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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 494.0 MILLION
(US\$700.0 MILLION EQUIVALENT)

TO THE

FEDERAL REPUBLIC OF NIGERIA

FOR A

NIGERIA SUSTAINABLE URBAN AND RURAL WATER SUPPLY, SANITATION AND HYGIENE
PROGRAM-FOR-RESULTS

May 4, 2021

Water Global Practice
Western and Central Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective {March 31, 2021})

Currency Unit = Nigeria Naira (NGN)

US\$1 = NGN 409.50

US\$1 = SDR 0.70561173

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

AFD	French Development Agency (<i>Agence Française de Développement</i>)
AfDB	African Development Bank
APA	Annual Performance Assessment
BESDA	Better Education Service Delivery for All
CARES	Nigeria Covid-19 Action Recovery and Economic Stimulus Program
CBN	Central Bank of Nigeria
COVID-19	Disease caused by infection with coronavirus SARS-CoV-2
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CSO	Civil Service Organization
CWIS	Citywide Inclusive Sanitation
DA	Designated Account
DFIL	Disbursement and Financial Information Letter
DLI	Disbursement-linked Indicator
DLR	Disbursement-linked Result
E&S	Environmental and Social
EFCC	Economic and Financial Crimes Commission
ERGP	Economic Recovery and Growth Plan
ESMS	Environmental and Social Management Systems
ESSA	Environmental and Social Systems Assessment
ESRS	Environmental and Social Review Summary
EU	European Union
FCDO	Foreign, Commonwealth and Development Office
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FM	Financial Management
FMEdu	Federal Ministry of Education
FMEnv	Federal Ministry of Environment
FMH	Federal Ministry of Health
FMoF	Federal Ministry of Finance, Budget and National Planning
FMWR	Federal Ministry of Water Resources
FPPMD	Federal Project Financial Management Department
FPIU	Federal Program Implementation Unit
ICPC	Independent Corrupt Practices Commission
IFR	Interim Financial Reports
IFSA	Integrated Fiduciary Systems Assessment
IRR	Internal Rate of Return
IVA	Independent Verification Agent
FY	Fiscal Year
GBV	Gender-based Violence
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GoN	Government of Nigeria



GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
GWSP	Global Water Security and Sanitation Program
HCF	Health Care Facility
HCI	Human Capital Index
IBNET	International Benchmarking Network
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEC	Information, Education and Communication
IPF	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
JICA	Japan International Cooperation Agency
JRM	Joint Review Missions
LAM	Local Area Mechanic
LCBC	Lake Chad Basin Commission
LGA	Local Government Area
M&E	Monitoring and Evaluation
MDA	Ministries, Departments and Agencies
MHM	Menstrual Hygiene Management
MIS	Management Information System
MTEF	Medium-term Expenditure Framework
NAP	National Action Plan for the Revitalization of Nigeria's Water, Sanitation, and Hygiene Sector
NASPA-CCN	National Adaptation Strategy and Plan of Action on Climate Change for Nigeria
NAWIS	National Water Information System
NBA	Niger Basin Authority
NGF	Nigeria Governors' Forum
NGO	Non-governmental Organization
NRW	Non-Revenue Water
NTGS	National Task Group on Sanitation
NUWSRP3	Third National Urban Water Sector Reform Project
NWRI	National Water Resources Institute
O&M	Operations and Maintenance
OAGF	Office of the Accountant General of the Federation
ODF	Open Defecation Free
OPRC	Operational Procurement Review Committee
OSAG	Office of the State Accountant General
PAD	Program Appraisal Document
PAP	Program Action Plan
PDO	Program Development Objective
PEF	Program Expenditure Framework
PEWASH	Partnership for Expanded Water Supply, Sanitation, and Hygiene
PFM	Public Financial Management
PFMU	Public Financial Management Unit



PforR	Program for Results
PIAP	Performance Improvement Action Plan
PIR	Policy, Institutional and Regulatory
PIU	Program Implementation Unit
POM	Program Operations Manual
PPSD	Program Procurement Strategy for Development
PSP	Private Sector Participation
RA	Results Area
RUWASSA	Rural Water Supply and Sanitation Agency
SBCC	Social and Behavior Change Communication
SDG	Sustainable Development Goal
SDR	Special Drawing Rights
SEA	Sexual Exploitation and Abuse
SEP	Stakeholder Engagement Plan
SFTAS	Nigeria States Fiscal Transparency, Accountability and Sustainability
SIASAR	Rural Water and Sanitation Information System
SME	Small and Medium-sized Enterprise
SMP	Security Management Plan
SMWR	State Ministry of Water Resources
SoE	Statement of Expenditure
SPESSE	Nigeria Sustainable Procurement, Environmental and Social Standards Enhancement Project
SPIU	State Program Implementation Unit
SSC	State Steering Committee
STEP	Systematic Tracking of Exchanges in Procurement
STWSSA	Small Town Water Supply and Sanitation Agency
SURWASH	Sustainable Urban and Rural Water Supply, Sanitation, and Hygiene Program
SWA	State Water Authority
TA	Technical Assistance
TBO	Toilet Business Owner
tCO ₂ -eq	Tons of carbon dioxide equivalent
ToR	Terms of Reference
TSA	Treasury Single Account
UN	United Nations
UNCAC	United Nations Convention Against Corruption
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WASH	Water Supply, Sanitation, and Hygiene
WASH NORM	National Outcome Routine Mapping of WASH Services
WASHCOM	Water Supply, Sanitation, and Hygiene Committee
WASHIMS	Water Supply, Sanitation, and Hygiene Information Management System
WBG	World Bank Group
WCA	Water Consumer Association
WSS	Water Supply and Sanitation

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Nigeria Sustainable Urban and Rural Water Supply, Sanitation and Hygiene Program (P170734)

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**DATASHEET****BASIC INFORMATION**

Country(ies)	Project Name		
Nigeria	Nigeria Sustainable Urban and Rural Water Supply, Sanitation and Hygiene Program		
Project ID	Financing Instrument	Does this operation have an IPF component?	Environmental and Social Risk Classification (IPF Component)
P170734	Program-for-Results Financing	Yes	Moderate

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 type="checkbox"/> Conflict
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input 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
25-May-2021	30-Jun-2027

Bank/IFC Collaboration

No

Proposed Program Development Objective(s)

The Project Development Objectives (PDO) are to increase access to water, sanitation, and hygiene services and to strengthen sector institutions in participating states of Nigeria.

Organizations

Borrower : Federal Republic of Nigeria

Implementing Agency : Federal Ministry of Water Resources

Contact: Engr. Benson Ajisegiri



The World Bank

Nigeria Sustainable Urban and Rural Water Supply, Sanitation and Hygiene Program (P170734)

Title: Director Water Supply and PPP
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COST & FINANCING

SUMMARY

Government program Cost	2,600.00
Total Operation Cost	875.00
Total Program Cost	815.00
IPF Component	60.00
Total Financing	875.00
Financing Gap	0.00

Financing (USD Millions)

Counterpart Funding	175.00
Borrower/Recipient	175.00
International Development Association (IDA)	700.00
IDA Credit	700.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Total Amount
Nigeria	700.00	0.00	700.00
National PBA	700.00	0.00	700.00
Total	700.00	0.00	700.00

Expected Disbursements (USD Millions)

Fiscal Year	2021	2022	2023	2024	2025	2026	2027
Absolu	80.00	3.00	50.00	67.00	118.00	153.00	229.00



te							
Cumulative	80.00	83.00	133.00	200.00	318.00	471.00	700.00

INSTITUTIONAL DATA

Practice Area (Lead)

Water

Contributing Practice Areas

Education, Health, Nutrition & Population, Urban, Resilience and Land

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	● Substantial
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
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	Yes
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

The Recipient shall ensure that no State receives technical assistance under Part 4 of the Project until and unless such State has met the Eligibility Criteria.

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 (i) preparing 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 during each Assessment Period; and (ii) furnish such verification reports to the Association in such scope and in such details as the Association shall request.

Sections and Description

The Recipient shall, no later than three (3) months after the Effective Date, establish and thereafter maintain throughout the implementation of the Operation, a Federal Steering Committee at federal level ("FSC") with functions, composition and resources satisfactory to the Association.

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 referred to in paragraph 1 above, for their review and approval; 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.

Conditions

Type Effectiveness	Financing source IBRD/IDA	Description The FPIU has been duly established in accordance with Section I.A.1.3 of Schedule 2 to this Agreement.
Type Effectiveness	Financing source IBRD/IDA	Description The Operations Manual has been adopted in accordance with the provisions of Section I.C of Schedule 2 to this Agreement.
Type Effectiveness	Financing source IBRD/IDA	Description All steps to be taken under the Program Action Plan and ESCP prior to effectiveness or the commencement of the implementation of the Operation shall have been taken, to the satisfaction of the Association.
Type Disbursement	Financing source IBRD/IDA	Description Participating State has duly established a State Steering Committee in accordance with Section A.2.2.1 of Schedule 2 to this Agreement and a State Program Implementation Unit (SPIU) in accordance with Section A.2.2.1 said Schedule.
Type Disbursement	Financing source IBRD/IDA	Description Participating State has duly adopted the Operations



Type Disbursement	Financing source IBRD/IDA	Manual. Description Participating State has entered into a Subsidiary Agreement with the Recipient, in accordance with Section I.B of Schedule 2 to this Agreement.
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I. STRATEGIC CONTEXT

1. This appraisal document outlines a proposed Program in the amount of US\$700 million to support the Government of Nigeria (GoN) in the implementation of the National Action Plan for the Revitalization of Nigeria's Water Supply, Sanitation, and Hygiene (WASH) Sector (the 'National Action Plan' or NAP). As described by the NAP, Nigeria's WASH sector requires a paradigm shift to move beyond the low access rates and poor service quality that continue to plague its people. While previous projects have financed infrastructure and supported policy and institutional development, much of the sector's infrastructure are poorly utilized, its policies are seldom operationalized, and its institutions remain weak. This Program consisting of a US\$640 million Program-for-Results (PforR), with a US\$60 million Investment Project Financing (IPF) component, introduces a results-based approach with the potential to propel Nigeria's efforts to ensure that all its people have access to sustainable and safely managed WASH services. It introduces an innovative approach to sector programming that leverages incentives to simultaneously deliver infrastructure that works, policies that govern, and institutions that sustain. The technical assistance (TA) provided under the IPF component will address critical institutional development and capacity gaps within implementing agencies. The Program is fully aligned with the World Bank Group (WBG) 2021–2025 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 multi-ethnic and diverse federation of 36 autonomous states, Nigeria is Africa's largest country (over 200 million people) and largest economy (nominal gross domestic product (GDP) of around US\$450 billion in 2019). With an abundance of resources and a young and dynamic society, it 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 also among the 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. Insufficient capacity constrains the public sector, and on many human development indicators, Nigeria ranks amongst the lowest in the world. To realize its considerable potential, and to fulfill the government's ambition to lift 100 million Nigerians out of poverty by 2030, Nigeria has to make tangible progress on multiple fronts, at both the federal and sub-national levels.

3. Nigeria'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 2020, was the seventh lowest in the world—168th out of 174 countries. A baby born in Nigeria today will, if the levels, quality and coverage of human capital investments and service delivery remain unchanged, enter the labor force 18 years from now only 36



percent as productive as she would be if she were to enjoy the benefits of a complete quality education and full health. Human development outcomes are particularly low among girls and young women in Nigeria. Girls have fewer educational opportunities, more limited access to credit and productive resources, and poorer labor market outcomes even when gaps in human capital are considered.

4. Nigeria experiences a diverse climate that ranges from arid in the north to tropical in much of the country and is routinely listed in the top third of countries exposed to climate risks.¹ The country faces a high water-scarcity hazard level, with droughts expected to occur on average every five years, with potential increased frequency due to climate change.² Such water scarcity not only threatens food security, livelihoods, and productivity, but also exacerbates fragility and increases the risk of violence. Inaction (business-as-usual) could cost the country an estimated 2 to 11 percent of GDP by 2020 and between 6 and 30 percent by 2050, affecting the livelihoods of more than 90 million households.³ Nigeria has already been substantially impacted by climate risks, including more and harsher torrential rains and windstorms in the southern states in recent years than in the past 40 years; major floods in 2012, 2015, and 2016; and more heat and less rain in Nigeria's north, with portions of the northern Sahelian area receiving 25 percent less rain than 30 years ago.⁴ Better environmental and water resources management and resilience against disaster and climate risks (largely water-related) would help sustain economic growth and protect the most vulnerable.

5. 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 estimated to have contracted by over 4 percent in 2020, and consolidated government revenues 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 counter-cyclical and pro-poor fiscal measures to protect the lives and livelihoods of the nearly 90 million Nigerians in extreme poverty and millions of others in urban areas who are dependent on the informal economy. Estimates suggest that the extreme poverty rate could go up by a couple of percentage points and that the number of poor could increase by between 10 to 15 million by 2022.⁵ 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 COVID-19 infection case was identified in late February 2020, by April 30, 2021, Nigeria had recorded 165,055 cases and 2,063 deaths.

6. Nigeria faces significant challenges in responding to the COVID-19 pandemic, but the Government has responded proactively to contain the spread, mitigate adverse impacts of the crisis, and lay the groundwork for a robust recovery. 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 impact of the economic downturn by reprioritizing Federal and state government spending and protecting social expenditures. Because of Nigeria's size, population, socioeconomic, and federal administrative structure, coupled with its weak public service provision and longstanding unfinished structural reform agenda, implementation of the crisis response will be challenging.

¹ Nigeria is ranked 18 of 135 countries according to GermanWatch's Climate Risk Index ([link](#), the higher being more vulnerable) and 160 of 181 countries based on Notre Dame's Global Adaptation Initiative Index ([link](#), the lower being more vulnerable).

² Assessment of thinkhazard.org web-based tool developed by Global Facility for Disaster Reduction and Recovery (GFDRR).

³ According to the 2017 climate assessment.

⁴ Nigeria's third National Communication to the United Nations Framework Convention on Climate Change (2020)

⁵ See World Bank (June 2020), Nigeria Development Update (Spring 2020)—Nigeria in Times of COVID-19: Laying Foundations for a Strong Recovery.



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

B. Sectoral and Institutional Context

8. During infectious disease outbreaks such as the current COVID-19 pandemic, safely managed WASH services are an essential part of both protecting human health and mitigating secondary impacts on community livelihoods. One of the most cost-effective strategies for increasing pandemic preparedness, especially in resource-constrained settings, consists of investments to strengthen core public health infrastructure, including WASH services. Good and consistently applied WASH and waste management practices serve as essential barriers to waterborne diseases and to human-to-human transmission of infectious diseases in communities, homes, health care facilities, schools, and other public places. Additionally, WASH services are essential to enable schools, workplaces, and other public spaces to maintain effective hygiene protocols when they re-open, and therefore reduce the potential for further disease outbreaks such as cholera. Finally, WASH has a crucial role in mitigating impacts on employment and economic growth in the years to come. Beyond its tremendous potential for direct job creation through labor-intensive works, WASH is a critical input to employment across the economy, including up to 40 percent of jobs in the services sector.⁶ Previous stimulus packages have been estimated to result in 17,600 person-days of work in direct and indirect jobs for every US\$1 million invested in the sector.⁷

9. The GoN has recognized the importance of WASH to the COVID-19 response. As a key element of the ESP's first pillar of "Real Sector Measures," the Federal Ministry of Water Resources (FMWR) is implementing a WASH sector emergency response plan, with ongoing interventions across all States. In addition, the World Bank is supporting critical WASH interventions to complement the public health-focused Nigeria COVID-19 Preparedness and Response Project (P173980) under the Fast-Track COVID-19 Facility. Project financing supports emergency measures to ensure the provision of safe water and hygiene services in health care facilities (HCFs) and temporary isolation centers, as well as within affected communities, with an emphasis on poor and vulnerable populations.

10. Even before the pandemic, Nigeria's WASH sector was in a state of emergency: in 2019, approximately 60 million Nigerians were living without access to basic drinking water services, 80 million without access to improved sanitation facilities and 167 million without access to a basic handwashing facility.^{8,9} Strikingly, Nigeria is set to become the country with the most open defecators in the world,¹⁰ with 23 percent of Nigerians practicing open defecation. The situation is even worse regionally – 51 percent of the population in the North

⁶ UN World Water Development Report 2016.

⁷ Schwartz et al, 2009

⁸ Basic drinking water services are from an improved source, provided collection time is not more than 30 minutes roundtrip including queuing. Basic handwashing facilities are those located on premises with soap and water.

⁹ National Outcome Routine Mapping WASH Services (WASH NORM) 2019 FMWR.

¹⁰ Although India still had a greater number of open defecators, it continues making significant progress on sanitation access and use.



Central Region practices open defecation. In rural areas, 39 percent of households lack access to at least basic water supply services, while only half have access to improved sanitation and almost a third (29 percent) practice open defecation – a fraction that has marginally changed since 1990.

11. In urban areas, poor performance has plagued Nigeria's water utilities for decades, while fecal sludge is largely released untreated into the environment. While 92 percent of urban residents had access to basic drinking water services in 2019, this figure is distorted by the fact that urban water utilities largely fail to meet the needs of their already small customer base, forcing a majority of people to rely on expensive and often unsafe coping alternatives, such as private water vendors and shallow private wells.¹¹ Tragically, access to piped water on premises in urban areas has declined from 32 percent in 1990¹² to 7 percent in 2019, and the performance of Nigeria's utilities is significantly below the African average across most indicators.¹³ Although access to improved sanitation in urban areas is relatively high at 82 percent, access to safely managed sanitation services is a paltry 25 percent, as only the capital city of Abuja has a piped sewer network and wastewater treatment plant. Emptying services for on-site sanitation facilities are mostly provided by an unregulated network of private vacuum trucks and manual emptiers. Collected fecal waste is usually discarded in open drains or informal dumping sites on the outskirts of towns without treatment, causing serious environmental impact.¹⁴

12. The low rates of WASH access in rural areas and small towns are compounded by weak service delivery models and inadequate sector capacity, resulting in failed infrastructure and wasted investment. In 2015, more than 38 percent of the 90,500 improved water points and around 46 percent of the 5,100 water schemes in the country were nonfunctional.¹⁵ Strikingly, nearly 30 percent of water points and schemes appeared to fail within one year of construction. This lack of sustainability is driven by a combination of poor siting, subpar construction quality, water scarcity and seasonality exacerbated by climate change, and insufficient management and operations and maintenance (O&M). Rural sanitation programming, which has depended heavily on social mobilization and behavior change approaches such as Community Led Total Sanitation (CLTS), has shown limited results in Nigeria.¹⁶ Vital complementary approaches have not yet been implemented at scale, such as sanitation marketing and incentive mechanisms for the poor that are rooted in a deep understanding of the local context and consider the entire sanitation service chain.

13. WASH access in HCFs and schools is lagging, increasing the risk of infection for both patients and staff and hindering educational outcomes. In 2019, just 55 percent of HCFs had a basic water service; just 10 percent provided basic sanitation services; and just 20 percent had access to basic hygiene services. In rural areas 29 percent of HCFs had no sanitation service, while on average these facilities had just one toilet for patients. Meanwhile only 33 percent of schools had access to basic water services, while 39 percent had no water service. Only 26 percent had access to basic sanitation services (meaning improved facilities which are single-sex and usable), while 76 percent did not have handwashing facilities. A paltry 3 percent of schools had girls' sanitation facilities with provisions for menstrual hygiene management (MHM), while only 19 percent of schools with latrines had at least one compartment accessible to those with limited mobility.

¹¹ In 2019, only 16 of 36 states plus FCT had functional urban water utilities that produce water. (WASH NORM 2019).

¹² 2015 Update and MDG Assessment. WHO (World Health Organization), and UNICEF (United Nations Children's Fund).

¹³ World Bank, 2017. A Wake-Up Call: Nigeria Water Supply, Sanitation, and Hygiene Poverty Diagnostic.

¹⁴ World Bank, 2017. Technical Assistance to Fecal Sludge Management Services in Port Harcourt, Nigeria. World Bank, Washington, DC.

¹⁵ A water point has only one collection point, while a water scheme includes water distribution for multiple collection points.

¹⁶ Abramovsky, L. et al. 2020. Community-Led Total Sanitation: A Global Evaluation. Draft.



14. Such poor sector performance is especially concerning given that access to WASH is an important determinant of human capital outcomes, including early childhood survival, health and educational attainment – all of which in turn affect labor productivity and efficiency. Approximately 73 percent of the total burden of intestinal infections in Nigeria is associated with inadequate WASH. About 253,800 WASH-attributable deaths occurred in Nigeria in 2016, with 119,900 of those deaths occurring from diarrheal diseases.¹⁷ There is robust evidence that access to safe water supply and improved sanitation decreases the incidence of diarrhea in young children.¹⁸ Also, a large part of the chronic malnutrition burden is owing to the unhygienic environment in which children grow up, often a result of high levels of open defecation across densely populated areas. Access to WASH can impact years of schooling by freeing up time that children spend collecting water to attend school, reducing the prevalence of disease that can keep them out of school, and contributing to a safe and healthy learning environment while at school.¹⁹ Gender inequities exacerbate such impacts on human capital.

15. Women and girls suffer disproportionately from the lack of adequate WASH services. They bear the burden of water collection over long distances, which has been associated with negative effects on well-being, school attendance, and a higher risk of gender-based violence (GBV). A high prevalence of open defecation and the poor quality of sanitation facilities also compromise the convenience, safety, health, and dignity of women and girls, particularly in managing their menstrual hygiene needs. For example, the United Nations (UN) reports that one in ten girls in Sub-Saharan Africa misses school during their period – and may eventually drop out – largely due to the lack of proper sanitation and hygiene facilities.²⁰ Gender disparities are exacerbated by the relatively low participation of women and vulnerable groups in the planning, implementation, and O&M of WASH facilities.

16. Challenges within the WASH sector are compounded by climate-related risks. Four major climate-related changes are predicted to occur over the next several decades with major economic and social implications for Nigeria: (1) by 2050, the average temperature is projected to rise by 1-2 degrees Celsius, especially in the north; (2) rainfall patterns are likely to become more variable; (3) extreme weather events are likely to become more frequent; and (4) rising sea levels will threaten coastal settlements, towns, and cities. All these changes jeopardize the availability, reliability, and quality of both ground and surface waters, while the rising sea levels – and related increases in the water table – threaten the structural integrity of sanitation facilities, potentially leading to further contamination of water sources. Resilient WASH infrastructure and service provision will be critical in supporting communities to develop greater resilience both to these impacts of climate change, as well as conflicts between different land and water users which these climate factors exacerbate.

17. All three tiers of government play a role in the delivery of WASH services, constrained by a lack of clarity for sanitation and significant variation in legal and institutional frameworks across states (Figure 1). At the national level, the FMWR is responsible for policy making, oversight, and investment support for water resources management and development (surface water and groundwater), water supply, and irrigation and drainage. With respect to sanitation, both the FMWR and the Federal Ministry of Environment (FMEnv) claim responsibility. While the FMEnv is officially responsible for the overall coordination of environmental sanitation in Nigeria and

¹⁷ Prüss-Ustün et al. 2019. "Burden of disease from inadequate water, sanitation and hygiene for selected adverse health outcomes."

¹⁸ A synthetic review and meta-analysis of health impact assessments of WASH interventions show water interventions reduce diarrhea morbidity by 34 percent, sanitation interventions reduce it by 28 percent, while promotion of handwashing with soap results in a 40 percent reduction (Wolf et al. 2018. Impact of drinking water, sanitation and handwashing with soap on childhood diarrheal disease).

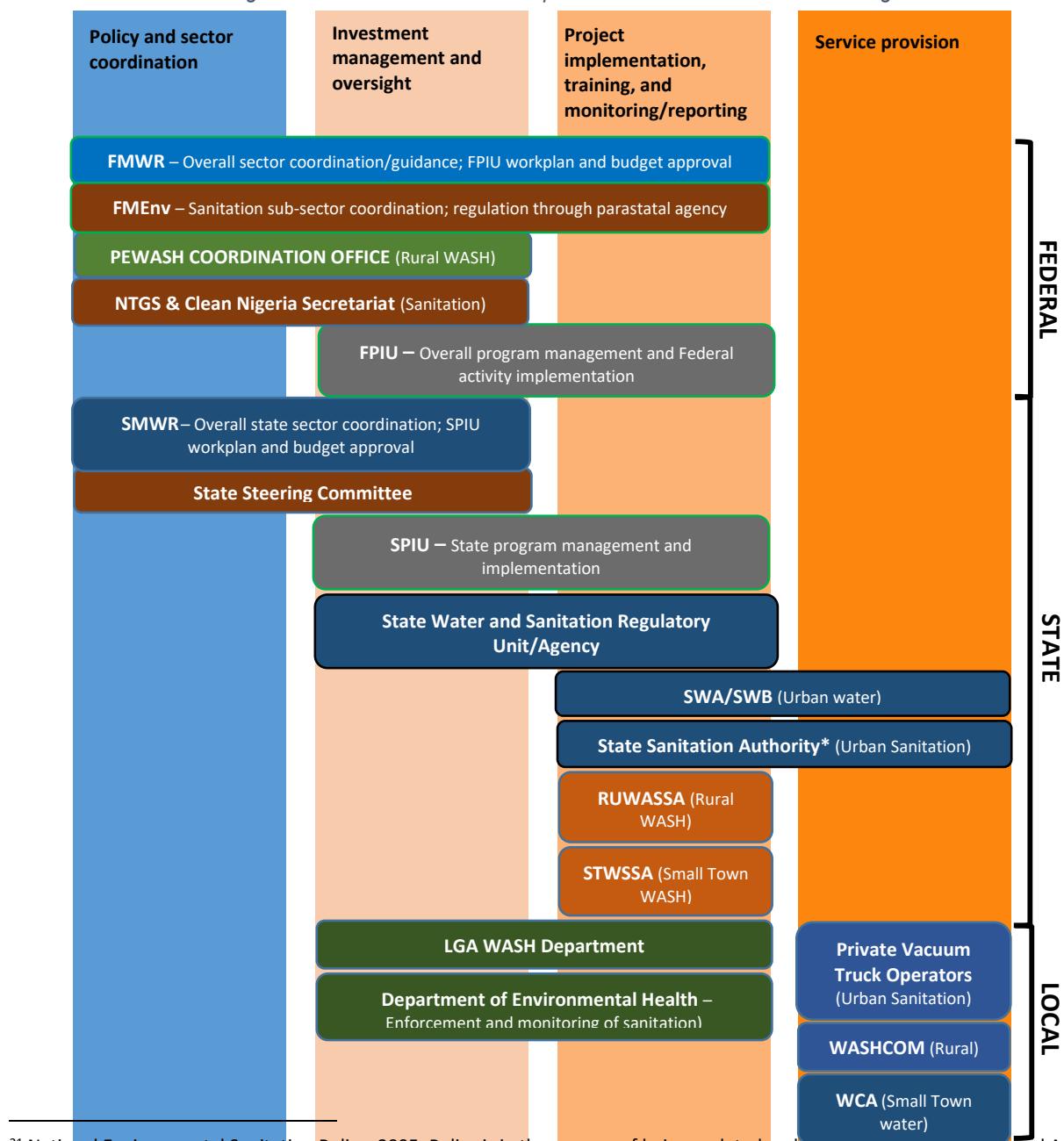
¹⁹ A meta-analysis of school-based WASH interventions found that overall these resulted in a 69 percent reduction in school absenteeism and were similarly associated with lower dropout rates (Andres et al. 2018).

²⁰ UNESCO (2014). Puberty education and MHM - good policy and practice in health education.



the provision and oversight of wastewater and fecal sludge management,²¹ President Buhari's 2019 Executive Order 009 entrusted the FMWR with leading the national campaign to end open defecation. Ultimately the responsibility for delivery of WASH services rests with state and local governments, both of which exhibit significant variation across states in legal and institutional frameworks. Under the reform agenda, state water authorities (SWAs) are gradually taking on the responsibility of sanitation service delivery. Figure 1 depicts the various responsibilities, sometimes overlapping, of the various sector institutions across the three tiers of government, which in turn can lead to inefficiencies or even inaction in some cases.

Figure 1: Institutional roles and responsibilities in the WASH sector in Nigeria



²¹ National Environmental Sanitation Policy, 2005. Policy is in the process of being updated and pending approval of National Assembly.



Notes: FMWR = Federal Ministry of Water Resources; FPIU = Federal Program Implementation Unit; FMEv = Federal Ministry of Environment; LGA = Local Government Area; NTGS = National Task Group on Sanitation; PEWASH = Partnership for Expanded Water Supply, Sanitation, and Hygiene; RUWASSA = Rural Water Supply and Sanitation Agency; SMWR = State Ministry of Water Resources; SPIU = State Program Implementation Unit; STWSSA = Small Town Water Supply and Sanitation Agency; SWA = State Water Authority; SWB = State Water Board; WASHCOM = WASH Committee; WCA = Water Consumer Association

* State sanitation authorities vary from state to state. In most states, they refer to the state ministries of environment supported by their agencies and boards. In some states, they refer to state ministries of water resources.

