC will include (i) providing overall policy guidance for Program implementation; (ii) liaising with the national assembly for adequate allocation of resources; (iii) reviewing project performance annually and providing feedback to the government at both federal and state levels; and (iv) garnering political support for the CARES program. The tenure of members of the FCSC will be for the duration of the Program.
- (b) The FCTC will be responsible for Program oversight, overall technical guidance, coordination, strategic direction, and review and approval of the annual work program and budget of the FCSU. As a subcommittee of the FCSC, the FCTC will be responsible for (i) providing technical oversight and guidance for Program implementation; (ii) reviewing and approving the annual work program and budget for the FCSU; (iii) reviewing project performance, accounting and audit reports, and enforcing of implementation of decisions; (iv) conducting performance review of key FCSU staff; (v) garnering political support for national CDD policy; and (vi) approving amendments to the PIM and Implementation Plan. The FCTC will be chaired by the Director (Economic Growth) of the supervising ministry and will comprise directorate-level representation from the participating MDAs.
- (c) The FCSU will be responsible for Program management, day-to-day program support at the federal level, and for supporting the states on technical and capacity issues, financial management, M&E, and peer learning. In this capacity, the FCSU will be responsible for ensuring that World Bank



guidelines and procedures are followed on issues of procurement, disbursements, auditing, and overall financial management and that the E&S guidelines are followed across the Program implementation delivery units. The FCSU will be headed by a National Coordinator—to be recruited from among the highly experienced federal officers leading current national programs. Other officers of the FCSU are to be competitively recruited in line with the dictate of the PIM.

**2. The key activities under the IPF component and the main role and responsibilities of the FCSU will consist of the following:**

- (a) Recruiting and managing the private sector IVAs for the verification of DLIs and the authorization and disbursement of the funds to State Treasuries. The FCSU will engage an IVA to conduct periodic DLI verification at the subnational level based on agreed verification protocol and procedure. The IVA will submit a report to the FCSU for review and necessary clearance. The World Bank will provide concurrence to the report of the IVA to enable the FCSU process disbursement and release of funds to the states with appropriate authorization.
- (b) Collating of overall progress of implementation according to the Results Framework, including the PDO and intermediate indicators. The FCSU's M&E unit will be responsible for collecting data on progress of the Program from the SCCU, in each state on a periodic basis to be able to provide overall progress report in line with the Results Framework of the Program. At the state level, the delivery units for the three results areas will provide data and information to the SCCU. The FCSU will also engage third-party monitors—mainly civil society organizations—to undertake process monitoring of the delivery of results by the delivery units at the state level. The reports of the civil society organizations will provide appropriate feedback on the quality of outputs and the gaps in delivery. The social accountability mechanism that will be used by the civil society organizations will also ensure citizen engagement and provide appropriate visibility and participation in the Program. The M&E unit will organize quarterly implementation progress review meetings and prepare quarterly progress reports for onward submission to FCSC and the World Bank. Finally, the M&E unit will conduct periodic evaluation to measure achievement of desired outcome in line with the theory of change of the Program.
- (c) Providing capacity building and technical support to assist the state CARES coordination and delivery platform (SCCU, CSDA, SCTU, PWF, Fadama, MSE, and so on) officials to build the requisite capacity and capability of platforms and improve delivery efficiency. Given that there is varying capacity among and between the different delivery and coordinating units at the state level, one of the major activities of the IPF component is provision of capacity building assistance and handholding support at the subnational level. This is particularly important for states in the FCV regions in the country. Capacity building support in the following areas have been identified during the preparation of the operation:
  - (i) Operations Manual revision and adoption training sessions
  - (ii) M&E procedure manual revision and training around CARES Results Framework
  - (iii) Environmental management, E&S assessment and OHS skills, and use of PPE training sessions
  - (iv) GRM revision, development, and utilization training sessions



- (v) Financial procedure and accountability training including adoption and use of Fraud and Corruption Prevention Template
- (vi) Procurement framework and procedure capacity building session
- (vii) Project management training (especially in FCV situation)
- (viii) Geographic information system and geo-spatial supervision and monitoring tools training
- (ix) Peer learning and experience sharing sessions (periodic).

**3. The scope and details of the capacity building activities will be periodically identified in line with the reports provided through third-party monitoring and citizen's engagement.** The specific details of capacity-building activities to support the three results areas will be identified during implementation but initial assessments indicate the following:

- (a) **Results Area 1:** (i) conducting and managing of life skills sessions for eligible beneficiaries on Social Transfers, LIPW and Livelihood Grants Support; (ii) training on community mobilization and participatory rapid appraisal and planning for field officers of the CSDAs; (iii) data collection, processing, and reporting techniques for PforR programs on social protection.
- (b) **Results Area 2:** (i) filling up vacancies in state Fadama implementation units, especially in states that were not part of Fadama III, which includes but is not limited Nasarawa and Enugu; (ii) repurposing the Fadama M&E and MIS to the needs of the CARES program; (iii) conducting refresher trainings or orientations at state and local government levels to communicate the transition from the Fadama approach to a more streamlined implementation process for the CARES program, consistent with the need for emergency response; and (iv) retooling the state and National Fadama Offices with relevant IT systems to enable remote coordination of Program implementation.
- (c) **Results Area 3:** (i) enhancing capacity for adopting technology in digital enrollment of beneficiaries; (ii) scaling up digital payments in government-to-person payments to support beneficiaries; (iii) building institutional capacity in targeting, vetting, and verification of potential beneficiaries

**4. Organizing peer-learning and experience sharing among state teams is designed to be facilitated in partnership with the NGF secretariat while the FCSU operations and technical units officers will engage experts and consultants to support them in carrying out the capacity building activities.** Officials of the National Fadama Office and GEEP/BOI National Office will also provide technical and operational support to the subnational delivery units for Results Areas 2 and 3 of the Program, while the designated technical specialist in the FCSU will be supported by officers from the National Social Safety Nets Coordinating Office and the NCTO of the FMHADMDS to provide technical and operational support on Results Area 1.