18. Poor intergovernmental dynamics and associated incentives, a historic lack of prioritization, and insufficient pressure by the public undermines service provision. The absence of well-functioning institutional coordination mechanisms has led to a number of challenges, including a lack of clear sector policy and strategy, overlapping and unclear institutional roles and responsibilities, poor financial sustainability, and weak institutional capacity. Moreover, sector institutions and service providers such as SWAs continue to operate under direct political interference with marginal autonomy, capacity, and performance incentives. Until recently, WASH services have not been high on the political agenda of the Federal and State Governments, resulting in a lack of follow-through in implementing envisioned reforms and, consequently, continued low coverage and poor service quality. As civil society is neither well organized nor sufficiently demanding in the WASH sector, the Government faces little pressure to improve and expand delivery.

19. Challenges in financial management (FM) across Nigeria's intergovernmental system combined with low revenues have undermined financial sustainability of the WASH sector. Low investment levels coupled with poor cost recovery and low collection rates are insufficient for O&M of existing infrastructure, let alone expansion. Between 2006 and 2010 (the latest available data), Nigeria's investment in WASH capital expenditure was on average 0.32 percent of GDP, lower than the regional average of 0.70 percent and wholly inadequate to achieve the Sustainable Development Goals (SDGs): through 2030, State Governments and the Federal Government of Nigeria (FGN) would have to invest an estimated 1.30 percent of GDP annually on capital expenditure alone.²² In order to attract and leverage private sector financing to help bridge these investment gaps, the country will need to establish the necessary enabling laws and regulations and foster creditworthy service providers by incentivizing improvements in performance.

20. Systems for monitoring and regulatory oversight of the WASH sector are inadequate and limited by weak capacity. Regulatory functions at the state level are assigned to various institutions, including state regulatory commissions. However, these functions are often not implemented and are particularly hamstrung by a lack of monitoring and evaluation (M&E) systems. Consequently, the World Bank has supported benchmarking assessments of urban water utilities in recent years. While the FMWR officially maintains a centralized M&E system – the National Water Information System (NAWIS) – it has not yet been operationalized. Beginning in 2011, the FMWR, in partnership with United Nations Children's Fund (UNICEF), has sought to address this problem for rural WASH through the deployment of a national information management system (WASH Information Management System, or WASHIMS), although it has been largely confined to UNICEF-supported states for project management purposes. More recently (2018), an annual nationwide household- and facility-based survey, known as the WASH National Outcome Routine Mapping (NORM), was launched by FMWR and the National Bureau of Statistics, with support from the World Bank, UNICEF, and the African Development Bank (AfDB).

21. Meanwhile, women are underrepresented in water jobs, especially in engineering and managerial positions. Such lack of gender diversity is associated with such negative outcomes as weaker financial

²² FMWR, 2018. National Action Plan for the Revitalization of Nigeria's WASH Sector.



performance, less innovation, lower customer satisfaction, and poorer governance. In Sub-Saharan Africa, women represent fewer than one in five employees in water supply and sanitation (WSS) utilities. The average share of female engineers in a utility is 11 percent and the share of female managers is 13 percent (compared to global averages of 20 and 22 percent, respectively).²³ Among utilities in participating states, an average of 17 percent of employees in water corporations are women and less than 1 percent are women engineers.^{24,25} Occupational segregation and low levels of female graduates in technical fields prevent women from entering the sector, while a lack of access to technical and managerial training opportunities, as well as unfavorable work environments and human resources policies,²⁶ contribute to a lower share of women in technical and decision-making positions. Closing the gender gap in key economic sectors in Nigeria could result in economic gains from US\$9.3 billion (2.3 percent of GDP) up to US\$22.9 billion (5.8 percent of GDP).²⁷

22. In recent years, the FGN has strengthened its commitment towards improving access to WASH services, spurred on by the alarming degree to which Nigeria's WASH sector is underdeveloped compared with its regional counterparts. This led the President to declare a State of Emergency in 2018 and launch the NAP aimed at ensuring universal access to sustainable and safely managed WASH services by 2030, commensurate with the SDGs. The NAP is a 13-year strategy prioritizing actions within three phases: Emergency Plan, Recovery Plan, and Revitalization Strategy. It builds upon the Partnership for Expanded Water Supply, Sanitation and Hygiene (PEWASH) strategy that sought to better harmonize and expand efforts to improve rural WASH services. In 2019, FMWR launched the complementary Clean Nigeria: Use the Toilet campaign to achieve an open defecation-free (ODF) Nigeria by 2025. In launching the NAP, the president emphasized the important roles of both state governments and sector stakeholders in achieving the SDG targets and announced that Federal support to the states would be conditioned on their commitment to implement the NAP and end open defecation.

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

Relationship to CPF

23. The proposed Program is well aligned with the new Nigeria CPF (FY21–FY25).²⁸ The CPF, which was presented to the WBG's Board of Executive Directors on December 14, 2020, identified four clusters under which the WBG would provide support to the GoN: (1) strengthening the foundations of the public sector; (2) investing in human capital; (3) promoting jobs and economic transformation; and (4) enhancing resilience. The CPF 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. The FY21–FY25 CPF follows the

²³ World Bank. 2019. Women in Water Utilities: Breaking Barriers. World Bank, Washington, DC. © World Bank.

<https://openknowledge.worldbank.org/handle/10986/32319> License: CC BY 3.0 IGO

²⁴ Based on last available data in <https://database.ib-net.org/>. Share of female employees varies by state, from highest in Imo State Water Corporation (37 percent), to Plateau State Water Board (28 percent), Ekiti State Water Corporation (18 percent), Kaduna State Water Board (14 percent), Delta State Urban Water Board (13 percent), Gombe State Water Board (5 percent) and Katsina State Water Board (2 percent).

²⁵ Efforts will be taken to obtain the latest data on gender diversity, share of female managers in the participating states, training needs and availability, inclusive policies and work environment, etc. by conducting human resources Gender Surveys through Equal Aqua platform.

²⁶ For example, human resources policies and practices do not adequately consider inclusion and gender diversity aspects or address gender-specific barriers to employment and career progression. Unfavorable working environments include, among others, the lack of facilities and amenities in the workplace that are critical for women (for example, separate toilet for women that are private, secure, and include MHM amenities).

²⁷ World Bank. Nigeria Gender Diagnostic (forthcoming).

²⁸ Report No. 153873-NG



FY14–FY19 Country Partnership Strategy (CPS), 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. The Government is currently updating the ERGP for the second term of the Buhari Presidency; it is expected that the current economic policies will be largely maintained, perhaps with a stronger focus on poverty reduction. 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 priorities and aims outlined in the ERGP and the new ESP are reflected in the new CPF and are highly relevant in the context of the crisis and beyond.

24. The proposed Program will address all four pillars of the CPF. In particular, the Program is identified as the principal large-scale financing and support towards core objective 4 “Increase Access to Basic Water and Sanitation Services,” housed under the “Investing in Human Capital” pillar. Improved access to WASH services would significantly reduce critical human capital deficits by: (i) improving health and nutrition outcomes through reduced prevalence of water- and excreta-related diseases; (ii) improving educational outcomes through reduced absenteeism and drop-out rates; and (iii) reducing the risk of health care-associated infections. The Program will also contribute to the other three pillars of the CPF. The transparent planning and utilization of public resources through increased accountability in service delivery can help break the vicious cycle of low trust in the public sector and help fundamentally in “Strengthening the Foundations of the Public Sector” – the first pillar. Simultaneously, the Program will boost employment and economic opportunity directly through labor-intensive interventions and indirectly as a fundamental input for job creation, therefore “Promoting Jobs and Economic Transformation and Diversification.” Finally, ensuring a reliable source of water supply for Nigerians and the incorporation of resilient design to address the risks posed to WASH services by climate-induced drought and flood, as applicable in target regions, will curtail a major source of conflict and build resilience to the threats of climate change (“Enhancing Resilience”) while addressing key elements of the National Adaptation Strategy and Plan of Action on Climate Change for Nigeria (NASPA-CCN; 2011) and the country’s Nationally Determined Contributions (NDCs) towards climate adaptation.

25. As part of the CPF, the Program is also contributing to the country’s COVID response under thematic pillars 2, 3, and 4 of the WBG’s COVID-19 Response Framework Approach Paper (as described in Annex 12). It supports Pillar 2, “Protecting Poor and Vulnerable People”, through the provision of WASH services within poor and vulnerable communities, schools, and health facilities during the first year of the Program. Pillar 3, “Ensuring Sustainable Business Growth and Job Creation,” is supported through the construction of WASH facilities during the initial two years of the Program, which contributes to job creation directly through labor-intensive works and indirectly through the provision of water supply services – a critical input to employment across the economy. Finally, the Program supports Pillar 4, “Strengthening Policies, Institutions and Investments for Rebuilding Better,” through its focus on improving sustainable service delivery through infrastructure investments and improved sector policies, institutions, regulations, and general performance, which supports safe and sustainable WASH service delivery.

26. There is a clear and pressing need for a strategic program to transform Nigeria’s WASH sector that addresses service accessibility, sustainability, and resiliency. The Program will maintain the momentum of sector reforms initiated through the World Bank’s support of the NAP, stemming from the evidence presented in the Nigeria WASH Poverty Diagnostic (P158634). Within the urban water supply sector, it builds upon the World Bank’s series of lending operations culminating with the Third National Urban Water Sector Reform Project



(NUWSRP3; P123513) that closed on March 30, 2021. In addition, the Program will improve the sustainability of recent rural WASH investments made under the Community and Social Development Project (P090644), the Multi-Sectoral Crisis Recovery Project for Northeastern Nigeria (P157891), and the recently approved Nigeria COVID-19 Action Recovery and Economic Stimulus Program (CARES; P174114, PforR) by strengthening the responsible sector institutions. Sustaining the gains in access achieved under these projects require additional reform and capacity building efforts within relevant federal, state and local institutions to support O&M activities. Coordination with the World Bank's Education; Health, Nutrition and Population; and Social Protection and Jobs Global Practices (GPs) will leverage synergies, particularly where targeting the same geographic areas and leveraging community-based platforms for service delivery. Furthermore, the Program will coordinate with the Sustainable Procurement, Environmental and Social Standards Enhancement Project (SPESSE; P169405) in the development of relevant procurement, environmental, and social capacities.

27. The Program exhibits a scalable approach that facilitates engagement in an increasing number of states as: (1) additional states demonstrate commitment, integrity, and capacity for implementation; and (2) more resources become available. While the Program is open to all states and the Federal Capital Territory (FCT), they must express interest and meet predefined eligibility and readiness criteria to access PforR financing. A transparent evaluation process following these criteria was conducted by the FMWR and resulted in the selection of seven states for inclusion in the Program (participating states): Delta, Ekiti, Gombe, Imo, Kaduna, Katsina and Plateau. Additional states that meet the Program's eligibility criteria can access TA under the IPF component to support them to achieve readiness for investment, becoming assisted states.²⁹ The FPIU will conduct annual evaluations of the readiness of the assisted states, based upon which the FMWR may submit a request to the World Bank to conduct the necessary assessments for potential incorporation into the PforR as participating states. Financing allocations to participating states under both the PforR and IPF instruments are notional and actual allocations will be made based upon performance, therefore promoting competition among existing participating states and allowing assisted states to enter the Program. This results-based approach to financing will therefore incentivize states to rapidly expand access to sustainable services, fostering nationwide momentum towards the achievement of the SDGs.

Rationale for Use of Program for Results (PforR) Instrument

28. This Program is a transformational step towards achieving Nigeria's goal to ensure all Nigerians have access to sustainable and safely managed WASH services as enshrined in the NAP. Given the tremendous challenge, the World Bank plans a long-term engagement in the sector involving multiple lending operations and leveraging other activities in the country portfolio and by developing partners to strengthen sector reforms and deliver on the human capital agenda. The Program breaks with prior infrastructure-centric projects by introducing a results-based approach that simultaneously incentivizes the establishment and operationalization of key policies, regulations, and institutional reforms required for improved sector performance alongside necessary infrastructure construction and rehabilitation. This shift in approach and the strengthened policies and institutions that emerge will serve as an accelerator for both the government program and other current and forthcoming World Bank- and development partner-supported engagements. Together with the development of a National WASH Fund and structures incentivized in the Program, improving the operational efficiency and cost recovery of service providers can reduce the fiscal burden on the state, free up public resources for program

²⁹ Nine additional states and FCT have already met eligibility criteria to access TA as assisted states under the IPF: Abia, Anambra, Bauchi, Edo, Jigawa, Kwara, Niger, Oyo, Taraba, and FCT.



expansion, and attract private investment in the sector, creating a virtuous cycle towards achievement of the WASH SDGs.

29. The PforR is the most appropriate instrument for supporting and upscaling Nigeria's WASH program. This instrument will enhance the impact of the World Bank's financial and technical support by focusing on results and strengthening national programs and structures. In doing so, it will contribute to:

- **Program ownership.** The FGN has demonstrated high-level commitment to the WASH sector agenda in the past couple of years through the launches of the NAP and the Clean Nigeria Campaign at the Presidential level and the FMWR's continued development of the PEWASH program. Participating states have also demonstrated this commitment through the achievement of key eligibility and readiness criteria as presented in Annex 9. The PforR instrument will reinforce such ownership by leveraging national programs and structures.
- **Improvements in implementation of government programs.** The PforR provides an opportunity to support and strengthen the implementation of government programs, improve the sector's institutional framework, and build stakeholder capacity for the management of WASH services. Although the Program will support specific interventions, the World Bank's contribution would foster improvements in terms of effectiveness and efficiency in the overall WASH sector over the duration of the NAP (through 2030).
- **Improvements in national systems and procedures.** The PforR instrument builds upon the country's existing fiduciary (FM and procurement) and Environmental and Social Management Systems (ESMS). Through the Program Action Plan (PAP) and the Program's TA component, the Program will strengthen fiduciary systems related to audits, budgeting and planning, and compliance with procurement guidelines. As environmental and social (E&S) systems require considerable improvement for implementation, the PAP and disbursement-linked indicators (DLIs) include actions to strengthen the ESMS, which will then be supplemented through partnership with the SPESSE project to build the E&S management capacity of the FMWR and state-level implementing agencies.
- **Implementation of key sector policy and institutional reform.** The PforR instrument allows the Program to go further than previous IPF projects in delivering key policy and institutional reforms required to improve sector performance. DLIs are designed to disburse when policies and reforms are established and operational, providing an important incentive for the sector to follow through on its priorities.
- **Results orientation.** As the focus of previous World Bank-supported projects in the sector (including the three successive urban water IPFs, culminating with the NUWSRP3 Project) has been on infrastructure rather than the service delivery institutions, their ability to address the sector's poor performance and promote efficient and sustainable service provision was limited. Drawing from this experience, the PforR instrument will establish clear links between IDA disbursements and the delivery of results, as demonstrated by the inclusion of DLIs. In doing so, the instrument will facilitate a cultural shift in incentivizing service delivery to citizens and foster greater accountability between policy makers, service providers and citizens.
- **Flexibility and innovation in sector approaches.** The PforR instrument permits flexibility in the Program design to improve sector policy, institutional and regulatory (PIR) governance. State-specific PIR plans will be leveraged that serve as reform roadmaps tailored to local needs and context. Furthermore, although the Program does incentivize the achievement of specific results, such as improvements in access and functionality, it does not mandate specific technologies or approaches and affords states the flexibility to allocate more resources to those subsectors with the greatest need. The Program therefore aspires to be a platform for innovation and evidence-based approaches that can be individually tailored to the differing contexts found across the country.



30. The World Bank has prepared similar PforR interventions targeting state-level (or subnational) reforms in various sectors in Nigeria and in other countries. Notable examples within Nigeria include the Nigeria States Fiscal Transparency, Accountability and Sustainability PforR (SFTAS; P162009) and the aforementioned CARES PforRs. In the Republic of India, the Swachh Bharat Mission Operation (P153251) supports the Government in accelerating and sustaining WASH behavioral change in rural households and villages, directly benefitting more than 60 percent of India's rural population (more than 550 million people) towards ending open defecation. The Sustainable Rural Sanitation Services Program (P154112) in Egypt is designed to shift from a top-down approach to a decentralized service delivery modality by strengthening institutions and policies for increasing access to and improving rural sanitation services in selected governorates. The Vietnam Results-Based Scaling Up Rural Sanitation and Water Supply Program (P152693), which follows the successful Results-Based Rural Water Supply and Sanitation Under the National Target Program (P127435), supports 21 provinces in improving hygiene behavior and increasing and sustaining access to sanitation and water supply in rural areas within participating provinces. Lastly, the Albania National Water Supply and Sanitation Sector Modernization Program (P170891) seeks to strengthen incentives and capacities at central and local levels to increase access to sustainable WSS services and improve operational and financial performance of utilities. Similar to this proposed PforR, all six operations have a multi-state focus on results and were prepared through extensive consultations with key stakeholders and Program beneficiaries.

31. Rationale for use of a separately disbursing IPF component for Technical and Program Management Support. A key lesson from global and national PforR experience is that the results-based approach is more effective and implementation more efficient when complemented by substantial TA to support client governments in addressing weaknesses identified through the technical, environmental, social, and fiduciary assessments that may otherwise threaten its success. The component will, therefore, fund a set of TA and capacity-building activities that address the specific constraints of participating states and the FMWR, particularly the Program Implementation Units (PIUs). In addition, the component will support TA to any additional states – known as assisted states – to become investment ready upon achieving the Program's eligibility criteria, therefore preparing a pipeline for future financing.

II. PROGRAM DESCRIPTION

A. Government Program

32. The Program supports the implementation of the National Action Plan for the Revitalization of Nigeria's Water, Sanitation, and Hygiene Sector, or NAP, launched in 2018. As described above, the NAP serves as the Government's overall strategy and vehicle for investment and sector reform to attain the SDGs for WASH. As the responsibility for WASH service provision rests with state governments, participating states are required to develop their own five-year state action plans that better detail the state-level actions to be implemented, which are then translated into state-level annual investment plans. Thus far, 26 states across all six geopolitical zones have declared a state of emergency in the sector and are now engaged in the planning phase.

33. The NAP provides a strategy to ensure that all Nigerians have access to sustainable and safely managed WASH services by 2030, in line with the SDGs for Water (Goal 6.1) and Sanitation (Goal 6.2). Jointly developed by the FMWR and the States, the NAP establishes concrete actions for both levels of government to follow. It seeks to strengthen and expand Nigeria's WASH services, while simultaneously improving the effective



management and sustainability. It comprises five components that must be addressed in parallel: (1) governance; (2) sustainability; (3) sanitation; (4) funding and financing; and (5) M&E.

34. In recent years, the FMWR has sought to explicitly accelerate results in often-neglected subsectors through two additional programs, housed under the NAP: (1) the PEWASH program; and (2) the Clean Nigeria: Use the Toilet campaign. PEWASH is a program that specifically supports access to WASH services in rural communities. Meanwhile, the Clean Nigeria campaign strives to achieve an ODF Nigeria by 2025.

35. The PEWASH program, launched in 2016, is a national multi-sector partnership that seeks to improve public health and eradicate poverty through achieving equitable and sustainable access to WASH services in Nigeria's rural communities by 2030. The program builds upon the National Rural WSS Programme, which ended in 2015, and seeks to ensure effective coordination of all rural WASH projects and programs, cost-sharing between Federal and State Governments, technical support, and capacity building backed by an M&E framework. At this point, 34 states have signed the PEWASH protocol for inclusion in the program. It has thus far been implemented in Kano and Ogun states, with 18 additional states to be included in Phase 2 after achieving readiness criteria.³⁰

36. The Clean Nigeria: Use the Toilet Campaign has the ambitious goal of enticing behavior change to get 47 million Nigerians to use the toilet and end open defecation by 2025. The campaign objectives are as follows: (i) develop and implement a national sanitation campaign agenda to end open defecation; (ii) prioritize sanitation and hygiene in national development plans and mobilize support and resources accordingly to ensure sanitation budget lines are consistently increased annually; (iii) create a pool of resource persons to support local actors in all communities to implement sanitation promotion; (iv) instill a new culture of safe and sustainable sanitation through behavioral change communication and advocacy; and (v) establish mechanisms to track progress, document lessons learned and share knowledge to support program improvements. Executive Order 009 entitled, '*The Open Defecation-Free Nigeria by 2025 and Other Related Matters Order*', authorized the established Secretariat to implement the Order on behalf of the President. Twelve states have thus far developed their ODF roadmaps and established steering committees to coordinate their state-level campaigns.

37. Role of partners: Several development partners have been supporting the WASH sector in recent years, including especially UNICEF, WaterAid, United States Agency for International Development (USAID), the European Union (EU), Foreign, Commonwealth and Development Office (FCDO), AfDB, French Development Agency (*Agence Française de Développement*, AFD), and Japan International Cooperation Agency (JICA). The task team continues to coordinate with all development partners to harness synergies and ensure a harmonized approach to the sector. In particular, the team is working alongside USAID's Effective Water and Sanitation Hygiene Services Project (E-WASH) in Delta and Imo states to leverage their ongoing TA to the urban WASH sector, ensuring complementarity in implementing service improvement plans and financing key elements of the recently developed investment plans. In Delta, Ekiti, Kaduna, Katsina, and Plateau states, the Program will build upon UNICEF's ongoing efforts to strengthen local- and state-level sector institutions. The team is also working alongside UNICEF to support and scale up national programs and structures, including the FMWR's PEWASH strategy and the Clean Nigeria campaign.

38. Program boundaries: The World Bank-supported Program will support the implementation of a subset of activities set out in the NAP within participating states over a six-year period. Although seven participating states

³⁰ Readiness criteria include having a baseline survey and investment plan for the sector, a PEWASH unit with critical staff, and a budget line for the Program.



have initially been selected by the FMWR through a transparent evaluation process, the Program design allows assisted states to join later in the Program in accordance with the procedure outlined above in paragraph 27. The Program will support the construction and rehabilitation of WASH infrastructure in urban and rural areas and small towns, as well as various activities to support the development and use of WASH services. In addition, it will specifically incentivize key policy and institutional reform at the state level, as well as the design and endorsement of the National WASH Fund housed within the FMWR.

39. While the Program does not target all reforms elaborated within the NAP, it will support the full and sustained implementation of select state-level reforms within each component of the NAP (see Table 1). Considered critical and impactful to the achievement of the PDO, included reforms form the basis of the eligibility and readiness criteria and DLIs, and are designed to address gaps identified through the technical assessment.

Table 1. Components of National Action Plan supported by SURWASH PforR

National Action Plan Components	Relevant SURWASH Results Areas (RA) and DLIs	Select State and Federal Reforms Incentivized through SURWASH
Governance	RA 1	<u>State:</u> Establish and build capacity of state- and local-level WASH institutions, including regulatory functions, autonomous urban utilities, and LGA WASH Departments; Board of Directors, professional management team, and performance contracts within urban utilities <u>Federal:</u> Reinforce FMWR's role for policy guidance and sector coordination through Program activities and National WASH Fund
Sustainability	RA 1 and RA 2	<u>State:</u> Develop and enforce infrastructure quality standards; provision of technical support to WASHCOMs/WCAs; water quality monitoring, improve O&M; Risk, Resilience and Emergency Response Plans
Sanitation	RA 1 and RA 2	<u>State:</u> Support Clean Nigeria campaign; establish urban sanitation authority; consolidate institutional and regulatory reforms; strengthen capacity; performance contracts between public authority and private operators; citywide inclusive sanitation (CWIS); scale up behavior change and education campaigns
Funding and Financing	RA 1 and RA 2	<u>State:</u> Cost recovery, tariff, and subsidy policies; tariff studies; improve service provider FM and creditworthiness; improve billing and collections; sufficient budget allocation and release <u>Federal:</u> National WASH Fund
M&E	RA 1	<u>Federal and State:</u> Establish and operationalize national WASH MIS system <u>State:</u> Annual reporting by local and state WASH institutions

B. Program Development Objective(s) (PDO) and PDO Level Results Indicators

40. PDOs are to increase access to water, sanitation, and hygiene services and to strengthen sector institutions in participating states of Nigeria.

41. The Program will increase access to basic water supply services through the construction and rehabilitation of water supply infrastructure. Household-level improved sanitation and hygiene services will be provided through support of the Clean Nigeria: Use the Toilet Campaign. Improved WASH services will be constructed and rehabilitated within institutions (schools and HCFs) and public spaces (markets, motor parks).



42. Relevant state and LGA-level sector institutions will be strengthened within participating states. These include the following institutions, or equivalent: (1) the Rural Water Supply and Sanitation Agency (RUWASSA) for rural WASH; (2) the Small Town Water Supply and Sanitation Agency (STWSSA) for small town WASH; (3) the SWA for urban water supply; (4) the state urban sanitation authority; (5) the state WASH regulatory function; and (6) LGA WASH Departments. Additionally, the FMWR will be strengthened at the federal level. The Program seeks to ensure that the roles and responsibilities for service provision, TA, M&E, and regulation are clearly established, and that these institutions improve their capacity to better execute their responsibilities.

43. The Program will support states that have been selected through a clear and transparent evaluation process. While it will initially support seven states, additional states may be added in subsequent years through the evaluation and selection process described above. Additional states that meet the Program's eligibility criteria can access TA under the IPF component – becoming assisted states – to support them to achieve readiness for investment under the PforR.

44. Five PDO-level results indicators will be used to monitor progress towards PDO achievement:

- a. States achieving PIR plan targets (number)³¹
- b. People provided with basic drinking water service under the Program (disaggregated by female, rural, urban and small towns) number
 - i. Performance improvement of state water supply implementing agencies (Yes/No)
- c. People provided with access to improved sanitation services (disaggregated by female, rural and urban³²) (number)
- d. Schools and HCFs with improved water supply, sanitation and handwashing facilities constructed or rehabilitated (disaggregated by rural, urban and small towns) (number)
- e. Communities having achieved and/or maintained community-wide sanitation status (declared and verified as ODF+³³) (disaggregated by rural, urban and small towns) (number)

45. The full Results Framework, including intermediate results indicators, are provided in Annex 1.

46. The estimated numbers of beneficiaries under the Program are:

- a. 6,100,000 people provided with basic drinking water services
- b. 1,400,000 people provided with access to improved sanitation services
- c. 500 ODF+ verified communities
- d. 2,000 schools and HCFs with improved WASH services.

C. PforR Program Scope

47. This proposed six-year US\$700.0 million equivalent lending operation will be implemented by participating states and the FMWR to deliver an integrated package of WASH interventions in select urban and rural areas

³¹ Participating states will be assessed against the achievement of their PIR plan through the APA, including critical reforms as described in Table 3. Achieved critical reforms must then be sustained during each subsequent Program year and will continue to be tracked through the APA.

³² As this indicator is a corporate indicator and could not be edited, small towns are included in urban.

³³ Open defecation free (ODF+) status is defined as a community where at least 25 percent of households are using an improved sanitation facility in Year 1 with a 5 percent increase in share of households using an improved sanitation facility each program year, up to 50 percent in Year 6. Households without improved sanitation are either using an unimproved facility for defecation or sharing a facility. No households are practicing open defecation. Shared sanitation facilities are improved sanitation facilities used by two or more households that are properly maintained.



and small towns of Nigeria. The Program will pursue an LGA-wide approach, whereby all communities will be targeted within each Program LGA. LGAs will be prioritized by states through a transparent selection process using established criteria (see Annex 9).

48. While the Program was open to all states during preparation, inclusion was contingent upon: (1) their expression of interest; (2) achievement of the Program's eligibility criteria; (3) achievement of the Program's readiness criteria; and (4) satisfactory technical, fiduciary and E&S assessments by the World Bank. Seven states were initially selected for inclusion in the Program based upon their expression of interest and the results of an evaluation against eligibility and readiness criteria conducted by the FMWR. Additional interested states may access TA under the IPF component upon meeting the Program's eligibility criteria. These assisted states may then be considered for inclusion in the Program upon achieving the relevant criteria. Assisted states may be incorporated through Program restructuring.

49. Criteria. The eligibility criteria include a set of actions that signal a state's commitment to reform the WASH sector and its willingness to actively participate in the Program, including through endorsement of foundational policies and protocols, acceptance of the Program framework, and, importantly, a commitment to allocate necessary funding to the sector. Meanwhile, the readiness criteria require states to take initial, yet meaningful, steps in the reform process – with support through the IPF component – to develop the enabling environment prerequisite to Program participation. These criteria include, amongst others, establishment of state PIU (SPIU) with adequate capacity, approved investment plans, sector baseline data, sustainable sector funding strategies, and annual sectoral budget allocations and their proven disbursement (see Annex 9 for the full list of criteria).

50. Lessons learned and political economy considerations. Lessons learned from previous and on-going World Bank-financed water projects in Nigeria and internationally are reflected in the Program design, in particular the following (with additional detailed lessons learned found in Annex 3):

- a. Adequate project preparation and implementation readiness to be achieved prior to effectiveness. Without sufficiently advanced technical preparation and E&S management and fiduciary capacities, implementation in prior projects has usually lagged through the first half of the implementation period. The Program, therefore, seeks to ensure readiness of participating states both by ensuring a minimum level of capacity through the eligibility and readiness criteria and by providing robust TA. All seven states have developed master plans, policies and institutional frameworks through the support of the NUWSRP3 Project or by other development partners (e.g., AfDB, AFD, EU/FCDO/UNICEF, and USAID), resulting in pre-identified activities and investment-ready projects. Meanwhile, TA will support states in building the pipeline for future investment. In addition, the team has conducted an analysis to ensure that participating states can maintain a positive cashflow through a combination of their own budgetary allocations, DLIs disbursement, and advances to conduct Program activities.
- b. Institutional and governance reform are key to sustainable service delivery. Major interventions in the sector, which have largely focused on addressing technical issues and physical infrastructure, have achieved limited progress due to institutional and governance bottlenecks. Given the primary responsibility of states in service delivery and of the Federal Government in policy making, financing, and capacity building, adequate incentives need to be embedded in the sector's intergovernmental structures. The Program adopts lessons learned from other federal countries, including: (1) development of intergovernmental coordination mechanisms; (2) establishment of M&E systems that create performance incentives as results become more visible and that strengthen accountability to citizenry; (3) operationalization of regulatory functions; and (4) support for the national government's role in providing TA support, particularly to subnational institutions, combined with strong political will to yield substantial



- results. The Program's transparent rules and incentives for performance have also proven to be an effective approach in collectively achieving results across different levels of government and institutions.
- c. High-level buy-in at the state level is essential to success. The critical role of state governors as the main beneficiary and driver of reform had not been adequately considered in previous projects, resulting in delays in effectiveness, political interference, and slow implementation progress. The Program is therefore consulting early and often with governors, including through the Nigeria Governors' Forum (NGF), to avoid misunderstanding, build trust, and garner their support.
 - d. Just-in-time support to federal and state sector institutions is critical. Lessons learned from other PforRs emphasize the importance of TA. Successful outcomes can be realized in low-capacity governance systems with well-defined and targeted support to subnational sector institutions and service providers. TA support will therefore be aligned with Program implementation and will include in-country sector coordination platforms that enable knowledge sharing, evidence-based decision making, and consensus building among Government, donors and other stakeholders. In addition, the TA will explore effective service delivery models, as well as regulatory structures at the state level.
 - e. PforRs can spur increased Private Sector Participation (PSP). Promotion of an adequate enabling environment; clear, time-bound targets and investment plans; and a focus on financial and operational sustainability can attract PSP in the sector. The Program recognizes the difficulty in attracting PSP given the current state of the WASH sector, but targets key reform and performance improvements of utilities to put them on the path toward creditworthiness, therefore making the sector more attractive for future investment. At the same time, the Program will leverage the private sector where currently feasible and appropriate, such as for sanitation marketing activities.
 - f. E&S screening and assessment measures should be linked to disbursements with proper capacity building measures to ensure full implementation. Experience with prior Nigeria PforRs, including Better Education Service Delivery for All (BESDA, P160430) Program and the Kaduna State Economic Transformation Program (P161998), has shown that merely embedding E&S screening and assessment mechanism in the PAP, even when tied to the Financing Agreement and supported by capacity building measures, are essential but not sufficient to ensure full implementation. A better approach is to additionally tie this mechanism directly to disbursement: the more recent CARES Program includes the mechanism in the verification protocol of infrastructure DLIs. This Program builds upon this progression, including the screening and assessment mechanism as a required reform that must be achieved under the PIR plan of DLI 2, in addition to the PAP, capacity building measures, and infrastructure DLI verification protocol.
 - g. DLI achievement measurement should be simple and ensure that targets are within the control of the implementing agency. In prior Nigeria PforRs such as BESDA and Saving One Million Lives (SOML, P146583), DLIs were disbursed against improvements in state-level indicators, measured by large nationally representative surveys. This proved problematic, as such large sample surveys are difficult to implement soundly. In addition, some indicators were found to be adversely influenced by factors outside of the implementing agency's control, irrespective of the resources employed. Therefore, this Program disburses against sample-based verification of the actual achievements claimed by the implementing agency (e.g., verification of a sample of household improved sanitation facilities constructed), as opposed to improvements from baseline indicators.

Performance-Based Financing Component Program Activities (PforR) (US\$640 million equivalent IDA)

51. **The PforR Program's two RAs are:** RA 1. Strengthened Sector Policies and Institutions for Improved Services; and RA 2. Improved Access to Water Supply, Sanitation and Hygiene Services (see Annex 3 for detailed descriptions of the RAs).

***RA 1: Strengthened Sector Policies and Institutions for Improved Services (US\$40 million IDA)***

52. This RA will support activities designed to enact necessary policy reforms and enhance the capacity of institutions required to rebuild better for effective and sustainable service delivery, including the FMWR, state and local governments, service providers, TA providers, and community-based organizations. The Program will aim to increase women's representation, voice and agency by promoting gender equality within service providers and LGA-level WASH Departments and community-level WASHCOMs and WCAs. For instance, human resources gender surveys will be carried out in the participating utilities to obtain the latest data on female employment, including in technical and managerial positions. The survey findings will help to further finetune and implement specific actions to promote gender diversity in the workplace, including strengthening human resources policies, recruitment of female students from universities and technical programs through a young professionals program, promoting access to technical and managerial training opportunities for women, and providing amenities in the workplace that are critical for women.

53. Design of National WASH Fund to Enable its Establishment (US\$5 million IDA). Support to the FMWR under this RA specifically incentivizes the design of the National WASH Fund, which the NAP identifies as the key intergovernmental mechanism "to promote a renewed Federal-State partnership towards the credible pursuit of the SDGs." The Fund seeks to improve efficiency and transparency in public spending and service delivery through the inclusion of performance incentives and needs-based prioritization mechanisms. It would reinforce the complementary responsibilities of sector coordination and guidance by the FMWR and service delivery by state institutions, while serving as a platform for additional investment in the sector by the GoN, the private sector, and development partners. As such, the Fund would facilitate acceleration in the delivery of sustainable and climate-resilient WASH investments in participating states that are equitable, effective, efficient, and economical in the use of investment, energy, and water resources. This RA incentivizes the FGN to take the critical steps of designing the Fund and laying the groundwork towards its establishment.³⁴ Although other Program activities are not dependent upon the Fund's establishment, the Fund is a critical platform to complement the Program's results and reinforce its long-term results-based approach.

54. State Policies and Institutions Strengthening (US\$35 million IDA). Support to state- and local-level sector policies and institutions will be accomplished through a set of incentives designed to strengthen the PIR enabling environment. This will ultimately result in improved sustainability and efficiency of and increased access to WASH services, therefore protecting poor and vulnerable people, improving livelihoods and job creation, and building resilience to climate risks to rebuild better. To account for the heterogeneity in institutional arrangements at state level, each state will be supported in developing and adopting their own PIR plan outlining a series of annual targets towards the establishment and effective operationalization of state- and local-level sector policies and institutions, as well as an appropriate E&S screening and assessment mechanism. State progress in implementing their PIR plans will be assessed on an annual basis. See section II.E. for additional detail on the PIR plans.

RA 2: Improved Access to Water Supply, Sanitation and Hygiene Services (US\$600 million IDA)

55. This RA will support an integrated package of investments to expand access to and increase the use of WASH services in urban and rural areas and small towns, protecting poor and vulnerable people and supporting livelihoods and job creation. The Program embraces an LGA-wide approach, whereby participating LGAs will be

³⁴ The National WASH Fund would not be capitalized through the PforR financing, but rather through the government's own resources.



supported to address critical gaps simultaneously in WASH, and within communities, public institutions, and public places. It includes the development of priority infrastructure to improve water supply service delivery, support for the implementation of the Clean Nigeria: Use the Toilet Campaign to improve sanitation and hygiene practices, and the development of WASH infrastructure in institutions (schools and HCFs) and public places (markets, motor parks). Infrastructure planning and design will ensure inclusive access for all Nigerians and directly address climate risks, namely water scarcity, droughts, and floods, using a resilient design process that rebuilds better.³⁵ In addition, RA 2 supports relevant state implementing agencies in preparing Performance Improvement Action Plans (PIAPs) to incentivize and track their own improvements against a number of key performance metrics (see Annex 10). The PIAPs therefore directly compliment the PIR plans of RA 1. While the PIR plans outline actions that must be taken by the state government itself to establish and operationalize new sector policies and institutions, the PIAPs address the performance of these institutions themselves, putting them on a path towards improved operational efficiency, cost recovery, and creditworthiness. The Program also supports the development of local entrepreneurs, artisans, technicians, and suppliers of spare parts for infrastructure and WASH materials, prioritizing the participation of women.

Box 1. Performance Improvement Action Plan (PIAP)

A PIAP serves a roadmap for an implementing agency to improve its performance throughout the six-year duration of the Program. It includes ambitious, yet feasible, actions and performance targets that the agency must achieve in each Program year. During the first Program year, each implementing agency will prepare its own PIAP in consultation with the FPIU and with their final approval. This ensures that the PIAP reflects the local context and institutional arrangements of the particular state, as well as the current level of development of the implementing agency. Yet despite this flexibility, each PIAP must include all essential elements described in Annex 10.

As an example, an urban water supply implementing agency's PIAP must include actions and/or performance targets across two key categories: Accountability and Sustainability. Under Accountability, the relevant agency must ensure, among other elements, that the management team is subject to performance contracts that incentivize performance, that annual reports on utility performance and audited financial statements are publicly disclosed, and that a customer communications and complaints redress mechanism is established. Finally, the Sustainability category includes such elements as a technical performance plan that establishes targets on aspects such as nonrevenue water (NRW) and production capacity, improvements in collection efficiency, and the development of a risk, resilience and emergency response plan to improve resiliency to climate-related threats. Annual targets for each of these elements are likely to be sequential, with increasing ambition in later Program years.

56. Urban Water Supply. The Program will support infrastructure development to expand access to water supply in urban areas. In recognition of the underutilization of existing water systems nationwide, the Program will place special emphasis on rehabilitation activities and small-scale works that improve the optimization of existing infrastructure. Specific activities may vary based upon state needs, and would include *inter alia*: (a) expansion of access to improved water supply through installation of metered household connections, public standposts and water kiosks; (b) rehabilitation of water supply infrastructure to boost production, including the rehabilitation of production facilities and pump and treatment plant components replacement; (c) improvement of power supply to production facilities, prioritizing the use of renewable energies and improvements in energy efficiency; (d) rehabilitation of distribution networks, including leak detection and repairs; (e) installation of bulk, zonal, commercial, and domestic meters; (f) rehabilitation and furnishing of customer service centers, central stores, and electrical and mechanical workshops; (g) expansion of water quality testing capacity through the renovation

³⁵ The resilient design process will follow the principles outlined in the World Bank's *Resilient Water Infrastructure Design Brief, Building the Resilience of WSS Utilities to Climate Change and Other Threats*, and the *Decision Tree Framework*.



and construction of laboratories; (h) development of water master plans; (i) development of feasibility studies for select urban centers; and (j) larger-scale works where required.

57. Rural and Small Towns Water Supply. The Program will support infrastructure development to increase sustainable access to improved water supply through the development of new and the rehabilitation of existing water points and schemes, prioritizing the use of solar energy, in adherence with standards elaborated in the program operations manual (POM). RA 2 will also support the continued functionality of supported water points and schemes by promoting effective infrastructure operations, management, and maintenance by service providers and ongoing technical and financial support by relevant sector institutions.

58. Sanitation and Hygiene. RA 2 also supports the development and use of sanitation and hygiene services in urban and rural areas and small towns through the Clean Nigeria: Use the Toilet Campaign by means of:

- (a) a set of household-level sanitation and hygiene activities tailored to the local context, including (1) gender-sensitive community-driven total sanitation facilitation; (2) sanitation marketing; (3) hygiene and safe water handling, storage and treatment promotion; and (4) child-focused social and behavior change communication (SBCC) aiming to improve hygiene practices and promote the construction and use of latrines;
- (b) provision of incentives to help the poorest households, with special provisions for households with persons with limited mobility, access improved sanitation;³⁶ and
- (c) Information, Education and Communication (IEC) activities to promote the development of local actors such as artisans and small businesses to participate in the delivery of sanitation products and services across the entire sanitation service chain.

59. The Program will finance the construction of fecal sludge treatment plants to support the safe management of excreta in urban areas when appropriate and in accordance with recommendations from E&S risk and capacity assessments.

60. WASH in Institutions and Public Spaces. Finally, RA 2 supports the construction and rehabilitation of WSS facilities and handwashing stations in institutions (schools and HCFs in accordance with relevant Federal Ministry of Education [FMEdu] and Federal Ministry of Health [FMH] guidelines) and public spaces (markets, motor parks) with a focus on child and women safety and comfort and adequate provisions for MHM.

IPF Component TA Activities (US\$60 million IDA).

61. The IPF component supports TA activities within sector institutions at both the Federal and state level. US\$25 million will be implemented by the FMWR to support TA activities critical to Program activity at the Federal level, as well as those supporting assisted states in preparing for future investment. The additional US\$35 million will be on-lent to participating states to address identified institutional and capacity gaps. Participating states will initially be allocated US\$2.5 million each, which may be revisited at the Program's mid-term review. Specific support activities, managed by the responsible implementation agency, are listed below, with additional detail provided in Annex 8:

- **Sector Policy and Strategy Support to the FMWR.** To improve the efficiency of Program activities and promote the sustainability and resilience of built infrastructure, this technical support package will assist the FMWR in developing policies, guidelines, and strategies that can be easily implemented and adapted

³⁶ The Program will leverage the Social Registry of poor and vulnerable households established at State and National level and supported by previous World Bank operations when developing the incentive program.



in the differing contexts across Nigeria. It will also develop their capacity for overall program coordination and results-verification. This support will assist *inter alia* in the development of: (a) advisory services for the performance improvement of urban utilities, including through different types of PPP arrangements; (b) advisory services for the improvement of the sector's intergovernmental systems, thereby optimizing the use of resources and focusing on performance; (c) a menu of technology options and standard guidelines for the construction and rehabilitation of WASH facilities, with special consideration given to water source and environmental protection, water quality standards, gender and disability inclusion, climate adaptation strategies, and the promotion of renewable energy sources, including non-carbon-based solutions; (d) a menu of innovative WASH facility management models aside from standard community-based management; and (e) program coordination capacities, including independent verification agent (IVA) management.

- **Strengthening national WASH structures critical to Program delivery.** This component will additionally support national institutions critical to the strategic direction and oversight of the national program, including the national secretariats of the NAP, PEWASH, and Clean Nigeria: Use the Toilet campaign.
- **Development of National WASH Management Information System (MIS).** This component will support the design, development, and implementation of a national harmonized information system at all levels of government that supports the integrated monitoring, reporting, and evaluation of WASH systems and infrastructure, management models, and programs. Moreover, the MIS would create a benchmarking system of WASH service providers aimed at increasing transparency and establishing the foundations for comparison and competition among water utilities in Nigeria and across the region. This system will be tailored explicitly to inform decision-making in policy formulation, planning, and resource allocation in the WASH sector, and will build upon existing systems where feasible.
- **Technical, Environmental, Social, and Fiduciary Systems Capacity Building within Sector Institutions.** The Technical Assessment, the Environmental and Social Systems Assessment (ESSA), and the Integrated Fiduciary Systems Assessment (IFSA) carried out by the World Bank have identified a number of institutional and capacity gaps in federal, state, and local-level sector institutions that will be addressed through the Program's IPF financing window. While participating states will be supported to address immediate institutional and capacity gaps required for Program implementation, support to assisted states that meet the eligibility criteria (see Annex 9) will focus on preparing them for future investment.
 - **Technical Capacity Building.** Activities will build capacities of sector institutions to monitor, ensure quality, improve and sustain WASH service delivery, implement communications and outreach activities in accordance with the POM, and develop master plans and feasibility studies of pipeline projects resilient to the risks of climate risks, namely water scarcity, droughts, and floods.
 - **E&S Capacity Building of implementing agencies across all tiers of Government:** State-level E&S capacity will be strengthened through this component, including with respect to the policy enabling environment, risk management, funding, and staffing. Capacities of Federal and State PIUs and implementing agencies will be enhanced to conduct E&S due diligence in a sound manner and undertake sustainable planning and design using E&S instruments. In addition, monitoring capacities will be developed to ensure that the operation of WASH facilities, regardless of type and scale, are managed in accordance with best practice environmental, community and occupational health and safety standards, including especially the management of pollution incidents. E&S risk management supervision strengthening will be conducted in partnership with the SPESSE project.
 - **Fiduciary Systems Capacity Building.** To address the varying capacity and staffing levels of Federal and State PIUs and implementation agencies, this component will support training and capacity building of existing staff and the hiring of qualified and experienced fiduciary staff as required.



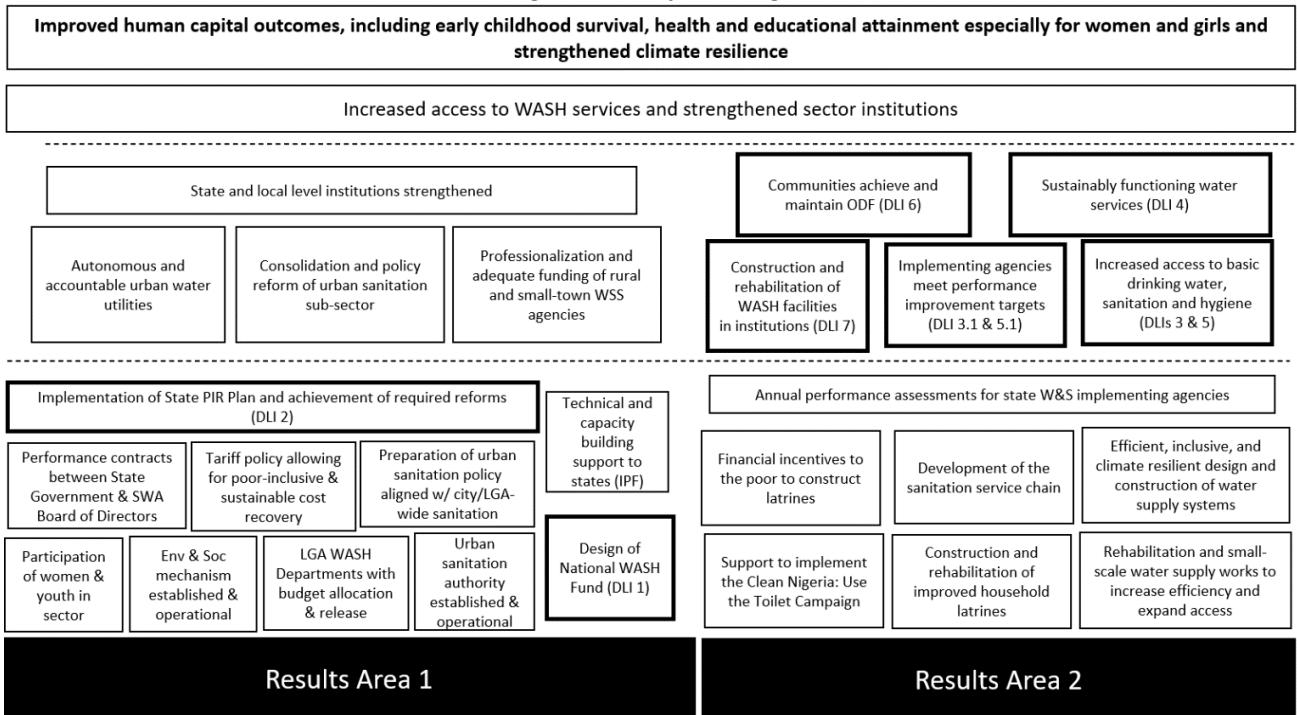
- **Capacity building of National Water Resources Institute (NWRI).** A parastatal of the FMWR, the NWRI delivers trainings and capacity building within the WASH sector through ongoing education and post-graduate opportunities. Given its critical role, the IPF component will support NWRI in addressing capacity constraints within Nigeria's WASH sector. Support will address insufficient facilities and equipment.
- **Engagement of an IVA.** The IPF will finance the engagement of an IVA throughout the Program period to undertake verification of the achievement of DLIs across the RAs in all participating states. The FMWR is preparing a detailed verification protocol and terms of reference (ToR) to engage the IVA using the agreed procurement process and supervise and manage them in line with the POM. The results of the annual verification exercise as submitted by the IVA and validated by the FMWR will serve as a basis of annual disbursement after the World Bank task team has provided necessary concurrence. In addition, the IVA will provide a quarterly report on the progress of E&S risk management activities to assess compliance with relevant policies and requirements.

D. Theory of Change

62. Achieving the NAP's vision of universal access to WASH services requires a holistic approach to the sector that simultaneously addresses policy, institutional, and behavioral constraints alongside infrastructure deficiencies. This Program is underpinned by a theory of change that seeks to strengthen and expand access to WASH services in Nigeria while simultaneously improving their effective management and sustainability (see Figure 2). RA 1 specifically seeks to address Nigeria's policy and institutional deficiencies that have constrained the government's ability to improve access levels for decades by supporting participating states to carry out necessary institutional reforms and strengthen their capacity to deliver sustainable WASH services. RA 2 tackles the severe WASH infrastructure deficits across urban and rural areas with an emphasis on quality design and construction standards and post-construction support to maintain functionality. In urban areas, the Program aims to increase efficiency and improve the performance of existing systems, through infrastructure rehabilitation and the installation of metering technology. The Program will support the GoN's efforts to end open defecation and promote hygienic practices through the Clean Nigeria Campaign, taking a comprehensive approach to tackle behavioral, financial, and market-related constraints. Finally, implementing agencies will themselves be supported through the TA (IPF) component, which will fill gaps identified through the technical, fiduciary, and E&S assessments at both the Federal and state levels.



Figure 2. Theory of Change



E. Disbursement -linked Indicators and Verification Protocols

63. The DLIs are designed to incentivize key sector reforms, increased access to WSS infrastructure, and improvements in service delivery. A common Program DLI matrix is used to track achievements across states. This has the benefit of simplifying results tracking and verification and helps to facilitate transparent competition and learning between states. An alternative approach of customizing the DLI matrix per state/groups of states and varying the pricing of the DLIs (based on the state's needs, capacity, size) would be overly complex and could be perceived as unfair by states.

64. The Program's incentive model consists of seven DLIs grouped into two RAs. The DLIs intend to incentivize the achievement of tangible outputs and outcomes and strengthen the institutions that support the delivery of WASH services. The DLIs have been developed according to the following criteria: (a) importance for successful Program implementation; (b) potential to incentivize improvements within the Government programs; (c) practicality and cost effectiveness of verification; and (d) the Government's capacity to achieve the DLI during the Program implementation period. The DLIs are presented in Table 2 and summarized below, with additional detail, including underlying definitions and disbursement-linked results (DLRs), provided in Annex 2.

Table 2. Disbursement-Linked Indicators

Name	Amount IDA US\$ million
RA 1: Strengthened Sector Policies and Institutions for Improved Services	40.0
DLI 1 Design of National WASH Fund to enable its establishment.	5.0
DLI 2 Design, adoption and implementation of State PIR Plans and achievement of annual targets.	35.0
RA 2: Improved Access to Water Supply, Sanitation and Hygiene Services	600.0



DLI 3	People provided with basic drinking water service under the Program.	233.5
	<i>Sub-DLI 3.1: Performance improvement of state water supply implementing agencies.</i>	52.5
DLI 4	People with access to a sustainably functioning water service.	33.3
DLI 5	Households with improved sanitation facilities constructed or rehabilitated under the Program.	156.1
	<i>Sub-DLI 5.1: Performance improvement of state sanitation implementing agencies.</i>	52.5
DLI 6	Communities having achieved community-wide sanitation status (ODF+) or number of ODF+ communities having maintained their status.	16.6
DLI 7	Schools and healthcare facilities with functional, improved water supply, sanitation and handwashing facilities constructed or rehabilitated under the Program.	55.5

65. DLI 1 incentivizes the FMWR to design the National WASH Fund to enable its establishment with clear governance and transparency rules. The NAP envisions the Fund as a key mechanism to enhance collaboration across different levels of government and institutions, bridge the financing gap, deliver sustainable and climate-resilient WASH infrastructure, and incentivize performance improvements at the state level. DLRs provide incentives for the FMWR to design the Fund's legal framework and governance structure, which shall be endorsed by both the FMWR and the Federal Ministry of Finance, Budget and National Planning (FMoF), and to develop its operational manual.

66. DLI 2 incentivizes states to progressively undertake a series of reforms to strengthen their PIR enabling environment, ultimately resulting in the improved sustainability and efficiency of WASH services that build resilience to Nigeria's climate risks, while mitigating E&S risks of proposed interventions. In order to account for the heterogeneity in institutional arrangements at the state level, each state will be supported in developing and approving their own PIR plan that outlines a series of annual targets that must be achieved at the state level towards the establishment and effective operationalization of critical sector institutions and functions (see Table 3) that adhere to minimum criteria established in the POM. Achieved reforms must be sustained during each subsequent Program year. State progress in implementing their PIR plan will be assessed on an annual basis. State PIR plans and annual performance targets will be prepared in consultation with the FPIU and require their final approval.

Table 3. Policy, Institutional, and Regulatory (PIR) Plan required reforms for DLI 2

Reform	Intermediate milestones	Long-Term vision beyond Program
Established LGA WASH Departments with adequate budget allocation and release³⁷	<ul style="list-style-type: none"> Progressive number of LGAs meeting criteria 	Rural and small town WASH service providers are supported through continued monitoring and TA by LGA WASH Departments, therefore improving service sustainability.
Consolidation and policy reform of urban sanitation sector	<ul style="list-style-type: none"> Urban sanitation authority established and operational Urban sanitation policy prepared in accordance with city/LGA-wide inclusive sanitation State developed standards and regulations for urban sanitation 	State urban sanitation authorities provide proper regulation and oversight of the subsector which takes into consideration the entire sanitation service chain.
Autonomous and accountable urban water service	<ul style="list-style-type: none"> Development of a legal, policy and operational framework for urban water supply Preparation of a poor-inclusive tariff policy with 	Urban water services are sustainably funded through a poor-inclusive tariff policy and

³⁷ Detailed guidelines for determination of adequate budget allocation and release will be provided in the POM, and will include consideration of all costs required for each Department to, at a minimum, fulfill its essential responsibilities.



providers	<p>sustainable cost recovery</p> <ul style="list-style-type: none">• Satisfactory implementation of tariff policy• Regulatory function established with clear regulatory framework (with regulator setting tariff and performance framework and accountability review)	predictable subsidy, when required.
Performance contract with financing and service agreements between state government and SWA Board of Directors established and operational	<ul style="list-style-type: none">• Performance contract with financing and service agreements between state government and SWA Board of Directors established• Performance contract operational	Urban water utilities are held accountable to high performance standards, leading to increasing levels of operational efficiency.
Operationalize a WASH E&S screening and assessment mechanism	<ul style="list-style-type: none">• Establishment of E&S screening and assessment mechanism (guided by comprehensive manual)• Satisfactory annual implementation of E&S screening and assessment mechanism	E&S risks of Program interventions have been properly managed, while building capacity for future investments.
Participation of women and youth in the sector	<ul style="list-style-type: none">• Gender mainstreaming in human resources policies to address gaps in technical and managerial positions• Development and implementation of a young professional program	Increase the representation, voice and agency of women and youth in the sector.

67. DLIs 3, 5, and 7 incentivize the construction or rehabilitation of relevant WASH infrastructure at the household level or within public institutions (schools and HCFs). Only infrastructure that adhere to technical standards and criteria on service level and minimum conditions, as detailed in the POM, will be eligible for disbursement. These conditions include: (1) adherence to quality assurance procedures; (2) presence of an E&S screening and assessment mechanism that guides the management of interventions under implementation and has been verified; and (3) a resilient design process having been followed. The resilient design process will ensure that supported infrastructure is resilient to the risks posed by climate-induced drought and flood, as applicable.

68. Sub-DLIs under both DLIs 3 and 5 incentivize relevant implementing agencies to improve their performance across key elements critical for service quality and sustainability through the design and implementation of PIAPs. Therefore, while the PIR plan of DLI 2 outlines actions that must be taken by the state government itself to establish and operationalize new institutions and policies, the PIAPs describe targets that must be achieved by the relevant agencies themselves. Specific PIAPs will be prepared for relevant subsectors: sub-DLI 3.1 will address urban, rural, and small-town water supply, while sub-DLI 5.1 will address urban, rural, and small-town sanitation. Implementing agencies will prepare PIAPs that establish annual targets for, at a minimum, the essential elements described in Annex 10. During the first Program year, states will be eligible for disbursement upon preparing the PIAP in consultation with the FPIU and with their final approval. In the second Program year, states will be eligible for disbursement by conducting their first annual PIAP assessment. However, disbursements in subsequent years will depend upon the achievement of PIAP annual targets.

69. DLI 4, in recognition of the high rate of failure of water supply infrastructure in the country, incentivizes the continued functionality of drinking water services constructed under the Program. A sustainably functioning water service is eligible for disbursement in subsequent Program years following the year of its construction and disbursement under DLI 3 if it has been verified as functional in accordance with the criteria defined in the POM.



70. DLI 6 incentivizes participating states to support communities in attaining and/or maintaining community-wide ODF+ status, in accordance with the verification protocols described in Annex 2. Implementing agencies are expected to conduct a comprehensive set of activities that tackle the behavioral, financial, and technical constraints impeding access to improved sanitation facilities within each community, recognizing the need to move entire communities up the sanitation ladder to enjoy the full benefits to public health.

71. **Verification protocols of the Program.** The IVA will be a private firm of international reputation and with a strong local presence, and will be competitively selected by the FMWR based upon a TOR acceptable to the World Bank. The IVA may enter into a joint venture with other firms, but will ultimately be held accountable for the IVA reports. Therefore, its reputation and track record would be key elements for the selection of the IVA. To be selected, the IVA will need to demonstrate the ability to review DLIs under both Results Areas, from FM to infrastructure, PIR reforms, and service provider performance.

72. The Program's results will be consolidated and submitted based on the results reported by the federal and state PIUs through submitted reports and strengthened M&E systems. The accuracy and quality of results reported by the implementing agencies as achieved under the Program will be verified through a combination of paper audits and physical inspections. In accordance with good audit practice, physical verification will take place using a sampling framework. The verification protocols for each DLI are presented in Annex 2. The World Bank will also review compliance with the DLI targets during implementation support missions, and for disbursement purposes; the World Bank will make the final decision on whether DLIs have been achieved. The IVA will prepare a Results Verification Report to be shared simultaneously with the FMWR and the World Bank. No party can modify such reports except to correct factual errors. This report will be used to determine the amount of the eligible disbursement to be made based on the results achieved.

F. Program Expenditure Framework

73. **The overall budget for the NAP government program is estimated at approximately US\$2.6 billion over the six-year Program duration.** This amount includes approximately US\$360 million from FGN and US\$2.24 billion from state governments. Given that the total investment needs over six years to attain the objectives of the NAP by 2030 are estimated at US\$30 billion (equivalent to an annual sector investment of approximately US\$5 billion, or 1.3 percent of GDP) – far exceeding the Government's available budget – the GoN seeks an IDA credit of US\$700 million. While the IDA credit is insufficient to cover the substantial financing gap of Nigeria's WASH sector, the Program's focus on reform that improves the operational efficiency and cost recovery of service providers will free up public resources for NAP program expansion. These improvements, coupled with the operationalization of the National WASH Fund, are expected to attract additional financing from the Government, development partners, and private investors, creating a virtuous cycle towards achievement of the WASH SDGs.

74. **The PforR Program supporting the implementation of the NAP in the initial participating states is estimated at US\$815 million over the same period.** Within these seven states, state government allocations are estimated at US\$175 million, complementing the US\$640 million IDA credit towards the PforR Program.



Table 4. Program Financing

Source	Amount (US\$ Million)	Percent of Total
International Development Association (IDA) Credit	640	78.5
Government Contribution (from Participating States)	175	21.5
Total Program	815	100.0

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

75. The proposed PforR will be implemented in the seven participating states, with TA under the IPF component also being provided to assisted states under the direction of the FPIU. The Program's implementation and institutional arrangements will follow existing structures as established in the National Water Supply and Sanitation Policy 2000 and later elaborated in the NAP 2018 and, for rural communities, in the PEWASH Program Strategy 2016-2030. The FPIU has been set up within the FMWR as the implementing agency at the Federal level. It draws from key staff from the NUWSRP3 FPIU, including procurement, FM, and E&S specialists and relevant technical staff. It will be responsible for overall Program implementation oversight and M&E, as well as for procurement and implementation of federal activities, namely TA provision to the additional (non-Program) states. SPIUs will be established within all participating states as a disbursement condition and will be responsible for Program implementation oversight and M&E for all activities within their state. Both the FPIU and SPIUs shall be headed by a Program coordinator and specialists in procurement, financial management, environmental, social, and technical sectors, in addition to an accountant.

76. At the Federal level, the FMWR is responsible for overall WASH policy reform, the allocation of national-level financial resources, and coordination between states, development partners, and other key stakeholders. While the PEWASH Coordination Office maintains responsibility for overall rural WASH subsector coordination, investment management, and oversight, a Federal Steering Committee (FSC) will be responsible for overall Program coordination and policy guidance and will approve the Program annual work plan and budget, prepared by the FPIU. The FSC will also monitor and evaluate the performance of the FPIU and overall Program results. The FSC is chaired by the Honorable Minister of Water Resources and includes all participating state commissioners of water resources or equivalent, and representatives of the Federal Ministries of Finance, Budget, and National Planning; Education; Environment; Health; and Women Affairs and Social Development. To minimize delay in Program implementation, decisions before the FSC must be taken no later than 15 days after submission. The FSC will meet annually to review the overall performance of the preceding year and planning for the following year. The FPIU will be responsible for overall Program management and implementation, and jointly with the World Bank Program team, the development of a detailed verification protocol.

77. The FPIU's key functions are to: (1) administer capacity assessments of relevant state agencies and implement required TA to additional (non-Program) states to strengthen required capacities for Program implementation; (2) lead Program communications and outreach activities in accordance with the Program's communications strategy described in the POM; (3) lead M&E activities for the Program to assess overall performance and monitor results, as well as identify Program-related gaps to be addressed through TA; (4) ensure compliance with the ESSA, PAP, procurement and fiduciary management guidelines, and other World Bank standards; (5) oversee DLR verification through the engagement of a IVA; (6) disburse annual PforR



financing to the states on the basis of the IVA's Results Verification Report; (7) provide accounting and reporting for the Program; (8) act as the interface with the World Bank's supervision and implementation support team; and (9) act as the secretariat for the Federal Steering Committee. Its work will be guided by the POM. The FPIU's capacity to carry out its responsibilities will be strengthened through the TA component, which may involve the hiring of required specialists or consulting firms.

78. At the State level, the SMWR, or equivalent state-level agency responsible for WASH, will lead state-level policy reform, service delivery improvement, and sector coordination. To support the implementation of the Program, each participating state must, prior to disbursement, duly adopt the POM and establish a state steering committee (SSC) for overall state-level coordination and policy guidance in each of the participating states. The membership of the committee shall include representation from the key sector institutions responsible for achieving the DLIs and the following state ministries, or equivalent: Water Resources; Finance, Budget, and Planning; Education; Environment; Health; Women Affairs and Social Development; and Local Government and Chieftaincy Affairs. The state water commissioner or equivalent will chair the state steering committee. The SSC will approve the Program annual work plan and budget, prepared by the SPIU, and monitor and evaluate the performance of the SPIU and overall state-level Program results. To minimize delay in Program implementation, decisions before the SSC must be taken no later than of 15 days after submission. The SPIU, meanwhile, will be responsible for management and implementation of state-level Program components, as well as for supervision and M&E of LGA-level activities. It will also implement TA to state and local sector institutions under the IPF component.

79. Although each state's SSC and SPIU will be led by the SMWR, both entities will be composed of representatives of the state-level institutions responsible for each subsector. Although particular sector institutions vary from state to state, they will generally include the following, or equivalent: (1) the RUWASSA for rural WASH; (2) the STWSSA for small town WASH; (3) the SWA for urban water supply; (4) the state urban sanitation authority; and (5) the state WASH regulatory function. State Ministries of Environment, Health, Education, and Social Development and Women Affairs, as well as any other institutions with responsibility for relevant subsectors, will also be included.

80. Extensive state-level communication and outreach activities will support Program implementation. The NGF will be leveraged to regularly update governors on the Program to generate competition between states and demand from other states to join the Program. Starting during Program preparation and spanning through the implementation period, the World Bank will work alongside the SPIUs to organize regular communication and outreach activities with key state-level stakeholders responsible for implementation to both keep the Program as a high priority for them and to clarify their responsibilities. It is envisaged that at least twice a year, there will be a forum convening peers from all states to collectively review progress (based on the results of the APA), showcase success stories, learn from implementation difficulties, and plan future activities. The forum will leverage the existing communities of practice of state commissioners of finance, budget and planning.

81. The World Bank's implementation support for the Program will account for the scale of the Program, the institutional capacity of implementing agencies, associated risks, and the need for close monitoring and continued TA to facilitate timely responses to implementation challenges across participating states. Implementation support will include: (a) formal joint review missions (JRM) on a quarterly basis, or more frequently if needed; (b) monthly technical meetings and field visits, when possible, to provide oversight and TA of capacity building, M&E, communications and outreach activities, and on audit and FM reporting requirements; (c) on-demand external technical expertise; and (d) audit and fiduciary reporting (including safeguards,



procurement, and financial management). Support will also be provided by relevant World Bank Global Water Security and Sanitation Program (GWSP)-supported initiatives, including global support for implementation and capacity building on PIR, utilities turnaround, CWIS, and WSS information systems (International Benchmarking Network (IBNET) for urban utilities and Rural Water and Sanitation Information System (SIASAR) for rural and small-town services). See Annex 7 for additional detail.

B. Results Monitoring and Evaluation

82. Program M&E. The Results Framework (Annex 1) serves as the basis for monitoring Program results. It consists of PDO and intermediate-level indicators, some of which are DLIs. Monitoring of the indicators in the Results Framework will be conducted quarterly during the Program implementation period so that corrective measures can be taken to ensure the achievement of the PDO. The Program will require several of the results indicators to be disaggregated by gender to facilitate gender-related planning and management.

83. The M&E function will be assumed by Federal and State PIUs, which have the overall coordination and responsibility for M&E for the Program. SPIUs will provide quarterly reports to the FPIU on progress against relevant DLIs and indicators, with the FPIU providing annual reports on achievements against DLIs 2 to 7 to the IVA for verification and disbursement. Each Federal and State PIU will include an M&E specialist. Quarterly meetings will be held at the management level to facilitate knowledge sharing, review progress, identify and address any weaknesses, and propose modalities for scaling up successes beyond the Program. The IPF component will support the strengthening of M&E systems in participating states to ensure alignment with Program reporting requirements. Detailed protocols and templates will be detailed in the POM.

84. The Program will harmonize these efforts by establishing a comprehensive data collection and monitoring program, involving all levels of government, to facilitate the long-term sustainability of the WASH sector and to support decision-making in policy formulation, planning and resource allocation. It will be underpinned by a simple, updated, and comparable MIS that not only tracks the physical condition of infrastructure, but also gathers data on access, service quality, and sustainability of service provision. This real-time MIS will be complemented by the FMWR's annual WASH sector survey WASH National Outcome Routine Mapping (NORM), which was first conducted in 2018 with support from the World Bank and UNICEF and measures relevant sector indicators at the national and state level. In addition to these national monitoring efforts, a qualified IVA will be contracted throughout the Program period to provide independent confirmation of the results reported by implementation agencies.

85. The Program will take an evidence-based approach to encouraging the scale up of successful approaches to management of rural and small-town water supply systems. Ensuring a sustained and reliable source of quality water will largely be realized through the adoption of innovative management structures that properly align incentives for water supply beneficiaries and those tasked with O&M of the systems. Design and implementation of these approaches is being supported through TA at the Federal and state levels under the IPF component. A complementary evaluation will be conducted to compare the impact of different approaches to water system functionality and beneficiary access. This will inform an evidence-based approach to scaling up these innovative approaches during the second part of the program, based on their demonstrated impact and cost effectiveness.

C. Disbursement Arrangements



86. Program funds will be disbursed to the Federal Government's Special Fund Account, a sub-account of the Treasury Single Account (TSA) held with the Central Bank of Nigeria (CBN) and managed by the FPIU. Disbursements will be triggered by the achievement of the DLI-related results for the Program and verified by the IVA. The IVA will prepare a Results Verification Report to be shared simultaneously with the FMWR and the World Bank. The FMWR will notify the World Bank of any comments on the report and whether the results are acceptable. At that point, the World Bank will make a final determination on acceptance of the results. Once the results are accepted, the report will be shared with a committee of representatives from development partner organizations and civil society. Upon notification of acceptance of the verification report, a Withdrawal Application (WA) 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 participating states will be made directly from the Special Fund Account to a segregated program account to be opened in each state which will be a sub-account of the Consolidated Revenue Fund Account of the respective States, and from which disbursements will be made to the implementing agencies. Transfer of the DLI funds from the federal to the state governments should not be later than 14 days from the time of receipt of funds from the World Bank. This will be part of the POM and monitored to ensure that the states receive their share promptly. To mitigate the risk of delay in the transfer of funds from States to the implementing agencies, a 'Fund Release Policy' will be prepared and adopted by each Office of the State Accountant General (OSAG) that will establish guidelines and timelines for transfer of funds.

87. Advances up to a maximum of 25 percent of the notional allocation for the federal and each participating state will be disbursed to FPIU upon effectiveness of the operation. The funds will be on-lent to the participating states upon execution of the subsidiary agreements. The advance will be adjusted against amounts due to the federal and participating states for verified DLI achievement. In the event the advances from the World Bank exceed the payments to be made against achieved and verified DLIs or exceed the actual expenditures incurred under the program expenditure framework (PEF), the excess advance will have to be refunded to the World Bank. This will be specified in the Subsidiary Agreements.

88. The FPIU will engage and oversee the IVA under the Program, which will verify all evidence of states achieving the DLRs in accordance with the approved verification protocol. The total disbursement for the FMWR and per state will be determined by the number and value of DLRs achieved. The total PforR disbursement per year will be the aggregation of the total disbursement for the FMWR and for all states participating for that year, subject to the overall financing envelope for the PforR component. Base case estimates of the number of states achieving each of the DLRs in each year of the Program has been made to guide the setting of the DLR values and estimate the disbursement profile for the Program. If states and the FMWR collectively under-perform relative to expectations for the year, the surplus of allocated funding will be carried over to the subsequent year in case states plus the FMWR collectively over-perform in the subsequent year. However, DLR disbursements to the FMWR and each state will not exceed the annual allowance, contingent on performance, regardless of additional funding available from previous years.

89. Disbursement arrangements for the TA component. A segregated Designated Account (DA) in US\$ will be established by the FPIU in the CBN. Segregated US\$ DAs will also be set up by the SPIUs in commercial banks acceptable to the World Bank and in consultation with OSAGs. Advances will be paid into the DAs as needed. The project will also have access to Direct Payment and Reimbursement methods of disbursements. The DA ceiling and the minimum application size for direct payments will be defined in the Disbursement and Financial Information Letter (DFIL). The project will follow statement of expenditure (SoE)-based disbursements. The FPIU



and the SPIUs will also open segregated transaction accounts in local currency (Naira drawdown accounts) to meet project expenditures, and funds from the DA shall be transferred to this account on a needs basis. The reconciliations and financial reports will reflect transactions and balances in these accounts. Up to 10 percent of IPF financing may be applied to eligible expenses paid from counterpart funds prior to the date of signing of the agreement through retroactive financing.

D. Capacity Building

90. Considering the challenge identified and lessons learned from the recently closed World Bank-financed NUWSRP3 Project, as well as from other national and international experiences, the Program leverages a combination of results-based disbursements to incentivize performance and technical support during implementation. The key capacity building activities, which will be delivered according to the capacity development plan, are described here and in further detail within Annex 3.

91. Incentivizing strengthened institutions through DLIs. DLIs are used to incentivize enhanced capacities of institutions required for effective and sustainable service delivery, including the FMWR but principally state and local institutions. DLI 2 incentivizes the establishment and effective operationalization of critical state- and local-level institutions and policies by assessing state progress annually against the targets of their PIR Plan. In addition, sub-DLIs 3.1 and 5.1 incentivize relevant sector institutions to improve their performance across key metrics critical for service quality and sustainability during the Program. Meanwhile, DLI 1 incentivizes the FMWR to establish the National WASH Fund, which is to serve as the key mechanism to renew the Federal-State partnership through cost-sharing, particularly through the provision of performance-based financing to states.

92. TA under the IPF component. The Program's IPF component seeks to specifically address policy, strategy, and capacity gaps and institutional deficiencies required to support Program implementation. Capacity building support to states will include both consultants and in-country institutions, such as the NWRI, and will involve a mix of approaches, including embedding specialists within the relevant institutions to promote knowledge and skills transfer, just-in-time support, curriculum-based structured learning, central and regional technical workshops, and regular peer learning forums with state water commissioners and SWA GMs for common needs across states. E&S and procurement capacity building will be conducted in coordination with the SPESSE Project. The focus is to build the capacities of relevant agencies over the course of the Program as opposed to developing parallel Program management structures. The NWRI will specifically be engaged by the FPIU to support the implementation of specific capacity building and learning activities due to its unique capabilities and experience in organizing and delivery capacity building and learning activities to states. The implementation arrangements for the TA component have been designed to ensure that the TA is well planned and coordinated across the implementing agencies to mitigate fiduciary risks, while retaining flexibility. While participating states will be supported to address immediate capacity gaps and institutional deficiencies required for Program implementation, support to assisted states that meet the eligibility criteria will focus on preparing them for future investment either through Program restructuring or during a subsequent Program/phase. This includes support to develop master plans and feasibility studies of pipeline projects. The World Bank, working with the PIU, will closely supervise the coordination and implementation of the capacity building activities, including by approving the annual capacity building work plans and budgets that will form the basis of disbursements.

IV. ASSESSMENT SUMMARY

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

93. The World Bank carried out a Technical Assessment that analyzed the strengths and weaknesses of the implementing agencies in delivering interventions related to the two 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.

94. The technical design of the Program incorporates an integrated approach to WASH as well as lessons learned from Nigeria and beyond to encourage sustainability of service provision and achieve the maximum impact within participating states and LGAs. First, the Program's DLIs provide incentives towards strengthened sector policies and institutional capacity, in addition to infrastructure development to ensure that government agencies, communities, and private sector actors all have the necessary tools to sustain supported WASH services. Second, the Program embraces an LGA-wide approach to WASH, whereby participating LGAs will be supported simultaneously in WASH, and within communities, public institutions (schools and health centers) and public places (markets, bus stations). This approach harnesses synergies across the various subsectors, such as through integrated IEC and social and behavior change campaigns and through supporting the private sector to participate in the simultaneous delivery of WASH services. Furthermore, since access to the full complement of WASH services provides multiplicative and self-reinforcing benefits to users, it maximizes the Program's impact on human capital formation.

95. Institutional capacity. Institutions at the federal and state levels have demonstrated adequate capacity to undertake the activities under the Program. Nonetheless, there needs to be additional human resources and technical support provided at all levels to ensure that the activities will be properly implemented, and results sustained. The aging workforce constitutes a challenge, especially in the urban water sub-sector. There is a stronger technical capacity on water supply than on sanitation. Moreover, there is a stronger capacity on rural sanitation than on urban sanitation, following years of support from development partners and civil service organizations (CSOs) on CLTS, the limited priority given to urban sanitation management and the lack of clarity on roles and responsibilities in the sub-sector. TA will be necessary to ensure that innovative solutions are introduced to go to scale and ensure equity and sustainability of the investments. This will also ensure that planning, M&E, and reporting are improved under the Program.

96. The economic analysis confirms that the PforR Program will generate positive economic returns. A cost-benefit analysis is used to assess the economic viability of the WSS interventions and their sensitivity to key variables. Benefits and costs are discounted at six percent over a period of 25 years (2021-2045). The potential economic benefits that have been quantified include: (1) increased household income due to time saved in fetching water; (2) increased income gained as a result of reduced absenteeism of the working age population and caretakers due to reductions in diarrheal illness; (3) reduced household health-related expenditure resulting from decreased prevalence of diarrheal disease;³⁸ and (4) an annual net emissions reduction of 104,719 tons of carbon dioxide equivalent (tCO₂-eq).³⁹ The Program's resilience against potential risks that may result in implementation delays, cost overruns, and a reduction in Program benefits is assessed by estimating the amount by which the estimated cost would have to increase, or the estimated benefits would have to decrease for the

³⁸ Nigeria's DHS 2018 estimated that the provision of improved water supply services would reduce the prevalence of diarrhea in beneficiary communities by an average of 30.6 percent, while improved sanitation would reduce it by an average of 29.4 percent.

³⁹ -64,474 tCO₂-eq for water supply and -40,245 tCO₂-eq for sanitation.



Net Present Value (NPV) to be zero. The results of the Program's economic viability as measured by the NPV, the Internal Rate of Return (IRR), and its sensitivity to cost increases and benefit reductions are summarized on the table below:

Table 5. Summary of Program NPV and IRR

No.	Scenario	NPV (US\$ Million)	IRR (%)	Revenue reduction or cost increase from base case (%) for NPV=0
1	Economic Base Case Water Supply	851.95	33.96	Over 39.35 percent revenue reduction or 49.79 percent increase in cost
2	Economic Base Case Sanitation	39.22	8.72	Over 16.79 percent revenue reduction or 20.17 percent increase in cost
3	Economic Base Case (WS+S)	891.16	26.35	

97. The Program is expected to contribute to the improved financial sustainability of utilities through increased operational efficiency, reduced non-revenue water (NRW), and increased average tariff levels, therefore reducing the fiscal burden on the state governments. The analysis yielded an NPV for the program of US\$891.16 million and is positive for both water supply and sanitation. The IRR is estimated as 26.35 percent, demonstrating the Program's economic viability as it is greater than the discount rate. It is important to note that this analysis does not include other positive externalities that are not easily quantified, including (1) the increased educational attainment of girls due to time saved in fetching water and proper sanitation and hygiene facilities; (2) increased capacity to manage the risks posed by the COVID-19 and other future pandemics and similar emergencies through improved critical WASH services; (3) positive impacts on business growth; and (4) the decrease in mortality.

98. The global benefits of reduced greenhouse gas (GHG) emissions due to the proposed Program is estimated using the Social Value of Carbon recommended for World Bank projects. The net shadow monetary value is added to the Program's incremental financial cash flows and the economic return is recalculated. With consideration of the carbon shadow pricing, the NPV for the program increased by US\$79.5 million using the upper bound value and US\$11.8 million for the lower bound value.

99. Rationale for Public Financing. The Program is expected to complement the Government's efforts to achieve its WASH SDG targets by providing critical financial resources for the sector. Given that WSS service providers have not yet achieved cost recovery, the sector will remain the domain of public finance for the foreseeable future. To this end, the Program is expected to reduce government fiscal burden⁴⁰ by strengthening cost recovery and cost effectiveness through improved design and implementation capacity, increased life of facilities, and increased user contributions towards investment and operating costs stemming from higher user satisfaction. The Program is expected to improve the customer and revenue bases of service providers through improved operational efficiency, increased billing and collection rates, gradual tariff reform that promotes increasing cost-recovery, and mechanisms to support the poor and vulnerable and sustain economic benefits.⁴¹ Finally, the establishment of autonomous service providers operating on a commercial basis, capacity building, and the early

⁴⁰ IBNET data obtained from the selected states shows that, from 2011 to 2019, the average percentage of government transfers over total operating revenues in the participating states is about 40 percent

⁴¹ Data collected from states and obtained from IBNET and WASH NORM II indicate that on average in participating states: the operation cost coverage ratio is 30 percent, NRW is 51 percent, collection efficiency is 39 percent and the metering rate is 7.6 percent, indicating the need and the potential for efficiency improvement.



involvement of beneficiaries in technology selection are major instruments to ensure the financial sustainability of the Program.

100. Overall, the technical assessment confirmed the strategic relevance of the Program, that the technical approach is sound, that the Borrower has adequate institutional capacity to implement the Program and that systems are in place to track the expenditures incurred under the Program. TA will be required to fill capacity gaps identified during the assessment.

B. Fiduciary

101. Summary of Integrated Fiduciary Systems Assessment (IFSA). The IFSA was conducted through a methodical review of systems and practices at the participating States' level, including a review of available analytical studies.⁴² Review of fiduciary systems at the level of the implementing agencies in the seven participating states was also carried out. In addition, lessons learned from implementation of World Bank programs at the state level were reviewed. The World Bank has been supporting and continues to support state governments in strengthening their service delivery and institutional and FM systems and processes through several operations. The result of the 2018 and 2019 Annual Performance Assessment (APA) conducted under the SFTAS Program⁴³ were equally reviewed. These reports indicate that the seven states have continued to make progress in public financial management (PFM) reforms in key areas such as planning and budgeting, accounting and financing reporting, auditing, the State Integrated Financial Management Information System (SIFMIS), and cash management and payroll controls.

102. Reasonable Assurance. The fiduciary systems, institutions, and practices provide reasonable assurance that Program resources will be used for the intended purposes and will support the achievement of Program objectives in an effective, efficient, and transparent manner – subject to full implementation of the PAP.

103. Fiduciary Risk Assessment and Mitigation Measures. The overall Program integrated *residual* fiduciary risk (FM, procurement and governance) is rated **Substantial**. The fiduciary risks include:

- (i) **Program funds not used for intended purposes.** The participating States through the SPIUs will provide bi-annual reporting on the use of funds under the PEF. The annual audits under the Program will also be used for periodic monitoring.
- (ii) **Sufficient funds not available in a timely manner** to the implementing agencies to carry out Program activities. To mitigate these risks - (i) segregated program sub-accounts will be set up under the TSA in each participating state. This will ensure transparency and will also limit the risk of diversion of program funds; and (ii) a 'Funds Release policy' will be prepared, and it will specifically include agreed timelines for the transfer of funds. The use of performance-based disbursement too by itself will address this risk as well as the risk stated under (i) above. It is expected to engender commitment on the part of state governments to ensure timely funds flow to the implementing agencies as well as use of program funds for the implementation of SURWASH interventions as failure to do so will hamper their ability to access disbursements from the World Bank. This also mitigates, to some extent, the risk of the Program activities not receiving funds in a timely manner.
- (iii) Varying staffing and capacity levels at the states' level implementation agencies. Capacity building interventions will be financed, the World Bank will also directly provide training and capacity building. In

⁴² Federal Public Expenditure and Financial Accountability Assessment (PEFA) (2019).

⁴³ States Fiscal Transparency, Accountability and Sustainability PforR – P162009.



addition, FM capacity will be augmented with the engagement of staff as part of the SPIUs who will provide TA to and coordinate with the FM staff at the implementing agencies. Some of the state agencies will need to engage procurement consultants to support procurement officers assigned to the Program. The mitigation measures for the identified risks will be managed through implementation of the PAP.

104. Fraud and corruption risks. The World Bank Anti-Corruption Guidelines will apply to the Program and GRMs will be implemented across the States and the implementing agencies. The Program governance and anti-corruption arrangements will rely largely on the country's national-level governance and anti-corruption arrangements. The Economic and Financial Crimes Commission (EFCC), Independent Corrupt Practices Commission (ICPC), and Nigeria Police handle investigations of fraud and corruption. Under the Program, the World Bank will be apprised at the earliest opportunity of all allegations and complaints of fraud and corruption related to the Program activities. A signed submission from the federal as well as the participating states shall be made every six months as part of the semi-annual progress reports 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 Program implementation, including status of actions taken. Even where there are no allegations or complaints during a reporting period, positive assurance should be provided to the World Bank of this status.

105. Additional provisions are required to mitigate 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; (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 compliance.

106. Procurement exclusions. Procurement exclusions are not envisaged under the Program. The consolidated PEF involves largely low value and non-complex procurement packages for the construction of boreholes, VIP toilets, construction and rehabilitation of water supply systems, procurement of goods and consulting services.

107. Fiduciary Arrangements. Responsibility for FM at the Federal and the States level will rest primarily with the FPIU and the Public Financial Management Units (PFMUS) (within the OSAGs). The State Treasury staff are endowed with adequately qualified and experienced staff in financial management. The PFMUS will assign project accountants and project internal auditors to the SPIUs that will be subject to clearance by the World Bank. The project accountants will work closely with the FM staff of the implementing agencies and with the OSAG to carry out the FM tasks under the Program. Staffing capacity varies across the implementing agencies, training and capacity building activities will be supported and provided by the World Bank. Staffing will continue to be reviewed during implementation and required training will continue to be provided through Program implementation. The existing processes for planning and budgeting are acceptable and will be used for the Program as well. The internal audit function is in place in all States, but it has weak capacity; this is an institutional issue that cuts across the Federation. Support is being provided through the TA component of the SFTAS Program to build capacity in risk-based internal audit function in a few selected Ministries, Departments and Agencies (MDAs) working with the Institute of Internal Auditors of Nigeria. The SPIUs will provide bi-annual reporting on the use of Program funds, which will be consolidated by the FPIU and submitted to the World Bank.

108. The procurement arrangements for the Program will be governed by the public procurement systems established in each of the seven states at different times as follows: Delta (2020); Ekiti (2010, revised 2020); Gombe (2019); Imo (2010); Kaduna (2015); Katsina (2017); and Plateau (2018). All the states have passed



procurement laws which, in some cases, were influenced by the ongoing SFTAS project. Observed weakness in procurement capacity of some of the implementing agencies include inadequate number of staff due to embargo on employment, particularly in Plateau State, and inadequate procurement experience among some staff. These weaknesses will be mitigated by recruitment of procurement consultants who will assist in operationalizing the procurement laws, implementation of the guidelines recently issued in some of the States and strengthening of the capacity of the procurement staff.

109. Audit. Responsibility for the annual program audit will rest with the federal as well as individually with each State. The FPIU and the SPIUs will each prepare program-specific financial statements and have them audited by private audit firms under terms of reference acceptable to the World Bank. The audited financial statements shall be submitted to the World Bank within 9 (nine) months of the end of the government fiscal year.

110. Summary assessment of the IPF component. The Federal Project Financial Management Department (FPFMD), established in the Office of the Accountant General of the Federation (OAGF), will be responsible for managing the financial affairs of the project. The FPFMD includes PFMUs that support FM of projects at the state level. Staff in the PFMUs are deputed by the State Accountants-General ensuring these are endowed with adequately qualified and experienced staff in financial management. The FPFMD and PFMUs were assessed and found to be acceptable for the implementation of World Bank-assisted projects. As they are responsible for ongoing projects, they are reviewed on a regular basis and strengthened as needed. The FPIU and the seven SPIUs that will be set up in the participating states, amongst other things, will be responsible for ensuring compliance with the FM requirements of the GoN and the World Bank. Qualified project accountants and internal auditors will be assigned to the FPIU and the SPIUs by the FPFMD and the PFMUs respectively, and they will be subject to clearance by the World Bank.

111. Program DAs and Naira draw down accounts will be opened by the FPIU and the SPIUs. Bi-annual interim financial reports (IFRs) will be prepared for the project by the project accountants and submitted to the FPIU through the SPIUs. The FPIU will also prepare IFRs and consolidate it with the IFRs received from the SPIUs. The consolidated IFRs will be submitted to the World Bank by the FPIU within 45 days from the end of the calendar semester. Annual project financial statements will be prepared separately at the level of the seven states and the FPIU, and the annual audits will be conducted by independent external auditors engaged by the FPIU and the SPIUs based on TOR acceptable to the World Bank. The FPIU and the SPIUs shall submit the audited financial statements within six (6) months from the end of the fiscal year.

112. FPIU will apply the Procurement Regulations of the World Bank for the IPF funds. The FMWR has prepared a Procurement Plan for the TA component for the first 18 months with inputs from the seven participating states. The Procurement Plan describes each contract to be financed under the TA, the selection methods, estimated costs, prior review requirements, and time frame in accordance with the procurement arrangements in the Program Procurement Strategy for Development (PPSD) acceptable to the World Bank. The Procurement Plan will be updated at least annually, or as required, to reflect the actual project implementation needs. All procurement transactions will be executed on the World Bank online tool, the Systematic Tracking of Exchanges in Procurement (STEP). The Procurement Plan will be updated at least annually, or as required, to reflect the actual project implementation needs.

C. Environmental and Social



113. An ESSA was conducted by the World Bank to review the existing systems for E&S management and assess how these systems perform in practice across all tiers of Government. The ESSA evaluated the acceptability of the Borrower's systems (laws, regulations, standards and procedures) against the core principles for managing identified E&S issues and impacts. The ESSA also includes a review of due diligence practices, performance track record, budget and institutional capacity of implementing agencies across all tiers of Government pertaining to E&S management. Consultations were carried out with various stakeholders at the Federal, State and LGA level during the preparation of the draft ESSA, including government staff, implementing agencies, regulatory WASH agencies, environmental regulatory agencies, nongovernmental organizations and sector experts. The draft ESSA was additionally disseminated with the state and federal implementing agencies for their review. Further public consultations for the ESSA was conducted on March 10, 2021 to incorporate the views of NGOs, CBOs and CSOs with the state and federal implementing agencies prior to the project appraisal. The ESSA has been publicly disclosed by the World Bank on March 16, 2021 and the FMEnv on March 23, 2021. As per the assessment conducted and findings via the ESSA the E&S risks are rated Substantial.

114. An E&S screening of initial risks associated with the implementation of the PforR was conducted using the World Bank's PforR principles and screening criteria to determine whether there may be linked or associated activities which would be required to meet Program objectives from an E&S sustainability and inclusion perspective. The anticipated E&S risks are expected to be associated with medium-scale civil works entailing drilling of boreholes, construction and rehabilitation of water points and water schemes, construction and rehabilitation of water facilities in associated institutions (schools and health centers) and public spaces (markets, bus stations), protecting the quality and quantity of water sources for relevant water facilities, household-level sanitation activities, and construction and rehabilitation of latrines in associated institutions (schools and health centers) and public spaces (markets, bus stations). Civil works and operational sanitation and hygiene activities will likely generate adverse site-specific risks and impacts such as the need for the disposal and management of excavated material generated from construction/rehabilitation activities during the construction phase, potential to contaminate water ways and ground water due to poorly designed systems, occupational health and safety of workers both during the construction and operational phases, increased level of dust, noise and vibration and public nuances from moving of construction vehicles and machinery and overall civil works, community health and safety risk and the potential pollution of surface and groundwater sources due to non-monitored operations, improper management of waste water and fecal sludge generated from sanitation facilities and discharge to natural systems unless properly treated and managed.

115. The social issues/risks associated with the Program include impacts due to land acquisition for construction (permanent and temporary), impacts on cultural heritage and women's safety if facilities are not sited properly, labor risks due to workforce brought into rural areas by contractors, resultant impacts on community health, sexual exploitation and abuse (SEA) and GBV issues and potential influx due to improved water and sanitation infrastructure. As many of the areas would be in underserved remote communities, there is potential for conflict between the communities if all do not receive equal benefits from the Program. There are also conflict zones in parts of Nigeria. The movement of goods and services and contractors may pose security risks to the Program. The Program will assess the potential risk posed by security arrangements to those within and outside the Program site and adopt the Voluntary Principles on Security and Human Rights as the relevant good international industry practice approach.

116. Investments of particularly high E&S risks will be excluded from financing under the Program, with others subject to additional screening. Excluded activities include the construction and/or rehabilitation of wastewater treatment plants, the desilting of surface waters, and large-scale water (surface and groundwater) resource



infrastructure, including large dams or activities involving the allocation or conveyance of water, such as inter-basin water transfers or activities resulting in significant changes to water quality or availability. Furthermore, other proposed activities with an uncertain level of risk could be subject to an additional E&S screening mechanism for acceptability. Such activities include, but are not limited to, the construction or rehabilitation of water treatment plant and fecal sludge treatment facilities; and the large-scale construction of water supply mains. Large scale land acquisition for any Program activity is also deemed high risk which cannot be funded under the PforR. Any Program activity that entails large scale resettlement or livelihood displacement of more than 100 Project Affected Persons (PAPs) will not be funded by the PforR. For any resettlement below 100 PAPs, the implementing agencies will prepare Resettlement Action Plans (RAPs).

117. E&S Management: The E&S team has conducted capacity assessments of the Federal Project Implementation Unit (FPIU) and all seven participating states. This assessment builds on the preliminary capacity assessment that was conducted to assess the FMWR's capacity for rural WASH only. The full assessment covers the urban, rural and small-town WSS sector for all participating states and the FPIU. The initial assessment revealed that the FPIU that was originally formed for rural WASH had some experience with previous World Bank Safeguards but was not familiar with the World Bank's PforR requirements. From the initial assessment it was determined that the E&S risk management does not play a role in the development or operational stages of rural WASH projects and relevant capacities are weak in terms of experience, policies, guidelines and human resources. Although the FMWR has implemented some projects sponsored by international agencies, the assessment reveals that these projects do not fully translate to lessons learnt or transferable experiences for the core staff. This may be partly due to the fact that most of the E&S roles are carried out by external consultants, therefore leading to the attrition of experience and knowledge of the due diligence process. Based on the E&S assessment there are distinct variations in institutional mandates and the capacity of Federal and State Water Agencies and Urban Water Departments. Rural and Urban Water Departments at all levels of Government are separate with varying E&S experience. Some states have systems in place based on lessons learnt from previous projects supported by either the World Bank or other development partners. For example, among the seven proposed states, the states benefiting from and currently implementing the NUWSRP3 Project have experience using the World Bank's E&S protocols. Meanwhile, other states show significant gaps in this regard. Overall, there is a general lack of institutional capacity to identify, monitor and manage E&S risks by implementing agencies as most of the E&S components are actively managed by external consultants. More so, most of the policies and institutional structures in place among the participating states have arrangements on urban components of the WASH sector, while the small town and rural components lack adequate institutional capacity, policies and procedures. At the federal level, the FPIU has hired two E&S specialists: one for environment and the other for social. The two specialists have been drawn into the FPIU based on their knowledge and lessons learnt from previous urban water projects, particularly given their experience in managing the NUWSRP3 Project. The ESSA has comprehensive details of the E&S capacity of each of the respective participating States and the FPIU.

118. It is anticipated that, both at the Federal and state level, SPIUs will need to recruit E&S specialists who will have to be trained on the requirements of the ESSA to effectively manage E&S risks. These specialists will manage risks during implementation, including using E&S screening criteria, ensuring the development of requisite E&S assessments and relevant documents by external consultants/firms, overseeing stakeholder consultation, managing contractor performance and conducting implementation monitoring and reporting. TA will need to be cascaded down to LGA-level WASH agencies as well.

119. Geographic location. The Program will be national in scope, involving a state selection process to target both TA and investment in accordance with a set of eligibility and readiness criteria, respectively. Within each



participating state, LGAs will be targeted through an additional set of prioritization criteria. Criteria for state selection and draft criteria for LGA prioritization can be found in Annex 9.

120. E&S impacts under the TA component: The World Bank will provide TA and capacity-building activities that address weaknesses, identified capacity gaps and institutional deficiencies within States and the FMWR. The E&S impacts are negligible and are addressed separately through the E&S Review Summary (ESRS) prepared in line with the World Bank's E&S Framework requirements. The Appraisal ESRS was disclosed on March 22, 2021, by the World Bank. The Stakeholder Engagement Plan (SEP) and Labor Management Procedures (LMP) were publicly disclosed by the FMWR on March 20, 2021 and the World Bank on March 22, 2021. The Environmental and Social Commitment Plan (ESCP) was subsequently publicly disclosed by the FMWR and the World Bank on April 29, 2021. The TA will assist the client in preparing a Security Management Plan (SMP) as part of the POM and will support security interventions, including security personnel and law enforcement to improve its capacity to react to incidents and enforce the law; and reduce criminal and violent activities to the PAPs and beneficiaries. Prior to deploying security personnel, the PIUs shall take measures to ensure that security personnel are: (i) screened to confirm that they have not engaged in past unlawful or abusive behavior, including excessive use of force; and (ii) adequately instructed and trained, on a regular basis, on the use of force and appropriate behavior and conduct.

121. Projects on International Waterways (OP/BP 7.50): OP 7.50 is applicable as the Program aims to provide WASH services in select rural, small towns and institutions (schools and health facilities), with potential impacts on both groundwater and surface water. Some Program sites fall within transboundary river basins that are shared with neighbor countries and therefore considered "international waterways," including the Niger river basin (shared with Benin, Burkina Faso, Côte d'Ivoire, Cameroon, Algeria, Guinea, Mali, Mauritania, Niger, Nigeria, Sierra Leone, Chad) and the Lake Chad basin (shared with Algeria, Cameroon, Central African Republic, Chad, Libya, Niger and Sudan). Given the small scale and diffuse nature of eligible activities financed by this Program and that investments of particularly high environmental risk will be excluded, the Program will not adversely affect the flow, quantity or quality of the water flowing to other riparian countries and will not be appreciably harmed by other riparians' water use. In accordance with the World Bank's OP 7.50 paragraph 1, both the Lake Chad Basin Commission (LCBC) and the Niger Basin Authority (NBA) have been notified of the Program by the FMWR. The LCBC responded favorably to the Program, while no objection was received from the NBA within the allotted timeframe. OP 7.50 was approved by World Bank management on March 19, 2021.

122. Consultations and Information Disclosure. An all stakeholders' conference will be held at least once a year during Program implementation, including representatives of both Federal and state stakeholders, to facilitate information sharing and consultation on key program aspects. To ensure there is proper information dissemination, buy-in, and adequate feedback systems for all stakeholders, a proper stakeholders management system shall be established throughout the project lifecycle. At the federal level, there shall be an all stakeholders conference once a year to consult, engage and gauge feedback from all WASH sector stakeholders. Beyond this, the FPIU shall also engage regularly with all relevant institutional stakeholders at the federal level who have requisite oversight in the management of WASH sector projects. At the State level, participating states shall ensure adequate stakeholder engagement is conducted across all state and local government level implementing agencies. Each Program unit shall establish a clear stakeholder engagement protocol consistent with federal and state guidance as established by the FPIU and the relevant SPIU. All stakeholder engagement protocol shall include proper stakeholder mapping mechanisms, engagement processes, timelines, feedback mechanisms and proper documentation procedures. In all, the stakeholder management process shall emphasize free prior and informed consent of all project affected entities as much as practical. Feedback will be considered in subsequent decisions.



123. Citizen engagement. Following the state selection process and the prioritization of LGAs for investment at the state level, SPIUs will ensure that beneficiary communities within Program LGAs are consulted from the start and that all elements of the Program are planned and designed through participatory processes as outlined in the SEP and the Program's communications strategy elaborated in the POM. This process shall include the involvement of WASHCOMs, WCAs, service providers, and other relevant stakeholders. If WASHCOMs and WCAs do not currently exist within a rural community or a small town, they will be established during the planning phase in accordance with relevant state or FMWR guidelines to enable their participation in the process. In addition, the Program will put in place a basic GRM for RA 1 regarding WASH service provision. The Program will ensure that all stakeholders and persons potentially affected by the Program are aware of the GRM and how to use it as well as monitor its effectiveness. Beyond grievances, beneficiary communities will have a role in the M&E process through citizen-led monitoring guided by experiences from other projects and countries. Beneficiary communities will also play a primordial role in driving social and behavior change in order to achieve and sustain community-wide ODF status.

124. Grievance Redress. The PforR will support the development and implementation of GRMs under the PAP for the main activities supported by the Program. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing GRMs at the project-level, to existing public complaints agencies/citizen mediation centers within state or local governments, or to the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project 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/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

125. Gender. Nigeria presents profound gender disparities in human development outcomes and economic opportunities that hinder poverty reduction, inclusive development and economic growth. With 44 percent of its population under the age of 15,⁴⁴ Nigeria is a young country with the potential of being a giant on the continent as well as the global stage. Significant efforts to transform and diversify its economy are nonetheless needed to unlock this potential and provide economic opportunities for its growing population. Women and girls represent almost half of Nigeria's population. Promoting gender equality and narrowing the existing gaps between females and males could translate to higher productivity and growth.⁴⁵ Hence, barriers that discourage women from participating in the labor force should be removed. The Nigeria Gender Innovation Lab is finalizing a Gender Diagnostic using the latest 2018/19 Nigeria General Household Survey data.⁴⁶ The study finds that working age Nigerian women are less likely to work than men (51 percent versus 64 percent). Moreover, the diagnostic shows that economic participation for women drops around the transition to secondary school at the age of 14 despite

⁴⁴ World Bank staff estimates based on age/sex distributions of United Nations Population Division's World Population Prospects: 2019 Revision.

⁴⁵ International Monetary Fund, 2018. Nigeria Selected Issues Paper.

⁴⁶ World Bank. Nigeria Gender Diagnostic (Forthcoming).



girls having similar attendance rates to boys at primary school⁴⁷. These women never catch up to the economic participation for men. The diagnostic notes that gender gaps in education later translate to gender gaps in economic outcomes and negatively impact women's future job prospects. An additional year of post-secondary education could increase the probability of a woman's participation in the wage market by 15 percent in Nigeria.

126. Beyond socio-economic factors leading to high dropout rates, inadequate WASH facilities in many Nigerian schools do not provide an optimal learning environment for girls, especially after puberty. Furthermore, the current COVID-19 crisis may widen the gender gaps in education as many girls may not go back to school after the pandemic.⁴⁸ The COVID-19 pandemic may additionally accentuate the gender gaps in labor force participation. As stated in the Gender Diagnostic, a May 2020 survey of business owners and managers of small and medium-sized enterprises (SMEs) in Nigeria showed that 42 percent of women-owned firms had closed as a result of the pandemic, compared with only 33 percent of men-owned firms.

127. Given the disproportionate impact from insufficient access to WASH services, the Program will include strategies to reduce gender gaps discussed in previous sections and empower women, the poor, people with disabilities, and other vulnerable stakeholders within beneficiary communities to participate in Program planning and design as well as WASH service delivery. The Program will aim to increase women's representation, voice and agency by promoting gender equality within service providers and LGA-level WASH Departments and community-level WASHCOMs and WCAs. While data regarding women's participation and voice in WASHCOMs is limited, anecdotal evidence suggests that they usually hold the treasurer position. The Program will prioritize women while supporting the development of local entrepreneurs, artisans, technicians, and suppliers of spare parts for infrastructure and WASH materials.

128. The Program will promote job creation for women in participating service providers through specific actions. For example, human resources gender surveys will be carried out in the utilities to obtain the latest data on female employment, including in technical and managerial positions. The survey findings will help confirm prior findings and provide more detailed information on barriers to women's employment. This will enable the finetuning and implementation of specific actions to promote gender diversity in the workplace, including strengthening human resources policies, recruitment of female students from universities and technical programs through a Young Professionals Program, and promoting access to technical and managerial training opportunities for women in WASH-related fields. The Young Professionals Program, with a specific target of 40 percent for women, will facilitate direct hiring of women in technical positions.⁴⁹ To achieve this target, the Program includes targeted outreach to women to encourage and support their enrollment in the Young Professionals and technical training programs.

129. The Program will also work with local universities to build a pipeline of water professionals, focusing also on boosting female representation in the sector. According to the Nigeria Gender Diagnostic, providing training on sector-specific skills required by a sector or information on sector-specific earnings may help women enter male-dominated occupations and secure higher paying jobs. Under the sanitation activities, women entrepreneurs will be targeted along the whole sanitation service chain to address supply chain and O&M constraints (e.g., toilet business owners (TBO), sanitation workers). Specific actions will be taken to ensure that gender gaps related to

⁴⁷ Nigeria has a Universal Basic Education policy, which guarantees children the right to six years of free primary school and three years of free secondary school.

⁴⁸ UNESCO, 2020. Keeping girls in the picture.

⁴⁹ The young professional program will target young Nigerian women and men in partnership with Nigerian universities and institutions. An assessment will be conducted to identify current gaps in engineering and technical positions and technical training needs (using Equal Aqua human resources survey or a separate assessment) to design the young professional and training programs.



employment and income-generating opportunities for women are addressed under the Program. The gender and inclusion divide in access to WASH services will also be tackled. Women-friendly⁵⁰ and accessible sanitation and hygiene facilities will be adopted for institutional and public settings. Evidence from the Water and Human Capital report shows that improving WASH in schools can lead to a reduction in school absenteeism and lower dropout rates.⁵¹ Furthermore, evidence from South Africa suggests that by making toilets accessible to women, the Program may contribute to reducing GBV, which was shown to be higher in areas with limited sanitation facilities.⁵²

130. Managing Gender Issues, SEA, GBV and Other Gender Vulnerabilities. Given the WASH sector's gender bias, the SURWASH project shall be designed to ensure that all forms of gender vulnerabilities are properly assessed and proactively managed throughout the project lifespan. Also, since much of the project will be implemented in rural areas and small towns, where there is weak capacity to monitor gender vulnerabilities, the project shall ensure that implementing agencies institutionalize adequate gender screening procedures to identify and proactively manage potential gender issues across the entire project lifecycle from project planning and design to implementation and M&E. As evident from the ESSA, some states currently implementing World Bank projects have strong gender policies that do not only emphasize gender inclusion, but also proactively manage SEA, GBV and other gender vulnerabilities. This system shall be strengthened across implementing states.

131. Climate Co-benefits. The Program will deliver significant climate change adaptation and mitigation co-benefits in both RAs. Given Nigeria's climate risks and the variability of its climatic zones, the Program activities under both RAs and associated DLIs will strengthen Nigeria's ability to improve its resilience and climate adaptation to droughts and floods, as appropriate in participating states. Increased access to safe and sustainable WASH services will improve the resilience of the Nigerian people to water scarcity and from the threat of waterborne diseases – such as cholera, schistosomiasis, and other diarrheal diseases – the incidence of which have been shown to increase as a result of climate change: heavy rainfall and high temperatures in particular.⁵³ At present, flood waters are entering peoples' homes and neighborhoods, which climate change will only intensify. When combined with the human waste from open defecation, permeable poorly-managed latrines, and leaking septic tanks, this poses a major public health risk that will intensify as climate change makes flooding worse. Sanitation investments under the Program will prevent the spread of human waste through flood events and protect groundwater resources, safeguarding water supplies in the face of increasing climate change-induced drought risk. The transformational nature of the Program in reducing open defecation in the country where the practice is most prevalent will have major positive implications for protecting beneficiaries from climate change shocks. Furthermore, supported WASH infrastructure will prioritize the use of renewable energy and will not permit the use of diesel if lower-carbon or zero-carbon options are feasible.

132. The National WASH Fund, to be established and operationalized through DLI 1, is envisioned as the key mechanism to enhance collaboration across different levels of government by facilitating access to financing and incentivizing performance improvements towards the development of sustainable and safely managed WASH services, with climate-related selection criteria and the prioritization of renewable energy. PIR plans under DLI 2 target the implementation of reforms that improve service sustainability, ensure water quality, conserve water

⁵⁰ Female friendly entails separate facility with stalls with locks, sanitary napkin supplies, disposal, washing water.

⁵¹ Andres L. et al., 2018. Water and Human Capital: Impacts across the lifecycle.

⁵² Gonsalves G. et al., 2015. Reducing Sexual Violence by Increasing the Supply of Toilets in Khayelitsha, South Africa: A Mathematical Model. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4414450/>

⁵³ Levy K, Smith SM, Carlton EJ. Climate Change Impacts on Waterborne Diseases: Moving Toward Designing Interventions. *Curr Environ Health Rep.* 2018;5(2):272-282. doi:10.1007/s40572-018-0199-7



resources, and improve energy efficiency. The development of risk, resilience and emergency response plans for sector institutions, as well as enhanced water quality monitoring, are included as elements of the PIAPs under sub-DLIs 3.1 and 5.1. The resilient design process⁵⁴ for infrastructure development under DLIs 3-7 will also ensure that water and sanitation infrastructure is robust to the threats of drought and flood. Water sector DLIs (DLIs 1, 2, 3, 3.1, 4, and 7) will contribute to climate mitigation by reducing GHG emissions, including through the use of renewable energies, improvements to energy efficiency, the rehabilitation of urban water infrastructure, and increased metering coverage, resulting in reductions in NRW. Similarly, sanitation sector DLIs (DLIs 1, 2, 5, 5.1, 6, and 7) also result in a reduction of GHG emissions through the prioritization of low-carbon fecal sludge management options and the upgrading of latrines. Finally, the IPF component will directly support sector institutions both at the Federal and state levels to plan, monitor, design, and implement climate-related Program activities, including through: (1) the provision of TA and capacity building; (2) the development of an MIS system to monitor sector performance, energy and resource efficiency, and resilience to climate threats; (3) support to the NWRI to deliver climate-informed trainings and capacity building to address sector capacity constraints; and (4) the development of climate resilient technology options and management models for use in the program, and evaluation of the impacts of these approaches on water system functionality and service access. Co-benefits are described in further detail per DLI in Annex 11.

133. GHG emissions. The Water Supply activities under this project are estimated to result in net emissions of -1,611,841 tCO2-eq due to a combination of energy efficiency gains from NRW reduction and improved pumping, as well as shifting from diesel- and grid-powered pumping towards greater use of renewable energy sources. The average annual net emissions are -64,474 tCO2-eq/year and the gross emissions over the economic lifetime are 1,316,053 tCO2-eq. Under the project, leakage reduction will reduce the NRW rate from a baseline of 51.4 percent down to 27.6 percent, which represents a major reduction in leakages and a major increase in resource efficiency by the end of project implementation. In terms of the energy mix for delivering water services, the share of newly installed solar power will rise from a baseline of 14 percent up to a conservative estimate of 50 percent, while an additional 10 percent will come from wind above a 0 percent baseline, representing that the majority of energy needs will be delivered by renewables. Zero-energy zero-emissions gravity-based systems will contribute a further 15 percent. DLIs 1 and 2 set the policy framework for prioritizing renewable energy, reducing diesel pumping, and emphasizing energy efficiency for the water sector to help facilitate these emissions reductions. The infrastructure itself that will realize these estimated emissions reductions will be built under DLIs 3, 3.1, 4, and 5.

134. The project's sanitation investments are estimated to result in net emissions of -1,006,120 tCO2-eq, with average annual emissions of -40,245 tCO2-eq, representing net emissions reductions. The gross emissions of these activities over the economic lifetime are estimated at 1,130,625 tCO2-eq. These net emissions reflect the projects investments in septic treatment, upgrading latrines, and using treated sludge as a fertilizer replacement. They are realized under the infrastructure investments under DLI 5, as well as the policy framework, performance improvements, and standards enforced under DLIs 1, 2, 5.1, and 6.

135. Maximizing finance for development. The Program seeks to leverage and empower the private sector to tackle the many challenges associated with rural WASH services provision, both during the Program duration and beyond. This includes improving sector enabling environments, service provider performance, and the revenue base to attract and leverage private sector investment in the future. In addition, the Program will additionally support the development of comprehensive supply chains, training private mechanics and artisans, and piloting

⁵⁴ The resilient design process will follow the principles outlined in the World Bank's *Resilient Water Infrastructure Design Brief, Building the Resilience of WSS Utilities to Climate Change and Other Threats*, and the *Decision Tree Framework*.



new and innovative infrastructure management and maintenance models that provide the proper incentives for private sector entities to improve service sustainability. A potential strategy for sanitation is the provision of small loans through microfinance institutions that allow households to overcome their severe credit constraints.

136. PAP. The PAP includes legally binding actions that are considered crucial for advancing WASH service delivery in Nigeria and improving human capital for service delivery. These actions were identified as potential constraints to Program results through the three World Bank assessments (Technical, Fiduciary, and E&S). Disbursements for DLIs will only be made if their achievement fully conforms to related PAP actions. The PAP will be monitored through regular supervision missions and will be reported on annually by the PIU. The actions will be executed through instructions contained in the POM, which sets forth GoN regulations and laws that will govern the various aspects of the Program and any required supplemental provisions. The list of agreed upon actions is provided in Annex 6.

V. RISK

137. The **Overall Risk** for the Program is rated as **Substantial** based on the identified risks and ratings highlighted below.

138. Political and governance: The risk is rated **Substantial**. The FGN has demonstrated high-level political commitment at the Federal level, with the President and Vice President launching key sector programs in recent years. Yet given that Program implementation will largely occur at the state level, high-level political commitment is required within participating states. At present, commitment to WASH varies greatly across the states and, as evidenced by the poor sector outcomes, is largely insufficient. To mitigate inherent political risks, the Program sought to ensure that each participating state's governor's office demonstrated strong commitment to the sector prior to state selection through the eligibility and readiness criteria. This includes an increased willingness to commit resources to the sector and implement reforms. Continued outreach to the governors and the NGF more broadly, as well as the competition between states promoted through the Program design, is intended to further encourage such commitment. In addition, the Program will closely involve the highest levels of state governments during implementation and seek to mitigate the risk posed by gubernatorial elections through a robust communications strategy elaborated in the POM.

139. Macroeconomic: The risk is rated **Substantial**. The Nigerian economy remains dependent on its oil sector for much of its fiscal revenues and foreign exchange earnings. Given the current shortfall in revenue as a result of low and volatile oil prices in the international market, and the possibility that the country may return to recession in the immediate future, the macroeconomic situation is relatively uncertain. Furthermore, the outbreak of the COVID-19 pandemic in Nigeria is already showing significant human and economic costs. The administrative stress of addressing the pandemic has slowed down reform. The resulting reduction in revenue collection may constrain the budget allocations, releases, and expenditure performance of existing programs supported by this operation, therefore impacting the ability of state governments to provide counterpart funding and to prefinance investments under the Program. To mitigate this risk, the team has sought to ensure that Program advances and DLI disbursements are available at critical points in the Program duration to support states in maintaining a positive cashflow to conduct Program activities. In addition, segregated SURWASH Program accounts will be established in the participating states to ensure funds availability and transparency and limit the risk of diversion of Program funds to other activities. A Funds Release Policy will specifically include agreed timelines for funds flow.



140. Sector strategies and policies: The risk is rated **Moderate**. Renewed political commitment by the President to achieve universal access to WASH can galvanize the momentum necessary to address critical bottlenecks in the sector. In recent years, the FGN has demonstrated increased political will in tackling the crisis in Nigeria's WASH sector through the launch of the NAP and associated national programs. At the state level, political will varies, as do institutional arrangements, strategies, and policies. Since states are responsible for WASH service provision, Nigeria's ability to attain its WASH sector goals depends upon state adoption of the Federal strategy. However, existing state strategies lack sufficient detail for implementation, and state governments have a history of reform signaling. Laws, policies, and strategies are often adopted but not properly implemented, therefore failing to achieve results on the ground. Further, the number of sector institutions responsible for implementation adds a substantial management and coordination risk, especially at state level. This risk is mitigated through the rigorous and transparent state selection process conducted against established eligibility and readiness criteria that help ensure that participating states are properly aligned with the NAP and associated national programs and that they demonstrate the necessary political commitment, policy environment, ownership and capacity required prior to investment. In addition, the targeted provision of incentives for policies, institutions, and regulation strengthening are designed to ensure that required reforms are fully implemented. Finally, TA will be provided to all relevant levels of government to build capacity and strengthen coordination.

141. Technical design of the Program: The risk is rated **Substantial**. While the actual technical design of infrastructure and related activities under the Program are of moderate risk – they are largely consistent with the regular activities of the implementing agencies – the Program's technical design is rated substantial due to lack of prior results-based lending operations in Nigeria's WASH sector and risks associated with the Program's performance-based approach to final state allocations. The Program will primarily be implemented at the state level, with state agencies responsible for the design and implementation of activities under Results Area 2. Given the complexities and the heterogeneous technical capacity of state agencies, potential challenges include ensuring proper resource allocation, effective Program implementation, infrastructure quality, and M&E. Furthermore, the uncertainty of state financing allocations may cause states to be reticent in pre-financing investments. To mitigate these risks, a central SPIU will coordinate the activities in the state and will require predetermined minimum capacity levels. Local, state, and federal governments will work together in developing and implementing standard guidelines for a sector-approved menu of technology options. The Program will support sector institutions, service providers, private sector actors, and communities in developing their technical skills to properly construct, install, use, and maintain relevant infrastructure, as required. Furthermore, the Program will seek to avoid distrust by publicly disclosing beneficiary targeting mechanisms, conducting regular stakeholder consultations, and implementing communication and outreach strategies that engage communities in planning and oversight. The risks associated with the performance-based approach to financing will be mitigated by ensuring that states have developed their own mid- to long-term sector strategic plans through the eligibility and readiness criteria independent from the Program, and by supporting states in identifying investment priorities and ensuring that Program sub-projects are ready for investment.

142. Institutional capacity for implementation and sustainability: The risk is rated **Moderate**. Institutional arrangements and capacities of sector institutions vary greatly across states. While some states have a Ministry of Water Resources, others place responsibility for WASH alongside other sectors, such as a Ministry of Public Utilities or a Ministry of Infrastructure. Some states have LGA WASH units, while others have fully converted them into WASH departments. Most of the state-level agencies, with whom implementation responsibility falls most heavily, lack experience in implementing large World Bank-financed projects. These issues render large investments at the state level an inherently risky activity. To mitigate these risks, a central SPIU will coordinate



activities with an obligation to develop sufficient capacity in project implementation, E&S, FM and procurement. The SPIU and implementing agencies will be strengthened by TA under the IPF component. During implementation, the FPIU will provide oversight through a holistic M&E structure and a credible results-verification mechanism. The strengthening of relevant sector institutions and incentives provided for performance improvements and continued functionality will further augment the sustainability of investments.

143. Fiduciary: The overall Program integrated residual fiduciary risk (FM, procurement and governance) is rated **Substantial**. The identified fiduciary risks include Program funds not used for intended purposes, insufficient and delayed flow of funds to the implementing agencies to carry out program activities, varying staffing and capacity levels at the level of the implementing agencies, weak procurement capacity for managing large value contracts and relatively new regulators to carry out oversight functions. To mitigate the risk of program funds not used for intended purposes, the participating States through the SPIUs will provide bi-annual reporting on the use of funds in line with the implementation plans and the PEFs, which will be consolidated by the FPIU for regular monitoring. To address the risk on adequacy and timeliness of funds flow: (i) segregated Program accounts will be set up in the seven states to ensure transparency and limit the risk of diversion of Program funds; and (ii) a 'Funds Release policy' will be prepared that specifically includes agreed time lines for the transfer of funds. At the end of the Program, the audited Program financial statements will enable reconciliation of World Bank disbursements with the overall Program expenditures. Further, the use of performance-based disbursement will engender commitment on the part of state governments to ensure timely funds flow to the implementing agencies for the implementation of SURWASH interventions. The failure to do so would hamper their ability to access disbursements from the World Bank. This too mitigates, to some extent, the risk of the Program activities not receiving funds in a timely manner. Training and capacity building interventions will be financed through the TA component. In addition, project accountants will be assigned by the PFMUs to the SPIUs who will provide TA to and coordinate with the FM staff at the implementing agencies. Except for Kaduna State, which has procurement officers with reasonable experience in procurement gained from their involvement in projects financed by the AfDB and the Islamic Development Bank, the remaining states have an inadequate number of skilled procurement personnel that can manage large-value and complex procurement packages. Procurement risks will be mitigated by deploying additional procurement staff and regular training in addition to support from procurement consultants where necessary. The mitigation measures for the identified risks will be managed through implementation of the PAP.

144. Environmental: The risk is rated **Substantial** due to the geographically dispersed nature of supported small-to medium-scale civil works, such as the construction and rehabilitation of WASH infrastructure in urban and rural communities and small towns – including in schools, health facilities and public spaces – across seven participating states. Civil works and household-level sanitation and hygiene activities will likely generate adverse site-specific risks and impacts associated with the management and disposal of excavated material and other construction waste; increased levels of dust, noise and vibration from the movement of construction vehicles and machinery; as well as the occupational health and safety of workers and community health and safety risks, both during the construction operational phases. Construction of infrastructure and fecal sludge management systems pose a risk of pollution to surface and groundwater sources. Significant impacts on the ground could result if these risks are not stringently screened, managed and monitored. Gaps in the borrower's systems indicate that the implementation and institutionalization of the recommendations of the ESSA will require considerable capacity building. In addition, high-risk activities, as described in paragraph 116, have been excluded from the Program.



145. Social: The risk is rated **Substantial**. This is largely due to the Program being the first PforR in a WASH sector with complex sub-national institutional arrangements and often low client capacities to assess and evaluate E&S risks. Specific social risks include impacts from land acquisition for construction, impacts on cultural heritage and women's safety from poorly sited facilities, labor risks due to workforce brought into rural areas by contractors, impacts on community health, SEA, GBV, potential influx of persons due to improved WASH infrastructure and potential for conflict between communities if beneficiaries do not receive equal benefits from the Program. The potential impacts are site specific and reversible with mitigation measures already designed in the Program. High-risk activities, as described in paragraph 116, have been excluded from the Program.

146. Stakeholders: The risk is rated **Moderate**. The Program's objectives have generally been publicly discussed and well understood, as they directly respond to the publicly launched AP. State and local governments, development partners, non-governmental organizations (NGOs), and the public welcome the operation, with no evidence of significant stakeholder opposition. Consultation with development partners that are implementing overlapping operations is ongoing. A robust communications and outreach strategy will be supported through the IPF component.

147. Other – insecurity, COVID-19 pandemic restrictions, and civil protests and sporadic violence across the country: These risks are rated **Substantial**. During the first surge of the pandemic, a national lockdown and restrictions on movements were put in place that lasted over two months. There is a risk that a new wave of infections in the future could result in another round of lockdowns and restrictions. Even though the Program will support States to develop COVID-19 protocols and guidelines for implementation of WASH interventions – to be agreed at the commencement of the Program – and a number of activities can be implemented even in a lockdown situation, the risk from COVID-19 remains substantial. Additionally, there has been recent nation-wide protests against police brutality, some of which turned violent with many government offices vandalized. With the risk of similar events in the future, the provision of formal and informal insurance shall be agreed upon at the commencement of the Program. Given that poverty, inequality and youth unemployment are the underlying motivations for protests and vandalism, the risk from future civil protests to the Program is substantial.

148. Other – perceptual and reputational risks: The risk is rated **Moderate**. The substantial increase in financing and attention to a sector that has historically been marginalized is likely to attract the attention of the media and CSOs, increasing pressure on the Government to deliver on the reform agenda. Prior shortcomings in the sector – such as the non-functionality of water supply infrastructure – have impacted public trust in what the Government can achieve and is therefore likely to adversely impact the perception of the Program's ability to deliver sustainable services. The World Bank may be blamed for poor outcomes, lack of transparency and accountability, and further contributing to the debt level. In addition, the selection of states supported by investment may be criticized, and the number of beneficiaries may be perceived as too low given the amount of financing. Yet the Program design includes a number of mitigation measures that moderate these risks, including first and foremost a robust communications and outreach strategy supported by the IPF component. State selection followed clear and transparent criteria, which have been socialized with all governors through the NGF. The Platform approach where states compete for funding based on performance, and assisted states can be onboarded upon achievement of transparent criteria, should mitigate perceptions of unfairness. Finally, the PforR instrument's provision of incentives for reform, capacity building, performance, and sustainability is designed to move beyond past failures and deliver sustainable services.



ANNEX 1. RESULTS FRAMEWORK MATRIX

Results Framework

COUNTRY: Nigeria

Nigeria Sustainable Urban and Rural Water Supply, Sanitation and Hygiene Program

Program Development Objective(s)

The Project Development Objectives (PDO) are to increase access to water, sanitation, and hygiene services and to strengthen sector institutions in participating states of Nigeria.

Program Development Objective Indicators by Objectives/Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Increase access to water, sanitation, and hygiene services and strengthen sector institutions								
States achieving PIR plan targets (Number)	DLI 2	0.00	7.00	7.00	7.00	7.00	7.00	7.00
People provided with basic drinking water service under the Program (Number)	DLI 3	0.00	305,000.00	610,000.00	1,891,000.00	3,721,000.00	5,327,333.00	6,100,000.00
People provided with basic drinking water service under the Program - female (Number)		0.00	150,365.00	300,730.00	932,263.00	1,834,453.00	2,626,375.00	3,007,300.00
People provided with basic drinking water service under the		0.00	223,667.00	447,333.00	1,565,667.00	2,907,667.00	4,026,000.00	4,473,333.00



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Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Program - rural (Number)								
People provided with basic drinking water service under the Program - urban and small towns (Number)		0.00	81,333.00	162,667.00	325,333.00	813,333.00	1,301,333.00	1,626,667.00
Performance improvement of state Water Supply implementing agencies (Yes/No)	DLI 3.1	No	Yes	Yes	Yes	Yes	Yes	Yes
People provided with access to improved sanitation services (CR), Number)		0.00	57,500.00	185,000.00	395,000.00	675,000.00	1,037,500.00	1,400,000.00
People provided with access to improved sanitation services - Female (RMS requirement) (CRI, Number)		0.00	23,348.00	91,205.00	195,735.00	332,775.00	511,488.00	690,200.00
People provided with access to improved sanitation services - rural (CRI, Number)		0.00	57,500.00	172,500.00	345,000.00	575,000.00	862,500.00	1,150,000.00
People provided with access to improved sanitation services -		0.00	0.00	12,500.00	50,000.00	100,000.00	175,000.00	250,000.00



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Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
urban (RL, Number)								
Schools and healthcare facilities with improved water supply, sanitation and handwashing facilities constructed or rehabilitated (Number)	DLI 7	0.00	100.00	200.00	700.00	1,300.00	1,800.00	2,000.00
Schools and healthcare facilities with improved water supply, sanitation and handwashing facilities constructed or rehabilitated - rural (Number)								
Schools and healthcare facilities with improved water supply, sanitation and handwashing facilities constructed or rehabilitated - urban and small towns (Number)								
Communities having achieved and/or maintained community-wide sanitation status (declared and verified as ODF+) (Number)	DLI 6	0.00	19.00	63.00	139.00	239.00	369.00	500.00
Communities having achieved and/or maintained community-								



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Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
wide sanitation status (declared and verified as ODF+) - rural (Number)							
Communities having achieved and/or maintained community- wide sanitation status (declared and verified as ODF+) - urban and small towns (Number)		0.00	0.00	6.00	26.00	51.00	87.00
							125.00



Intermediate Results Indicator by Results Areas

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Results Area 1: Strengthened sector policies and institutions for improved services								
Share of workers managing public sanitation facilities built under the Program who are persons with disabilities/other group identified as excluded (Percentage)		0.00	1.00	3.00	5.00	7.00	10.00	10.00
Proportion of WASHCOMS supported under the Program with at least one woman holding a leadership position (Percentage)		0.00	5.00	10.00	15.00	20.00	25.00	30.00
Share of newly created engineering or technical positions filled by women through internal promotion or external recruitment among service providers participating in the Program (Percentage)		0.00	40.00	40.00	40.00	40.00	40.00	40.00
Grievances registered and addressed in a timely manner under the Program (Percentage)		0.00	80.00	80.00	80.00	80.00	80.00	80.00
National WASH Fund established and operational	DLI 1	No	Yes	Yes	Yes	Yes	Yes	Yes



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
(Yes/No)								
Results Area 2: Improved access to water supply, sanitation and hygiene services								
Population using basic water supply services (Percentage)								88.30
Population using improved sanitation (Percentage)		75.20						72.30
Households with improved sanitation facilities constructed or rehabilitated under the Program (Number)			69.30					
Households with improved sanitation facilities constructed or rehabilitated under the Program - rural (Number)				DLI 5	0.00	11,500.00	37,000.00	79,000.00
Households with improved sanitation facilities constructed or rehabilitated under the Program - urban and small towns (Number)					0.00	11,500.00	34,500.00	69,000.00
Households with improved sanitation facilities constructed or rehabilitated under the Program - urban and small towns (Number)						0.00	2,500.00	10,000.00
Performance improvement of state sanitation implementing agencies (Yes/No)	DLI 5.1	No	Yes	Yes	Yes	Yes	Yes	Yes
People with access to sustainably functioning water service (Number)	DLI 4	0.00	0.00	240,000.00	530,000.00	1,050,000.00	2,300,000.00	3,575,000.00



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Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Public places provided with WASH facilities (Number)		0.00	20.00	60.00	120.00	200.00	300.00	400.00
Utilities achieving at least 10 percent average increase in energy efficiency/reduction in water loss (Number)		0.00	0.00	1.00	2.00	3.00	4.00	5.00
Share of rural and small town water supply beneficiaries using systems relying on renewable energy (Percentage)		0.00	60.00	60.00	60.00	60.00	60.00	60.00
Water supply systems with regular water quality and quantity monitoring to improve resilience of populations in climate-vulnerable areas within Program LGAs (Percentage)		0.00	20.00	30.00	40.00	50.00	60.00	70.00



Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	Definition/Description	Frequency	Data source	Methodology for Data Collection	Responsibility for Data Collection
States achieving PIR plan targets	The indicator tracks the number of states that achieve the PIR plan targets annually.	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports and FPIU Progress Reports	State Governor's Office, WASH regulatory agency or equivalent, State Urban Water and Sanitation Authorities, RUWASSA, STWASSA or equivalent) and LGA WASH Departments
People provided with basic drinking water service under the Program	The indicator measures the cumulative number of people accessing basic drinking water services under the Program. This is a disbursement-linked indicator. More information is provided in the verification protocol.	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states	SPIU, RUWASSA/STWASSA, State Water Authority, FPIU
People provided with basic drinking water service under the Program - female	The indicator measures the cumulative number of females accessing basic drinking water services under the Program.	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports and FPIU Progress Reports	SPIU, RUWASSA/STWASSA, State Water Authority, FPIU
People provided with basic drinking water service under the Program - rural	The indicator measures the cumulative number of people in rural areas accessing basic drinking	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data	SPIU, RUWASSA, FPIU



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	water services under the Program.			from states Desk review of SPIU Progress Reports and FPIU Progress Reports	
People provided with basic drinking water service under the Program - urban and small towns	The indicator measures the cumulative number of people in urban areas and small towns accessing basic drinking water services under the Program.	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states	SPIU, RUWASSA/STWASSA, State Water Authority, FPIU
Performance improvement of state Water Supply implementing agencies	DLI 3.1 will be triggered when: Year 1: PIAP has been prepared for the SWA/RUWASSA/STWASSA, or equivalent, including a baseline assessment and annual targets Year 2: First annual PIAP has been completed and assessment completed for the SWA/RUWASSA/STWASSA, or equivalent Year 3 - 5: SWA/RUWASSA/STWASSA, or equivalent has achieved the PIAP targets	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports and FPIU Progress Reports	State Governor's Office, WASH regulatory agency or equivalent, State Urban Water Authority, RUWASSA/STWASSA, or equivalent, FPIU
	The PIAP will assess				



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People provided with access to improved sanitation services			SWA/RUWASSA/STWASSA, or equivalent, on key metrics deemed critical for service quality and sustainability during the Program, as described in Annex 10 of the PAD.						
People provided with access to improved sanitation services - Female (RMS requirement)	Annual	SPIU Progress Reports, FPIU Progress Reports, Clean Nigeria Campaign Reports	The indicator measures the cumulative number of people who benefited from improved sanitation facilities that have been constructed through operations supported by the World Bank.	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states	SPIU, RUWASSA/STWASSA, State Sanitation Authority, FPIU				
People provided with access to	Annual	SPIU Progress Reports, FPIU Progress Reports, Clean Nigeria Campaign Reports	The indicator measures the cumulative number of people who benefited from improved sanitation facilities that have been constructed through operations supported by the World Bank.	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states	SPIU, RUWASSA/STWASSA, State Sanitation Authority, FPIU				



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improved sanitation services - rural			Reports FPIU Progress Reports Clean Nigeria Campaign Reports	data from the different state institutions FPIU to consolidate data from states	Sanitation Authority, FPIU
People provided with access to improved sanitation services - urban	Annual	SPIU Progress FPIU Progress Reports Clean Nigeria Campaign Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states	Desk review of SPIU Progress Reports, FPIU Progress Reports and Clean Nigeria Campaign reports. We assume 5 people per household.	
Schools and healthcare facilities with improved water supply, sanitation and handwashing facilities constructed or rehabilitated	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states	Desk review of SPIU Progress Reports and	SPIU, RUWASSA/STWASSA, State Sanitation Authority, FPIU



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			FPIU Progress Reports	FPIU
constructed or rehabilitated water supply and sanitation facilities that meet the definition of improved and adhere to the technical specifications of state and/or federal government, as defined in the POM, including access to handwashing facilities, separate compartments for males and females and accessibility for people living with disabilities.				
This is a disbursement-linked indicator. More information is provided in the verification protocol.	The indicator measures the number of schools and healthcare facilities in rural areas provided with full WASH packages under the Program. Full WASH packages entail newly constructed or rehabilitated water supply and sanitation facilities that meet the definition of improved and adhere to the technical specifications	Annual SPIU Progress Reports FPIU Progress Reports Desk review of SPIU Progress Reports and FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Authority, SUBEB, State Primary Health Care Development Agency, FPIU	SPIU, RUWASSA/STWASSA, State Water Authority, State Sanitation



				of state and/or federal government, as defined in the POM, including access to handwashing facilities, separate compartments for males and females and accessibility for people living with disabilities.
Communities having achieved and/or maintained community-wide sanitation	This indicator measures the number of communities	Annual	SPIU Progress Reports	The indicator measures the number of schools and healthcare facilities in urban areas and small towns provided with full WASH packages under the Program. Full WASH packages entail newly constructed or rehabilitated water supply and sanitation facilities that meet the definition of improved and adhere to the technical specifications of state and/or federal government, as defined in the POM, including access to handwashing facilities, separate compartments for males and females and accessibility for people living with disabilities.
			SPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports and FPIU Progress Reports
			FPIU Progress Reports	RWASSA/STWASSA, State Water Authority, State Sanitation Authority, SUBEB, State Primary Health Care Development Agency, FPIU



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status (declared and verified as ODF+)	achieving or maintaining open defecation status (ODF+). This is a disbursement-linked indicator. More information is provided in the verification protocol.		FPIU Progress Reports Clean Nigeria Campaign Reports NTGS Reports STGS Reports	state institutions from states Desk review of SPIU Progress Reports, FPIU Progress Reports, Clean Nigeria Campaign reports, NTGS Reports and STGS Reports	State Sanitation Authority, FPIU
Communities having achieved and/or maintained community-wide sanitation status (declared and verified as ODF+) - rural	This indicator measures the number of rural communities achieving or maintaining open defecation status (ODF+). This is a disbursement-linked indicator. More information is provided in the verification protocol.	Annual	SPIU Progress Reports FPIU Progress Reports Clean Nigeria Campaign Reports NTGS Reports STGS Reports	SPIUs to consolidate data from states SPIU to consolidate data from different state institutions SPIU to consolidate data from states SPIU, RUWASSA/STWASSA, State Sanitation Authority, FPIU	
Communities having achieved and/or maintained community-wide sanitation status (declared and verified as ODF+) - urban and small	This indicator measures the number of urban and small towns communities achieving or maintaining	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data	SPIU, RUWASSA/STWASSA, State Sanitation Authority, FPIU



towns	open defecation status (ODF+). This is a disbursement-linked indicator. More information is provided in the verification protocol.	Clean Nigeria Campaign Reports NTGS Reports STGS Reports	from states Desk review of SPIU Progress Reports, FPIU Progress Reports, Clean Nigeria Campaign reports, NTGS Reports and STGS Reports We assume 500 households per community and 5 people per household.
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Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Share of workers managing public sanitation facilities built under the Program who are persons with disabilities/other group identified as excluded	The indicator tracks the proportion of workers who manage public sanitation facilities built under the Program who are persons with disabilities or other group identified as excluded by the project	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports and FPIU Progress Reports	SPIU, RUWASSA/STWASSA, State Water Authority, State Sanitation Authority, SUBEB, State Primary Health Care Development Agency
Proportion of WASHCOMs supported under the Program with at least one woman holding a leadership position	The indicator tracks the proportion of WASHCOMs supported under the Program with at least one woman holding a leadership position. Data regarding the number of women in leadership positions in WASHCOMs is limited. Anecdotal data suggests that women rarely hold leadership positions and instead hold the treasurer's position.	Annual	SPIU Progress Reports FPIU Progress Reports Desk review of SPIU Progress Reports and FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports and FPIU Progress Reports	SPIU, RUWASSA, WASHCOMS, LGA WASH Departments or equivalent
Share of newly created engineering or technical positions filled by women through internal promotion or external recruitment among service providers participating in the Program	The indicator tracks the share of newly created engineering or technical positions filled by women through internal promotion or external recruitment among service providers	Annual	SPIU Progress Reports FPIU Progress Reports Desk review of SPIU Progress Reports and	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports and	SPIU, RUWASSA/STWASSA, State Water Authority, State Sanitation Authority, LGA WASH Department or equivalent



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	participating in the Program.		FPIU Progress Reports	
Grievances registered and addressed in a timely manner under the Program	The indicator measures the ratio of total complaints that have been resolved over total grievances submitted.	Annual FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports and FPIU Progress Reports	SPIU, RUWASSA/STWASSA, State Water Authority, State Sanitation Authority, SUBEB, State Primary Health Care Development Agency, State Environmental Protection Agency or equivalent, WASHCOM, WCA, LGA WASH department or equivalent
National WASH Fund established and operational	This indicator tracks the establishment and operationalization of the National WASH Fund by the FMWR providing financial support to state level investments in WASH services.	Annual FPIU Progress Reports	Desk review of FPIU Progress Reports	FPIU, FMWR
Population using basic water supply services	The indicator measures the proportion of the population using basic water supply services for the 7 participating states. These account for population growth of 2.6% per year and underlying coverage increases of 1%	WASHNORM	Collect data from WASHNORM	SPIU and FPIU



Population using improved sanitation	The indicator measures the proportion of the population using improved sanitation for the 7 participating states. These account for population growth of 2.6% per year and underlying coverage increases of 0.5% for improved sanitation using JMP trends [RF Coverage assumptions].	WASHNORM	Collect data from WASHNORM	SPIU and FPIU	for basic water using JMP trends [RF Coverage assumptions].		
Households with improved sanitation facilities constructed or rehabilitated under the Program.	Household improved sanitation facilities include (i) Flush toilet connected to a septic system in urban areas or (ii) Double pit pour-flush latrines in rural areas. Facilities must include a superstructure and a handwashing station and adhere to technical standards and criteria as	Annual SPIU Progress Reports FPIU Progress Reports Clean Nigeria Campaign Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports, FPIU Progress Reports and Clean Nigeria Campaign reports.	SPIU, RUWASSA/STWASSA, State Sanitation Authority, FPIU			



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Households with improved sanitation facilities constructed or rehabilitated under the Program - rural	The indicator measures the number of households in rural areas with improved sanitation facilities constructed or rehabilitated under the Program. Household improved sanitation facilities include double pit pour-flush latrines in rural areas. Facilities must include a superstructure and a handwashing station and adhere to technical standards and criteria as defined in the POM.	Annual	SPIU Progress Reports FPIU Progress Reports Clean Nigeria Campaign Reports Clean Nigeria Campaign Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports, FPIU Progress Reports and Clean Nigeria Campaign Reports	SPIU, RUWASSA/STWASSA, State Sanitation Authority, FPIU
Households with improved sanitation facilities constructed or rehabilitated under the Program - urban and small towns	The indicator measures the number of households in urban areas and small towns with improved sanitation facilities constructed or rehabilitated under the Program. Household improved sanitation facilities include flush toilet connected to a septic	Annual	SPIU Progress Reports FPIU Progress Reports Clean Nigeria Campaign Reports Clean Nigeria Campaign Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports, FPIU Progress Reports and Clean Nigeria Campaign Reports.	SPIU, RUWASSA/STWASSA, State Sanitation Authority, FPIU



Performance improvement of state sanitation implementing agencies		Annual	SPIU Progress Reports FPIU Progress Reports Desk review of SPIU Progress Reports and FPIU Progress Reports	State Governor's Office, WASH regulatory agency or equivalent, sanitation authority	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports and FPIU Progress Reports	DLI 5.1 will be triggered when: Year 1: PIAP has been prepared for the sanitation implementing agencies including a baseline assessment and annual targets Year 2: First annual PIAP has been completed and assessment completed for the sanitation implementing agencies Year 3 - 5: The sanitation implementing agencies have achieved the PIAP targets	system in urban areas. Facilities must include a superstructure and a handwashing station and adhere to technical standards and criteria as defined in the POM.
The PIAP will assess sanitation implementing agencies on key metrics deemed critical for service quality and sustainability during the Program, as described in Annex 10 of							



					the PAD				
People with access to sustainably functioning water service	This indicator measures the number of people provided with a sustainably functioning water service under the Program. A sustainably functioning water service adheres to technical standards and criteria as defined in the POM. The number of people with access shall be estimated using the average number of people served by the drinking water service.	This is a disbursement-linked indicator. More information is provided in the verification protocol.	The indicator measures the number of public places provided with full WASH packages under the Program. Full WASH packages entail newly constructed or rehabilitated water supply and sanitation facilities that meet the definition of improved and adhere to the technical specifications	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports and FPIU Progress Reports	SPIU, RUWASSA/STWASSA, State Water Authority, FPIU		
Public places provided with WASH facilities				Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states Desk review of SPIU Progress Reports and FPIU Progress Reports	SPIU, RUWASSA/STWASSA, State Water Authority, State Sanitation Authority, State Environmental Protection Agency or equivalent		



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Utilities achieving at least 10 percent average increase in energy efficiency/reduction in water loss	The indicator tracks the number of utilities participating in the Program which achieve at least 10 percent average increase in energy efficiency/reduction in water loss	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states	SPIU, RUWASSA/STWASSA State Water Authority	of state and/or federal government, as defined in the POM, including access to handwashing facilities, separate compartments for males and females and accessibility for people living with disabilities.	
Share of rural and small town water supply beneficiaries using systems relying on renewable energy	The indicator tracks the share of rural and small town water supply beneficiaries which use systems relying on renewable energy.	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states	SPIU, RUWASSA/STWASSA State Water Authority		
Water supply systems with regular water quality and quantity monitoring to improve resilience of populations in climate-vulnerable areas within Program LGAs	The indicator tracks the proportion of water supply systems with regular water quality and quantity monitoring to improve resilience of populations in climate-vulnerable areas.	Annual	SPIU Progress Reports FPIU Progress Reports	SPIUs to consolidate data from the different state institutions FPIU to consolidate data from states	SPIU, RUWASSA/STWASSA, State Water Authority		



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

Disbursement Linked Indicators Matrix

DLI 1		Design of National WASH Fund to enable its establishment			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount	
Output	No	Yes/No	5,000,000.00	0.57	
Period	Value	Allocated Amount (USD)		Formula	
Baseline	No				
2022	Yes		2,500,000.00	US\$ 2,500,000	
2023	Yes		2,500,000.00	US\$ 2,500,000	
2024	No		0.00	n/a	
2025	No		0.00	n/a	
2026	No		0.00	n/a	
2027	Yes		0.00	n/a	

DLI 2		Design, adoption and implementation of State PIR Plans and achievement of annual targets			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount	
Output	Yes	Number	35,000,000.00	4.00	
Period	Value	Allocated Amount (USD)		Formula	



DLI 3 People provided with basic drinking water service under the Program				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number	233,500,000.00	26.69
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
2022	305,000.00		11,675,000.00	US\$ 90 per beneficiary of urban or small-town water service US\$ 19 per beneficiary of rural water service
2023	14.00		3,500,000.00	US\$ 500,000 per state in program
2024	21.00		7,000,000.00	US\$ 1,000,000 per state in program
2025	28.00		7,000,000.00	US\$ 1,000,000 per state in program
2026	35.00		7,000,000.00	US\$ 1,000,000 per state in program
2027	42.00		7,000,000.00	US\$ 1,000,000 per state in program



2023	610,000.00		11,675,000.00	US\$ 90 per beneficiary of urban or small-town water service US\$ 19 per beneficiary of rural water service
2024	1,886,549.00		36,014,437.00	US\$ 90 per beneficiary of urban or small-town water service US\$ 19 per beneficiary of rural water service
2025	3,716,549.00		70,050,000.00	US\$ 90 per beneficiary of urban or small-town water service US\$ 19 per beneficiary of rural water service
2026	5,324,366.00		65,828,521.00	US\$ 90 per beneficiary of urban or small-town water service US\$ 19 per beneficiary of rural water service
2027	6,100,000.00		38,257,042.00	US\$ 90 per beneficiary of urban or small-town water service US\$ 15 per beneficiary of rural water service
DLI 3.1				
Performance improvement of state Water Supply implementing agencies				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number	52,500,000.00	6.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			



DLI 4 People with access to sustainably functioning water service				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number	33,300,000.00	3.81
Period	Value	Allocated Amount (USD)	Formula	
Baseline	0.00			
2022	0.00	0.00	n/a	
2023	240,000.00	675,000.00	Allocations are target and time-bound	
2024	530,000.00	1,685,000.00	Allocations are target and time-bound	
2025	1,050,000.00	4,300,000.00	Allocations are target and time-bound	
2026	2,300,000.00	9,990,000.00	Allocations are target and time-	



DLI 5		Households with improved sanitation facilities constructed or rehabilitated under the Program			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount	Allocation bound
Intermediate Outcome	Yes	Number	156,050,000.00	17.83	
Period	Value		Allocated Amount (USD)	Formula	
Baseline	0.00				
2022	11,500.00		5,347,500.00	Allocations are differentiated by urban/small-town and rural and by service level.	
2023	37,000.00		13,070,000.00	Allocations are differentiated by urban/small-town and rural and by service level.	
2024	79,000.00		23,167,500.00	Allocations are differentiated by urban/small-town and rural and by service level.	
2025	135,000.00		31,290,000.00	Allocations are differentiated by urban/small-town and rural and by service level.	
2026	207,500.00		41,587,500.00	Allocations are differentiated by urban/small-town and rural and by service level.	



2027	280,000.00	41,587,500.00	Allocations are differentiated by urban/small-town and rural and by service level.
DLI 5.1			
Intermediate Outcome	Scalability	Unit of Measure	Total Allocated Amount (USD)
Period	Value	Number	As % of Total Financing Amount
Baseline	0.00		Allocated Amount (USD) Formula
2022	7.00	7,000,000.00	US\$ 1,000,000 per state in Program Year 1
2023	14.00	3,500,000.00	US\$ 500,000 per state in Program Year 2
2024	21.00	10,500,000.00	US\$ 1,500,000 per state in Program Year 3
2025	28.00	10,500,000.00	US\$ 1,500,000 per state in Program Year 4
2026	35.00	10,500,000.00	US\$ 1,500,000 per state in Program Year 5
2027	42.00	10,500,000.00	US\$ 1,500,000 per state in Program Year 6



DLI 6		Communities having achieved community-wide sanitation status (ODF+) or number of ODF+ communities having maintained their status			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount	
Intermediate Outcome	Yes	Number	16,650,000.00	1.90	
Period	Value	Allocated Amount (USD)	Formula		
Baseline	0.00				
2022	19.00	665,000.00	US\$ 35,000 per community achieving ODF+ US\$ 18,000 per community maintaining ODF+		
2023	62.00	1,420,000.00	US\$ 35,000 per community achieving ODF+ US\$ 18,000 per community maintaining ODF+		
2024	138.00	2,524,000.00	US\$ 35,000 per community achieving ODF+ US\$ 18,000 per community maintaining ODF+		
2025	238.00	3,313,000.00	US\$ 35,000 per community achieving ODF+ US\$ 18,000 per community maintaining ODF+		
2026	369.00	4,364,000.00	US\$ 35,000 per community achieving ODF+ US\$ 18,000 per community maintaining ODF+		
2027	500.00	4,364,000.00	US\$ 35,000 per community achieving ODF+ US\$ 18,000 per community maintaining ODF+		



DLI 7		Schools and healthcare facilities with functional, improved water supply, sanitation and handwashing facilities constructed or rehabilitated under the program			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount	Formula
Intermediate Outcome	Yes	Number	55,500,000.00	6.34	
Period	Value	Allocated Amount (USD)			
Baseline	0.00				
2022	100.00	2,775,000.00	US\$ 27,750 per school or health care facility		
2023	200.00	2,775,000.00	US\$ 27,750 per school or health care facility		
2024	700.00	13,875,000.00	US\$ 27,750 per school or health care facility		
2025	1,300.00	16,650,000.00	US\$ 27,750 per school or health care facility		
2026	1,800.00	13,875,000.00	US\$ 27,750 per school or health care facility		
2027	2,000.00	5,550,000.00	US\$ 27,750 per school or health care facility		



Verification Protocol Table: Disbursement Linked Indicators

DLI 1	Design of National WASH Fund to enable its establishment
Description	DLR 1.1 National WASH Fund legal framework and governance structure endorsed by FMWR and FMOF and legislation drafted DLR 1.2 Operational manual prepared for NWF in accordance with POM A National WASH Fund established by the FMWR providing financial support to state level investments in WASH services. DLI 1 will be triggered when (year of achievement is indicative): Year 1: the National WASH Fund legal framework and governance structure has been endorsed by FMWR and FMOF and legislation to establish the NWF has been drafted Year 2: An operational manual has been prepared for the NWF with contents in accordance with the POM
Data source/ Agency	FMWR
Verification Entity	IVA
Procedure	<p>The IVA will conduct a desk review of documentation provided by the FMWR including reports, operational manuals and legal documents to verify design of the NWF in accordance with the POM.</p>
DLI 2	<p>Design, adoption and implementation of State PIR Plans and achievement of annual targets</p> <p>DLRs: Year 1: DLR 2.1 A baseline has been conducted to inform state PIR plan and reform agenda Year 2: DLR 2.2 State approval of the PIR plan and reform agenda, acceptable to the World Bank and FMWR Year 3: DLR 2.3 State achievement of PIR plan annual targets Year 4: DLR 2.4 State achievement of PIR plan annual targets Year 5: DLR 2.5 State achievement of PIR plan annual targets Year 6: DLR 2.6 State achievement of PIR plan annual targets Results are scalable by state DLI 2 will be triggered when: Program Year 1: A baseline has been conducted to inform the state PIR plan and reform agenda, which includes an assessment of the current status for each of the required reforms Program Year 2: The state has endorsed the PIR plan and reform agenda, which is acceptable to the World Bank and FMWR Program Year 3 - 6: State has achieved the PIR plan annual targets towards the required reforms To account for the heterogeneity in institutional arrangements at the state level, each state will conduct a baseline assessment to inform the development of a state specific PIR plan and annual targets to achieve the required reforms. The following agencies/functions will be the focus of the PIR Plan: (1) state WASH regulatory function; (2) state urban water and sanitation authority; (3) rural water supply and sanitation agency (RUWASSA), or equivalent; (4) small town water supply and sanitation agency (STWSSA), or equivalent; and (5) LGA WASH Departments. The state PIR plan must contain the following required reforms, with annual targets contributing to meeting intermediate milestones as described in Table 3 of the PAD: 1) Established LGA WASH Departments with adequate budget</p>



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	allocation and release 2) Consolidation and policy reform of urban sanitation sector 3) Autonomous and accountable urban water service providers 4) Performance contract with financing and service agreements between state government and SWA Board of Directors established and operational 5) Operationalize a WASH Environmental and social screening and assessment mechanism 6) Participation of women and youth in the sector
Data source/ Agency	State Governor's Office, WASH regulatory agency or equivalent, State Urban Water and Sanitation Authorities, RUWASSA, STWASSA or equivalent) and LGA WASH Departments
Verification Entity	IVA
Procedure	The IVA will conduct a desk review of documentation provided by the State Governor's Office and participating state and local level institutions to verify development, endorsement and implementation of the PIR Plan and achievement of annual targets, as needed and in accordance with the POM.
DLI 3	People provided with basic drinking water service under the Program Disbursements are made in proportion to achievements. A basic drinking water service that has been constructed, rehabilitated, or upgraded under the Program is eligible for disbursement. Only drinking water services classified as nonfunctional at baseline are eligible for rehabilitation under the Program. Any basic drinking water service that is verified as new, extended, or rehabilitated in one Program period which subsequently falls into disrepair will not be eligible for resubmission in a subsequent Program period for additional disbursement under DLI 3. A basic drinking water service is defined as: (i) Access to an improved source (as defined by JMP), with collection time not more than 30 minutes roundtrip including queuing; (ii) water is available at time of verification; and (iii) a public utility or registered WASHCOM, WCA, or private supplier is managing the water service. The number of people with access shall be based on the number of reported beneficiaries, but will adhere to conventions on per capita provision as described in the POM. Household connections from networked water systems serve an average of 5 people per household All infrastructure must adhere to technical standards and criteria on service level standards and minimum conditions detailed in the POM, including the following: (1) adherence to quality assurance procedures; (2) state has a E&S screening and assessment mechanism that is under implementation and has been verified (3) a resilient design process have been followed
Data source/ Agency	SPIU, RUWASSA/STWASSA, State Water Authority, FPIU
Verification Entity	IVA
Procedure	The IVA will verify the data reported by the SPIU to the FPIU on an annual basis. This will consist of a desk review to verify compliance with technical standards and criteria, as defined in the POM, as well as the minimum conditions. In addition the



DLI 3.1	IVA will carry out physical inspection of reported drinking water service using a representative random sample of the Basic drinking water service constructed, rehabilitated or upgraded under the program. Sampling will be stratified by water service provider in each state.
DLI 4	Performance improvement of state Water Supply implementing agencies
Description	DLRs: Program Year 1: DLR 3.1.1 Preparation of a performance improvement action plan (PIAP) including baseline assessment annual targets Program Year 2: DLR 3.1.2 First annual PIAP completed and achievements assessed Program Year 3: DLR 3.1.3 Achievement of PIAP targets Program Year 4: DLR 3.1.4 Achievement of PIAP targets Program Year 5: DLR 3.1.5 Achievement of PIAP targets Program Year 6: DLR 3.1.6 Achievement of PIAP targets Disbursements are made in proportion to achievements at the state and sub-sector level. DLI 3.1 will be triggered when: Program Year 1: PIAP has been prepared for the SWA/RUWASSA/STWASSA, or equivalent, including a baseline assessment and annual targets Program Year 2: First annual PIAP has been completed and assessment completed for the SWA/RUWASSA/STWASSA, or equivalent Program Year 3 - 5; SWA/RUWASSA/STWASSA, or equivalent, has achieved the PIAP targets. The PIAP will assess SWA/RUWASSA/STWASSA, or equivalent, on key metrics deemed critical for service quality and sustainability during the Program, as described in Annex 10 of the PAD.
Data source/ Agency	State Governor's Office, WASH regulatory agency or equivalent, State Urban Water Authority, RUWASSA/STWASSA, or equivalent, FPIU
Verification Entity	IVA
Procedure	The IVA will conduct a desk review of documentation provided by the State Governor's Office and participating state level institutions to verify preparation of a PIAP and achievement of performance targets in accordance with the POM. Documents will be submitted to the FPIU and verified thereafter.
DLI 4	People with access to sustainably functioning water service
Description	Payments will be made in proportion to achievements. A sustainably functioning water service is eligible for disbursement in the Program year following verification of a new, rehabilitated or upgraded basic drinking water service and for each subsequent Program period that it meets the eligibility criteria of DLI 3, up to a maximum allocation per program year. The number of people with access shall be based on the number of reported beneficiaries, but will adhere to conventions on per capita provision as described in the POM. Household connections from networked water systems serve an average of 5 people per household. All infrastructure must adhere to technical standards and criteria on service level standards and minimum conditions detailed in the POM, including the following: (1) adherence to quality assurance procedures; (2) state



	<p>has a E&S screening and assessment mechanism that is under implementation and has been verified (3) a resilient design process have been followed Allocations are target and time-bound US\$ 2.81 per beneficiary for up to 240,000 people in Year 2 with access to sustainably functioning water service US\$ 3.18 per beneficiary for up to 530,000 people in Year 3 with access to sustainably functioning water service US\$ 4.10 per beneficiary for up to 1,050,000 people in Year 4 with access to sustainably functioning water service US\$ 4.34 per beneficiary for up to 2,300,000 people in Year 5 with access to sustainably functioning water service US\$ 4.66 per beneficiary for up to 3,575,000 people in Year 6 with access to sustainably functioning water service</p>
Data source/ Agency	SPIU, RUWASSA/STWASSA, State Water Authority, FPIU
Verification Entity	IVA
Procedure	<p>The IVA will verify the data reported by the SPIU to the FPIU on an annual basis. This will consist of a desk review to verify compliance with technical standards and criteria, as defined in the POM, as well as the minimum conditions. In addition the IVA will carry out physical inspection of reported drinking water service using a representative random sample of the sustainably functioning basic drinking water service. Sampling will be stratified by water service provider in each state.</p>
DLI 5	<p>Households with improved sanitation facilities constructed or rehabilitated under the Program</p> <p>Allocations are differentiated by urban/small-town and rural and by service level. US\$ 465 for each rural household with improved sanitation facilities constructed or rehabilitated under the program US\$ 950 for each urban or small-town household with improved sanitation facilities constructed or rehabilitated under the program US\$ 1,350 for each urban or small-town household with improved sanitation facilities including FSM constructed or rehabilitated under the program Rural is defined as a community of fewer than 5,000 people; small town is a community with between 5,001 and 20,000 people; urban is a community with greater than 20,000 people Payments will be made in proportion to achievements. Household improved sanitation facilities are those that hygienically separate excreta from human contact, and are either newly constructed or upgraded from an unimproved facility. Rehabilitated sanitation facilities are those that have met the criteria for improved, but have been upgraded to a higher service level as defined in the POM. Facilities must include a superstructure and a handwashing station with soap and water available at the time of verification. All infrastructure must adhere to technical standards and criteria on service level standards and minimum conditions detailed in the POM, including the following: (1) adherence to quality assurance procedures; (2) state has a E&S screening and assessment mechanism that is under implementation and has been verified (3) a resilient design process have been followed</p>
Data source/ Agency	CNC Reports; SPIU Reports; FPIU Reports



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Verification Entity	IVA
Procedure	<p>IVA will verify the data reported by the SPIU to the FPIU on an annual basis. This will consist of a desk review to verify compliance with technical standards and criteria, as defined in the POM, as well as the minimum conditions. In addition the IVA will carry out physical inspection of the facilities using a representative random sample of the improved household sanitation facilities constructed or rehabilitated under the program. Sampling will be stratified by urban/small-town and rural areas in each state. For sanitation facilities with FSM sampling will be stratified by state.</p>
DLI 5.1	<p>Performance improvement of state sanitation implementing agencies</p> <p>DLRs: Program Year 1: DLR 5.1.1 Preparation of a performance improvement action plan (PIAP) including baseline assessment and annual targets Program Year 2: DLR 5.1.2 First annual PIAP completed and achievements assessed Program Year 3: DLR 5.1.3 Achievement of PIAP targets Program Year 4: DLR 5.1.4 Achievement of PIAP targets Program Year 5: DLR 5.1.5 Achievement of PIAP targets Program Year 6: DLR 5.1.6 Achievement of PIAP targets Disbursements are made in proportion to achievements at the state and sub-sector level. The distribution of the DLI allocation by sub-sector will be established at the state level in Program Year 1 as part of the PIAP DLI 5.1 will be triggered when: Program Year 1: PIAP has been prepared for the sanitation implementing agencies including a baseline assessment and annual targets Program Year 2: First annual PIAP has been completed and assessment completed for the sanitation implementing agencies Program Year 3 - 5: The sanitation implementing agencies have achieved the PIAP targets The PIAP will assess sanitation implementing agencies on key metrics deemed critical for service quality and sustainability during the Program, as described in Annex 10 of the PAD</p>
Data source/ Agency	State Governor's Office, WASH regulatory agency or equivalent, sanitation authority
Verification Entity	IVA
Procedure	<p>The IVA will conduct a desk review of documentation provided by the State Governor's Office and participating state level implementing agencies to verify preparation of a PIAP and achievement of performance targets in accordance with the POM. Documents will be submitted to the FPIU and verified thereafter.</p>
DLI 6	<p>Communities having achieved community-wide sanitation status (ODF+) or number of ODF+ communities having maintained their status</p> <p>Payments will be made in proportion to achievements. Open defecation free (ODF+) status is defined as a community where at least 25% of households are using an improved sanitation facility in Year 1 with a 5% increase in share of households using an improved sanitation facility each program year, up to 50% in Year 6. Households without improved</p>



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Procedure	<p>sanitation are either using an unimproved facility for defecation or sharing a facility. No households are practicing open defecation. Shared sanitation facilities are improved sanitation facilities used by two or more households that are properly maintained (usable and clean at the time of verification). Maintained ODF+ status is defined as any community verified as ODF+ at the beginning of the program, or any community achieving ODF+ under the program, that still meets the definition of ODF+ in the year of achievement, one year after initial verification of ODF+ by the IVA. Approximately 10 percent of ODF+ communities to be verified each year are eligible for payment for maintaining status. Communities are approximately 500 households.</p>
Data source/ Agency	NTGS Reports, STGS Reports, FPIU Reports
Verification Entity	IVA
DLI 7	<p>The IVA will verify the data reported by the SPIU to the FPIU on an annual basis. This will consist of a desk review for each community reported as having achieved or sustained ODF+ status the IVA to verify achievement against The National Open Defecation Free (ODF) Certification Protocol (2017). In addition, the IVA will carry out physical inspection of 100% of ODF+ communities. For each community reported as having achieved or sustained ODF+ status the IVA will select a random sample of households to verify compliance with ODF+ criteria: use of improved sanitation facilities, maintenance of shared sanitation facilities, and presence of a handwashing station.</p> <p>Schools and healthcare facilities with functional, improved water supply, sanitation and handwashing facilities constructed or rehabilitated under the program</p> <p>Payments will be made in proportion to achievements. Newly constructed or rehabilitated water supply and sanitation facilities that meet the definition of improved and adhere to the technical specifications of state and/or federal government, as defined in the POM, including water supply using an improved source (as defined by JMP), improved sanitation (as defined by JMP), water and soap available for handwashing, separate compartments for males and females and accessibility for people living with disabilities. All infrastructure must adhere to the following minimum conditions, as detailed in the POM: (1) adherence to quality assurance procedures; (2) state has a E&S screening and assessment mechanism that is under implementation and has been verified (3) a resilient design process have been followed</p>
Data source/ Agency	SPIU Reports; FPIU Reports
Verification Entity	IVA
Procedure	<p>The IVA will verify the data reported by the SPIU to the FPIU on an annual basis. This will consist of a desk review to verify compliance with technical standards and criteria, as defined in the POM, as well as the minimum conditions. In addition, the</p>



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IVA will carry out physical inspection of 100% of schools and healthcare facilities reported as having improved water supply, sanitation and handwashing facilities constructed or rehabilitated under the program to verify compliance with eligibility criteria. Facilities must be functioning at the time of verification in order to be eligible.

**ANNEX 3. SUMMARY TECHNICAL ASSESSMENT*****Strategic Relevance of the Program***

- 1. The WASH sector in Nigeria is in a state of emergency.** Access to sanitation and hygiene is lagging with 80 million Nigerians without access to improved sanitation and 167 million without access to basic handwashing. 46 million Nigerians practice open defecation –Nigeria is set to become the country with the most open defecators in the world. Access to drinking water is limited with 60 million Nigerians without access to basic drinking water. Furthermore, non-functional infrastructure constitutes a major challenge: 38 percent of improved water points and 46 percent of water schemes are non-functional. 30 percent of water points fail in one year. Piped water access declined from 32 percent in 1990 to 7 percent in 2019. Urban water utilities perform below the average level of performance of utilities in Africa. Access to WASH in institutions is limited. Only 14 percent of schools and 7 percent of healthcare facilities have access to basic WSS services. Only 3 percent of schools have provisions for MHM. The country and sector are facing multi-faceted challenges exacerbated by a growing population, persisted poverty, accelerated urbanization, security challenges, non-sustainable agriculture as well as climate change and depletion of natural resources. Sector investments are insufficient and ‘business as usual’ will not help achieve the objective of providing safely managed WASH to all Nigerians by 2030.
- 2. Access to water supply, sanitation and hygiene (WASH) is an important determinant of human capital outcomes, including early childhood survival, health and educational attainment – all of which in turn affect labor productivity and efficiency.** Approximately 73 percent of the total burden of enteric infections⁵⁵ in Nigeria is associated with inadequate WASH.⁵⁶ About 253,800 WASH attributable deaths occurred in Nigeria in 2016, with 119,900 of those deaths occurring from diarrheal diseases.⁵⁷ There is robust evidence that access to safe water supply and improved sanitation decreases the incidence of diarrhea in young children.⁵⁸ Also, a large part of the chronic malnutrition burden is owing to the unhygienic environment in which children grow up, often a result of high levels of open defecation across densely populated areas. Access to WASH can impact years of schooling by freeing up time that children spend collecting water to attend school, reducing the prevalence of disease that can keep them out of school, and contributing to a safe and healthy learning environment while at school.⁵⁹
- 3. Lack of access to WASH disproportionately affects women and girls.** They often bear the burden of fetching water over long distances, which has been associated with negative effects on well-being, social and economic opportunities and school attendance, as well as a higher risk of GBV. The limited access to WASH and the poor quality of sanitation facilities also compromises the convenience, safety, health, and

⁵⁵ Enteric infections include diseases such as diarrhea, typhoid and paratyphoid fevers, and other intestinal infections.

⁵⁶ World Bank, 2017. A Wake-Up Call: Nigeria Water Supply, Sanitation, and Hygiene Poverty Diagnostic. WASH Poverty Diagnostic. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/27703> License: CC BY 3.0 IGO.

⁵⁷ Prüss - Ustün et al. 2019. “Burden of disease from inadequate water, sanitation and hygiene for selected adverse health outcomes: An updated analysis with a focus on low- and middle-income countries.” International Journal of Hygiene and Environmental Health 222: 765-777.

⁵⁸ A synthetic review and meta-analysis of health impact assessments of WASH interventions show water interventions reduce diarrhea morbidity by 34 percent, sanitation interventions reduce it by 28 percent, while promotion of handwashing with soap results in a 40 percent reduction (Wolf et al. 2018. Impact of drinking water, sanitation and handwashing with soap on childhood diarrheal disease: updated meta-analysis and meta-regression. Tropical Medicine and International Health 23(5): 508–525.).

⁵⁹ A meta-analysis of school-based WASH interventions found that overall, these resulted in a 69 percent reduction in school absenteeism and were similarly associated with lower dropout rates (Andres et al. 2018).



dignity of women and girls. Among households where at least one member reported not using the toilet, adult women were three times (18 percent) less likely to use the household's latrine than were adult men (5.6 percent)⁶⁰. It is estimated that only 25 percent of women in Nigeria lack adequate privacy for defecation or MHM. These estimates vary across states. For instance, while 85 percent of women in Lagos reported having what they need to manage their menstruation, this figure was only 37 percent in Kaduna State⁶¹.

4. Limited or no access to WASH services has damaging effects on development outcomes. It adversely affects individuals' health, limits their access to educational and economic opportunities, and hampers their work efficiency and labor productivity. The COVID-19 pandemic has highlighted the importance of WASH to prevent the spread of the disease and to keep essential services operational and available to all. The economic effects of the COVID-19 pandemic hit Nigeria in an unprecedented proportion. The lockdown measures that followed government decision and programs to curtail the spread of the novel virus came with huge consequences for communities with pre-existing water and sanitation challenges. The domino effect was felt mostly in the private sector particularly the small businesses in the informal sector. The setbacks occasioned by the economic crunches due to COVID-19 exacerbated disruptions in the supply chain especially for small enterprises which were still struggling to recover from the 2016 recession.

Technical Design and Technical Soundness of the Program

5. The Program's Results Areas under the US\$640 million performance-based financing component are: RA 1. Strengthened Sector Policies and Institutions for Improved Services and RA 2. Improved access to water supply, sanitation and hygiene services.

Results Area 1: Strengthened Sector Policies and Institutions for Improved Services

6. **The Technical design for Results Area 1 is informed by a preliminary PIR analysis to identify the most binding institutional constraints.** Findings of the assessment identify the following key constraints of Nigeria's WASH sector policy and institutional framework:

- a. **Nigeria's intergovernmental systems and implications on WASH sector:** preliminary analysis of the federal / intergovernmental systems in Nigeria identified the following challenges: (a) lack of clear functional assignments; (b) weak subnational political accountability mechanisms (which may lead to weak political buy-in and ownership at the state and local level); (c) weak state and local administrative capacity; (d) the absence of appropriate intergovernmental funding mechanisms; and (e) the absence of mechanisms for meaningful participation and accountability mechanisms to ensure effective front-line service delivery performance.
- b. **Institutional Roles and Responsibilities:** (1) **Role of Federal Government vis à vis state governments:** as the bulk of water and sanitation providers and authorities are owned and

⁶⁰ World Bank, 2017. A Wake-Up Call: Nigeria Water Supply, Sanitation, and Hygiene Poverty Diagnostic. WASH Poverty Diagnostic. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/27703> License: CC BY 3.0 IGO.

⁶¹ Ibid.



operated at the state level, Federal Government institutions should focus on setting up appropriate federal / intergovernmental policies (such as the introduction of conditional or matching grants) and strengthening the Federal regulatory and oversight role. **(2) State Government Level Institutions:** analysis of state-level WASH sector PIR frameworks reveals some variation across each state. For example, not all states have established a ministry of water resources, RUWASSAs or STOWASSAs; the level of autonomy of WASH sector institutions varies; and institutional capacity also differs across each state. However, a common factor exhibited across most states is that the complexities of the WASH sector institutional framework have, in some cases, resulted in overlapping institutional functions as well a lack of clarity, particularly in the sanitation sub-sector in terms of service delivery and regulation. Accordingly, effective institutional coordination mechanisms must be in place considering the large number of state-level service providers and the different institutional functions across the three tiers of government (federal, state and LGA).

- c. **WASH Sector Policy:** while the Federal Government holds responsibility to promulgate national WASH legislation and policies, how these legislations and policies are interpreted and implemented is at the discretion of the state governments. All state governments have developed WASH sector strategies recognizing the goal to achieve universal access to sustainable services by 2030, however gaps were identified in terms of target setting; lack of investment planning; lack of data and monitoring mechanisms; and close alignment with the NAP. Goal and target setting clarify intentions to achieve policy objectives and strengthen accountability to achieve results. Successful plans should include details on who is responsible for what and when; and should be fully resourced. This in turn enables long term planning and monitoring of progress. Target setting, and monitoring mechanisms can strengthen accountability and transparency and rebuild trust between service providers and citizenry.
- d. **M&E:** the NAP includes implementation of an M&E system to monitor and incentivize performance through reward mechanisms and increased competition. Improved availability and quality of data not only enables regulatory functions, planning, and enhanced transparency and accountability, but also promotes public participation by raising awareness and improved capacity of service providers. state government policy is well aligned with the NAP in acknowledging the importance of establishing M&E frameworks, however, capacity building support in operationalizing M&E systems is essential in putting these plans in to action.
- e. **Financial Sustainability:** Challenges in FM across Nigeria's intergovernmental system combined with low revenues have undermined financial sustainability of the WASH sector. Low investment levels coupled with poor cost recovery and low collection rates are insufficient for O&M of existing infrastructure, let alone expansion.
- f. **WASH Regulatory Framework:** State Government WASH sector policy features the establishment of independent regulatory commissions as a key priority. Several states supported by the Program have enacted water laws which stipulate establishment of independent regulatory commissions and outline responsibilities broadly covering performance management,



tariff approval, pro-poor, and service quality functions. In practice, operationalization of regulatory policy and law has varied across states due to lack of data availability and M&E systems, institutional overlaps in carrying out regulatory functions, and low technical capabilities. State-level regulatory frameworks should address existing gaps including: (1) pro-poor regulation, (2) regulation of private sector providers; (3) regulation across the sanitation value chain; and (4) create an enabling environment for PSP as a matter of priority of national and state WASH policy.

7. The analysis prioritizes PIR recommendations based on implications of the preliminary results and selection criteria for prioritization. The criteria for prioritization of PIR interventions to be promoted through the SURWASH PforR include, opportunity, feasibility, holistic, best fit and gradual. The following are the main recommendations, which have informed technical design of RA1:

- a. Addressing intergovernmental challenges implies the need for strengthening the role of federal government in policymaking, regulation, monitoring and facilitating state and local progress in the sector. TA should be targeted at state-level institutions to pursue and achieve improved WASH outcomes. Moreover, institutional coordination mechanisms between federal, state and local governments should be in place to achieve program objectives. Accordingly, this Program supports establishment of an M&E system and provides comprehensive TA support to state-level institutions to deliver positive sector outcomes.
- b. Performance-based intergovernmental financing mechanisms can be effective in promoting sustainable sector outcomes, sustainable financing, and accelerate program implementation. In addition, intergovernmental financing mechanisms can promote intergovernmental coordination and strengthen the role of the Federal Government in providing TA, regulation, and monitoring. Accordingly, through DLI1, this RA incentivizes establishment and operationalization of a National WASH Fund as a mechanism to promote effective and efficient intergovernmental coordination and provide funding to states in a predictable manner. The Program will finance the establishment of the WASH fund but not its capitalization.
- c. Establishment and operationalization of state-level WASH regulatory frameworks is key to promote achievement of the program's objectives and achieve sustainable outcomes. This is aligned with state-level sector policy and legal frameworks which promote and prioritize the need for establishment of effective regulatory frameworks in order to improve service-provider performance, financial sustainability, and promote pro-poor policy. Strengthening of state-level WASH regulatory frameworks is incentivized through DLI2 of this RA via a PIR plan. In addition to operationalizing WASH sector regulatory frameworks, the PIR plan promotes clarity in institutional roles and responsibilities within the sanitation sub-sector.
- d. Improving availability and quality of data is key to enable WASH sector regulation, monitoring, enhance accountability and transparency, promote public awareness, and support performance improvement of service providers. Accordingly, this Program supports establishment of an M&E system and provides comprehensive TA support to state-level institutions to deliver positive sector outcomes.



8. This RA incentivizes institutional reform to create an enabling environment for sustainable performance and includes activities to enhance institutional capacity required for effective and sustainable service delivery, including state and local governments, service providers, TA providers, and community-based organizations. Its DLIs are designed to incentivize relevant institutions to progressively undertake a series of interconnected and self-reinforcing reforms and measures that will ultimately result in sustained, strengthened capacity for service delivery.

9. Supported activities improve capacities to monitor, ensure quality, and improve and sustain water service delivery, and to strengthen environmental management supervision and mitigation of impacts. These activities include:

- a. Building the capacity of urban water utilities to deliver safely managed and sustainable water supply services. Utilities will be incentivized to undertake a series of policy, institutional, and operational reforms and measures deemed necessary to improve their autonomy, accountability, and sustainability. With these actions, participating utilities will develop a sustained revenue stream that helps insulate service providers from political considerations, providing them with a higher degree of autonomy in management, and allows them to accurately budget for necessary operations, maintenance, rehabilitation, and expansion activities;
- b. Enacting policy reforms to improve service provision in rural communities and small towns and establishing and/or building the capacity of RUWASSAs, STWSSAs, and LGA WASH units/departments to support the maintenance and repair of WASH facilities and in related behavior change, including in training community-level WASH committees (WASHCOMs), WCAs, and other community-level water providers, ensuring that both men and women are trained and given equal career opportunities;
- c. Building the capacity of RUWASSAs, STWSSAs, and LGA WASH units/departments to facilitate the development of water safety plans (WSPs) by communities and/or service providers to ensure consistent safe and acceptable drinking water;
- d. Building the capacity of WASHCOMs, WCAs, and other community water providers to plan, operate and manage their WASH facilities and undertake household-level WASH activities, including their legalization while assuring the participation of women;
- e. Enacting necessary policy reforms and building the capacity of state and local sector institutions responsible for sanitation service delivery in urban and rural areas in the planning, construction supervision and operation and maintenance of sanitation and hygiene systems/facilities, taking into consideration the principles of city/LGA-wide inclusive sanitation;
- f. Support the development of peer learning mechanisms amongst states, LGAs, and communities, such as regular forums and discussion platforms, that foster the scaling of piloted approaches proven to improve sector performance and sustainability.
- g. Training local area mechanics (LAMs), TBOs, masons, and artisans in the construction, maintenance, and repair of WASH facilities;



- h. Providing training and capacity building activities for all types of sanitation workers with a focus on health, safety and dignity and ensuring that both men and women are given equal career opportunities;
 - i. Supporting the development of a comprehensive supply chain to facilitate the availability of required parts and materials for maintenance and repair;
 - j. Preparing memorandums of understanding (MoUs) and performance-based contracts with different stakeholders for improved service delivery;
 - k. The piloting and establishment of innovative WASH facility management and business modalities as developed through the technical support provided under the IPF funding window; and
 - l. Leveraging women- and youth-led micro enterprises to address supply chain and O&M challenges.
10. The Technical design for Results Area 1 incorporates valuable lessons learnt from Nigeria as well as international experience to inform the design of effective PIR incentives:
- a. Institutional and governance reform are key to sustainable service delivery. Major interventions in the sector have largely focused on addressing technical issues and physical infrastructure aspects. Despite this, progress has stalled due to institutional and governance bottlenecks. Given the primary responsibility of states in service delivery and of the federal government in policy making, financing, and capacity building, adequate incentives need to be institutionalized within the sector's intergovernmental structure. Lessons learnt and experiences from other Federal countries demonstrate that: (1) intergovernmental coordination mechanisms are essential; (2) M&E systems create performance incentives as results become more visible and strengthen accountability to citizenry; (3) relatedly, regulatory functions become fundamental at the national level; and (4) the national government's role in providing TA support, particularly to subnational institutions, combined with strong political will, can yield substantial results. Creation of financial instruments with transparent rules and incentives for performance can be an effective approach to collectively achieving results across different levels of government and institutions.
 - b. High-level buy-in at the state level is essential to success. The critical role of the state governors as the main beneficiary and driver of reform had not been adequately considered in previous projects, resulting in delays in effectiveness, political interference, and slow implementation progress. Early consultation with governors is key to avoid misunderstanding, build trust, and garner their support.
 - c. Just-in-time support to federal and state sector institutions is critical. Lessons learnt from other PforRs emphasize the importance of TA. Successful outcomes can be realized in low-capacity governance systems with well-defined and targeted support to subnational government and service providers. TA support should be well-aligned with Program implementation. This can include in-country sector coordination platforms that enable knowledge sharing, evidence-based decision making, and consensus building among Government, donors and other stakeholders. In



addition, the TA can explore effective service delivery models, as well as regulatory structures and modalities at the state level.

- d. **The PforR can motivate increased PSP in the WASH Sector.** Promotion of an adequate enabling environment, clear, time-bound targets and investment plans, and a focus on financial and operational sustainability can motivate PSP in the sector.

Results Area 2: Improved Access to Water Supply, Sanitation and Hygiene Services

11. **The technical design of Results Area 2 aims to support an integrated package of investments to expand access to and the use of WASH services in urban and rural areas and small towns.** The Program promotes an LGA-wide approach to WASH service delivery, whereby participating LGAs will be supported to address critical gaps simultaneously in WASH, and within communities, public institutions and public places.

12. **Urban Water Supply.** The Program will support rehabilitation activities and small scale works that improve the optimization of existing infrastructure given the underutilization of existing water systems nationwide. Specific activities may include: (a) the expansion of access to improved water supply through installation of metered household connections, public standposts and water kiosks; (b) the rehabilitation of water supply infrastructure to boost production, including the rehabilitation of production facilities and pump and treatment plant components replacement; (c) the improvement of power supply to production facilities, prioritizing the use of renewable energies and improvements in energy efficiency; (d) the rehabilitation of distribution networks, including leak detection and repairs; (e) the installation of bulk, zonal, commercial, and domestic meters; (f) the rehabilitation and furnishing of customer service centers, central stores, and electrical and mechanical workshops; (g) the expansion of water quality testing capacity through the renovation and construction of laboratories; (h) the development of water master plans; and (i) the development of feasibility studies for selected urban centers. The activities will vary based upon identified state needs.

13. **Rural and Small Towns Water Supply.** The Program will support the development of new infrastructure and the rehabilitation of existing water points and schemes. Different options promoted by Federal projects are presented in Table A.1. The use of solar energy will be prioritized under the Program in adherence with the standards elaborated in the POM. RA 2 will also support the continued functionality of supported water points and schemes by promoting effective infrastructure operations, management, and maintenance by service providers and ongoing technical and financial support by relevant government agencies.

14. Given the high rate of failure of water points and water schemes, the Program will prioritize the rehabilitation of dilapidated water infrastructure over new construction, when technically feasible. Water supply services supported under the program will include: (1) rainwater harvesting systems; (2) protected springs; (3) boreholes equipped with a handpump; (3) simple motorized systems (borehole equipped with a motorized pump, water tank, and public tap); and (4) complex motorized water systems (borehole equipped with a solar-powered motorized pump, water tank, and distribution network to public standpipes and/or household connections). Whenever technologically feasible, motorized systems will make use of solar power to mitigate climate change through the reduction of GHG emissions.



Water supply technological options will be determined based upon contextual characteristics as elaborated within the POM to best ensure an acceptable level of service.

15. **Sanitation and Hygiene.** This RA supports the implementation of the Clean Nigeria: Use the Toilet Campaign in urban and rural areas and small towns by means of: (a) household-level sanitation and hygiene activities consisting of a gender-sensitive community-driven total sanitation approach tailored to the Nigerian context, market-based sanitation, hygiene promotion, safe water handling, storage and treatment, and child-focused SBCC aiming at improving hygiene practices and promoting the construction and use of latrines; (b) provision of incentives to help the poorest households in urban and rural areas, with special provisions for households with persons with limited mobility, to access improved sanitation; and (c) IEC activities which take into consideration the entire sanitation service chain to promote the development of local actors such as artisans and small businesses to participate in the delivery of sanitation products and services.

16. The Program will finance the construction of fecal sludge treatment plants to support the safe management of excreta in urban areas when appropriate and based on the recommendations of E&S risk and capacity assessments. Adequate E&S screening mechanisms will be put in place to assess such interventions on a case-by-case basis.

17. **WASH in Institutions and Public Spaces.** The RA will support the construction and rehabilitation of sanitation facilities and handwashing stations in institutions (schools and HCFs in accordance with relevant FMEdu and FMH guidelines) and public spaces (markets, motor parks) in urban and rural areas and small towns with a focus on child and women safety and comfort, accessibility for people with limited mobility, and adequate provisions for MHM. Where necessary, the facilities will be constructed or rehabilitated based on a sector-approved menu of technology options, to be developed through technical support under the IPF window. The RA will promote the development and adoption of management models and arrangements to ensure that sanitation cabins are operational and adequately maintained.

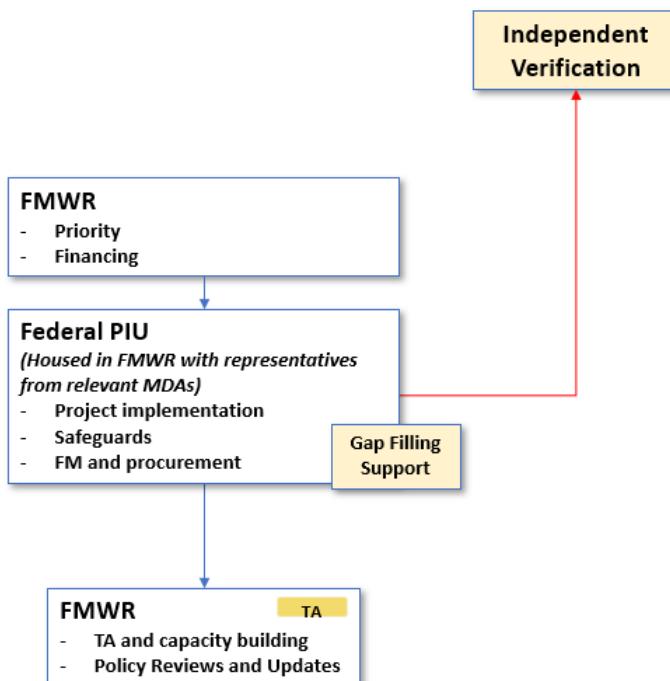
Technical Design of the IPF TA Component

18. The Technical Assessment, the E&S Systems Assessment (ESSA), and the IFSA carried out by the World Bank identified a number of capacity gaps and institutional deficiencies that should be addressed to support Program implementation in participating states. The Program will finance technical support activities to address these gaps and deficiencies through the Program's IPF financing window. The technical assessment identified human and material resources needs for the implementation of the Program. Technical support should be provided at all the federal and state levels to ensure that the Program activities will be properly implemented and that results will be sustained. Capacity building activities will be provided by in-country institutions, such as the NWRI, and consultants embedded in the relevant implementing agencies. Activities may include a mix of approaches, including embedding specialists within the relevant institutions to promote knowledge and skills transfer, just-in-time support, curriculum-based structured learning, central and regional technical workshops, and regular peer learning forums with different sector stakeholders for common needs across states. The NWRI has unique capabilities and extensive experience in organizing and delivering capacity building and learning activities to states. The objective of the TA is not to create parallel implementing agencies but to strengthen the different institutions and sustain the capacity acquired during the Program implementation.

***Institutional Arrangements***

19. The institutional arrangements in place at the federal and state level are sound to implement the Program. Capacity gaps vary from state to state and subsector to subsector. In general, state agencies have proven track record to plan, design, execute and monitor project related to the following subsectors: urban water supply, small towns water, rural water supply and rural sanitation. Overall, capacity to deliver on urban sanitation is limited. Reforms for urban sanitation service delivery are either ongoing or were recently completed in certain states. This could constitute a risk in the implementation of the urban sanitation activities as they have not shown proven track record to implement projects at scale. At the federal level, the lack of clarity regarding the lead institution responsible for sanitation could jeopardize progress towards preparing a holistic national policy on sanitation to consolidate the necessary institutional and regulatory reforms which take into consideration the principles of city/LGA-wide inclusive sanitation. Nonetheless, such conflicts were not noted at the state level. WASH sector coordination at the state level seems to be well established through lead ministries or steering or technical committees. Figure A.1 and Figure A.2 present the institutional arrangements in place at the federal and state levels as well as the gap filling measures to implement the Program. Table A.1 present the different institutions and their functions in the participating states.

Figure A.3.1. Implementation Arrangements at the Federal level



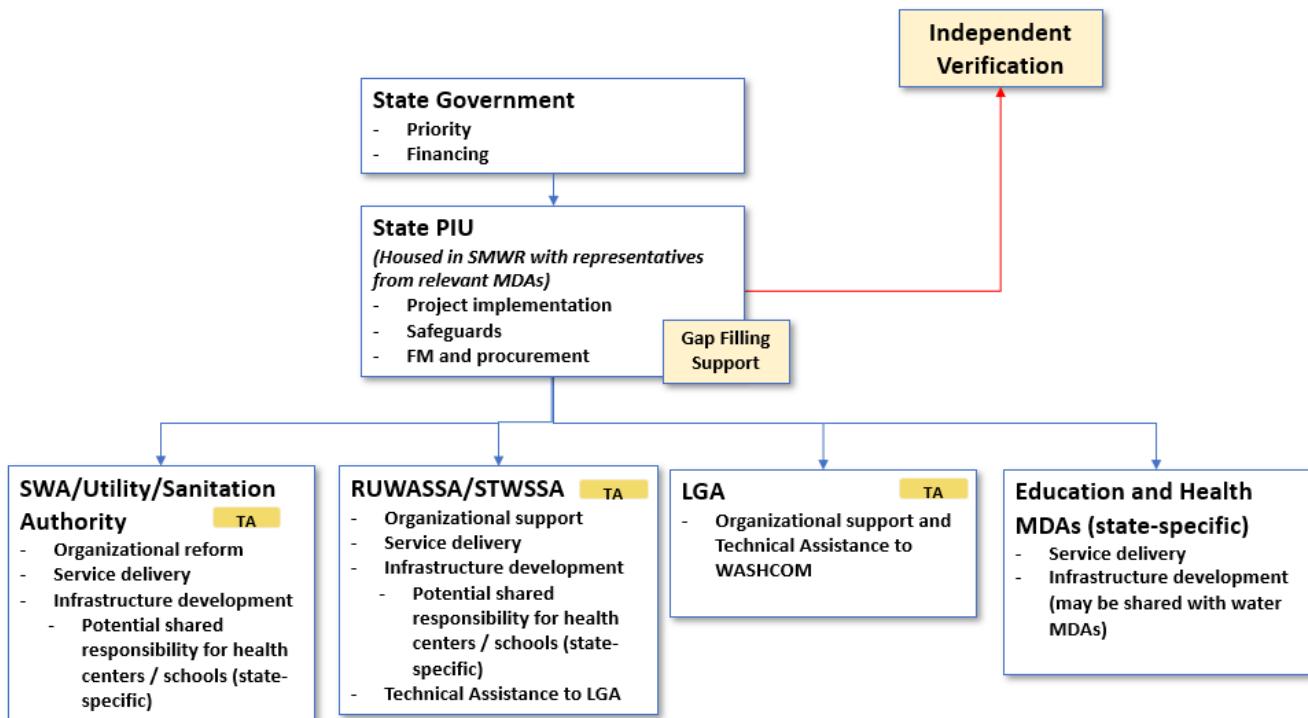
*Figure A.3.2. Implementation Arrangements at the state level*



Table A.3.1. Institutions responsible for WASH and their functions in the participating states

		Delta	Ekiti	Gombe	I'mo	Kaduna	Katsina	Plateau
Functions	Sector Policy Direction and Sector Coordination	Ministry of Water Resources Development Delta State Water and Sanitation Sector Coordination Committee Local Government Technical Committee on Water and Sanitation	Ekiti State Ministry of Infrastructure & Public Utilities	Ministry of Water Resources And Environment	Ministry of Public Utilities State Steering Committee	Urban Water Supply: Ministry of Public Work and Infrastructure Rural WASH: Ministry of Local Government Affairs Kaduna State Infrastructure Development Council State WASH Steering Committee	Ministry of Water Resources	Ministry of Water Resources and Energy
	Regulation	State Water Regulatory Commission	Ekiti State Water Sector Regulatory Unit (Agency)		Regulator Performance Based Monitoring and Review Committee (PCMRC)	Kaduna State Water Service Regulatory Commission Ministry of Environment (Sanitation)		Water Sector Regulatory Commission
	Service Delivery	DESUWACO STOWASSA RUWASSA Private Sector	Ekiti State Water Corporation Ekiti State Rural Water Supply and Sanitation Agency Ekiti State Small Town Water Supply and Sanitation Unit Private Sector	Gombe State Water Board RUWASSA	ISWSC STOWASSA RUWASSA Private Sector	Kaduna State Water Corporation (KADSWAC) Kaduna State Rural Water Supply and Sanitation Agency Private Sector	Katsina State Water Board RUWASSA Private Sector	Jos Water Services Corporation Plateau Municipal Water Supply and Sanitation Agency Plateau Rural Water Supply and Sanitation Agency Private Sector
	Support O&M and Sustainability	WASHCOMs WCAs	WASHCOMs WCAs	WASHCOMs WCAs	WASHCOMs WCAs	WASHCOMs WCAs	WASHCOMs WCAs	WASHCOMs WCAs
	Sector Support (e.g. Sanitation)	Other MDAs Delta State Task Group on Sanitation (DSTGS) CSOs and CBOs	Other MDAs (EKWMA, SEPA) CSOs and NGOs	Other MDAs	Other MDAs WCF CSOs	Other MDAs (Ministry of Health, SUBEB, KEPA)	Other MDAs (State Ministry of Justice, State House of Assembly House Committee on Water Resources, Ministry of Education and its Parastatals, Ministry of Health and its Parastatals, Ministry of Finance and Budget, Ministry of Environment and its Parastatals, All Local Governments and their LGA WASH Departments in the state) The media NGOs/CBOs	Other MDAs CSOs

Program Expenditure Framework

20. The budgetary and accounting information provided by the participating states shows that systems are in place to track the expenditures (capital or recurrent) incurred under the Program using accounting policies consistent with national and state public sector policies and standards. Nevertheless, close implementation support will be provided by the World Bank to support states to strengthen the arrangements and modalities to produce the Program Annual Financial Statements. The Program is aligned with the Government's programs objectives and resources allocations in the different state budgets. The Program will mostly be financed by the World Bank loan as shown in the summary PEF presented in Annex 4, Appendix C. Unit costs are relatively high and vary largely from state to state. A detailed study would need to be conducted to find cost efficiencies, both for capital investments and operating costs. Tariffs and billing and collection rates are low. A revision of the tariff structure is necessary to cover costs of production and take into account inflation. Analysis of historical budget release and execution data showed that low budget execution rates in many instances were a result of low rates of budget releases. The DLIs have been designed to eliminate cashflow constraints for the implementing agencies to be able to implement the Program activities.

**Results Framework and M&E**

21. The Program M&E system will be based on the Program Results Framework to monitor activities, outputs, and intermediate outcomes. Monitoring of the indicators will be completed annually during Program implementation to course-correct, if necessary, to achieve the PDO. A mid-term review by the World Bank will be undertaken before the third year of implementation to take necessary corrective measures in the M&E system. The federal and state-level PIUs will be responsible for the M&E function. The PIUs will be strengthened to undertake this function with the recruitment of dedicated M&E specialists and the organization of regular meetings to facilitate knowledge sharing, review progress, identify and address any weaknesses, and propose modalities for scaling up successes beyond the Program.

22. The indicators have been proposed to align with the theory of change to reach the different intermediate outcomes and objectives of the Program. The DLIs were designed to create clear incentives for Program implementation and achieve enhanced WASH service delivery.

23. The Program will leverage the efforts under implementation and the routine monitoring activities to establish a comprehensive sector-wide data collection and monitoring program which will involve all levels of government. The program will facilitate the long-term sustainability of the WASH sector and support decision-making in policy formulation, planning and resource allocation. It will be underpinned by a simple, updated, and comparable MIS that not only tracks the physical condition of infrastructure, but also gathers data on access, service quality, and sustainability of service provision. This real-time MIS will be complemented by the FMWR annual WASH sector survey WASH National Outcome Routine Mapping (NORM), which was first conducted in 2018 with support from the World Bank and UNICEF and measures relevant sector indicators at the national and state level.

24. In addition to these national monitoring efforts, a qualified IVA will be contracted throughout the Program period to provide independent verification and confirmation of the results reported by implementation agencies. The IVA will be recruited under the IPF window and housed within the FMWR.

Economic Evaluation

25. **The economic analysis confirms that the PforR Program will generate positive economic returns.** Particular economic benefits that have been quantified include: (1) increased household income due to time saved in fetching water; (2) increased income gained as a result of reduced absenteeism of the working age population and caretakers due to reductions in diarrheal illness; (3) reduced household health-related expenditure resulting from decreased prevalence of diarrheal disease; and (4) a net emissions reduction of 103,766 tons of carbon dioxide equivalent (tCO₂-eq). The Program is expected to contribute to the improved financial sustainability of utilities through increased operational efficiency, reduced NRW, and increased average tariff levels. The economic analysis projected Program benefits and costs over a period of 25 years and discounted at a rate of six percent based on World Bank guidance. The analysis yielded a net present value (NPV) for the program of US\$891.16 million and is positive for both WSS. The IRR is estimated as 26.35 percent, demonstrating the Program's economic viability as it is greater than the discount rate.

26. **Rationale for Public Financing.** The Program is expected to complement the Government's efforts to achieve its WASH SDG targets by providing critical financial resources for the sector, as the total



investment needs to achieve the objectives of the NAP by 2030 over the six years of the Program for federal and state governments is estimated at US\$30 billion, which is equivalent to annual sector investment of approximately US\$5 billion, or 1.3 percent of GDP. The WASH sector is in a state of emergency and inadequate WASH in Nigeria leads to 73 percent of the total burden of enteric infections and 255,000+ preventable deaths each year. Public financing is essential to scale up WASH services especially in rural areas where access is lagging. Access to sanitation and hygiene is also lagging and Nigeria is set to become the country with the most open defecators in the world. Financing in WASH is associated with health, time saving, and economic benefits especially for women and girls.

27. Given that WSS service providers have not yet achieved cost recovery, the sector will remain the domain of public finance for the foreseeable future. To this end, the Program is expected to reduce government fiscal burden by strengthening the cost recovery and cost effectiveness through improved design and implementation capacity, increased life of facilities, and increased user contributions towards investment and operating costs stemming from higher user satisfaction. The Program is expected to improve the customer and revenue bases of service providers through improved operational efficiency, gradual tariff reform that promotes increasing cost-recovery, and mechanisms to support the poor and vulnerable and sustain economic benefits. Finally, the establishment of autonomous service providers operating on a commercial basis, capacity building, and the early involvement of beneficiaries in technology selection are major instruments to ensure the financial sustainability of the Program.

Recommendations and PAP

28. The technical assessment identified the following recommendations which will be detailed in the POM:

- a. The Program should prioritize rehabilitation of water systems and schemes over new construction given the high rate of failure and the non-functionality of almost half of the existing water points and schemes in Nigeria; in urban areas, the Program should prioritize investments that ensure that existing infrastructure is used effectively as opposed to new construction;
- b. Reforms and software activities should be prioritized to ensure that the results of the Program will be sustained, and modalities and financing of operation and maintenance will be taken into consideration;
- c. SBCC and market-based sanitation should be implemented based on national and global lessons learned and the limitations of past interventions in Nigeria and with a focus on providing financial support to the poor and vulnerable to build their own toilets; and
- d. The Program should support the preparation of a detailed study to find cost efficiencies, both for capital investment and operating costs.

29. Actions have been proposed in the PAP to complement the abovementioned recommendations.

**ANNEX 4. SUMMARY INTEGRATED FIDUCIARY SYSTEMS ASSESSMENT****SECTION 1: CONCLUSIONS**

1. **An IFSA** of the Nigeria SURWASH PforR Program was carried out, consistent with World Bank Policy PforR Financing (November 2017), World Bank Directive on PforR Financing (July 2019) and in line with relevant guidelines.⁶² The objective of the assessment was to examine whether Program systems provide reasonable assurance that the financing proceeds will be used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The FM systems were assessed to determine the extent to which the planning, budgeting, accounting, controls, funds flow, financial reporting, and auditing systems and practices provide a reasonable assurance on the appropriate use of Program funds and safeguarding of its assets. Equally, the Program procurement systems have also been assessed to establish the extent to which the planning, bidding, evaluation, contract award, and contract administration arrangements and practices provide a reasonable assurance in support of achievement of the Program results. Finally, the assessment considered how Program governance systems manage the risks of fraud and corruption and how such risks can be mitigated. Consultations were held virtually, due to COVID-19 Pandemic, with World Bank staff and the participating states as well as the FMWR, as a result the IFSA was based only on information provided by the various government agencies in the participating states.
2. **Conclusion and Fiduciary Risk Rating.** The conclusion of the assessment is that the fiduciary systems, capacity and performance of the FMWR, the seven participating states of Delta, Ekiti, Gombe, Imo, Kaduna, Katsina and Plateau as well as the relevant implementing agencies in the states are adequate to provide reasonable assurance that the Program funds will be used for the intended purposes in an effective, efficient and transparent manner subject to the implementation of a set of risk mitigation measures. The overall Program integrated fiduciary risk (FM, procurement and governance) is rated **High**, and the *residual* fiduciary risk is rated **Substantial**. The IFSA has identified risks for which mitigation measures are proposed; these will be managed through methodical implementation of the individual PAP.
3. **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.
4. **Risk assessment.** The identified fiduciary risks include program funds not used for intended purposes, insufficient and delayed flow of funds to the implementing agencies to carry out program activities, varying staffing and capacity levels at the level of the implementing agencies, weak procurement capacity for managing large value contracts and relatively new regulators to carry out oversight functions. To mitigate the risk of program funds not used for intended purposes, the participating States through the SPIUs will provide bi-annual reporting on the use of funds in line with the implementation plans and the PEFs, which will be consolidated by the FPIU for regular monitoring. To address the risk on adequacy and

⁶² Guidance Notes provided by Operations Policy and Country Services for PforR Financing, and Guidelines on Preventing and Combating Fraud and Corruption in PforR Financing.



timeliness of funds flow - (i) segregated program accounts will be set up in the 7 states. This will ensure transparency and will also limit the risk of diversion of program funds; and (ii) a 'Funds Release policy' will be prepared, and it will specifically include agreed timelines for the transfer of funds. At the end of the Program, the audited Program financial statements will enable reconciliation of World Bank disbursements with the overall Program expenditures. Further, the use of performance-based disbursement will engender commitment on the part of state governments to ensure timely funds flow to the implementing agencies for the implementation of SURWASH interventions as the lack of which will hamper their ability to access disbursements from the World Bank. This too mitigates, to some extent, the risk of the Program activities not receiving funds in a timely manner. Training and capacity building interventions will be financed through the TA component. In addition, project accountants will be assigned by the PFMUs to the seven SPIUs who will provide TA to and coordinate with the FM staff at the implementing agencies. Except Kaduna State which has procurement officers with reasonable experience in procurement gained through arising from their involvement in projects financed by the AfDB and the Islamic Development Bank, the remaining states have inadequate number of skilled procurement personnel that can manage large value and complex procurement packages. Procurement risks will be mitigated by deploying additional procurement staff and regular training in addition to support from procurement consultants where necessary.

5. Procurement exclusions. Contracts for the procurement of works, goods, and services under the Program that exceed the Operational Procurement Review Committee (OPRC) thresholds will be excluded from the PforR financing. The value of contracts for the procurement of Works, Goods and Services under the Program are not expected to exceed the OPRC thresholds.

SECTION 2: SCOPE

6. Scope. The IFSA covered the FMWR, the seven participating states of Delta, Ekiti, Gombe, Imo, Kaduna, Katsina and Plateau and the relevant implementing agencies in the states (the list of assessed agencies is provided in **Appendix A**). The FSA was conducted through a methodical review of fiduciary systems and practices at the state and implementing agencies' level, also involving the review of the Federal Public Expenditure and Financial Accountability (PEFA) (2019). The team also reviewed the lessons learned in implementation of World Bank Programs at the State level. For assisted states that may become eligible to participate in the program during the course of program implementation, World Bank due diligence will include a full fiduciary assessment of the incoming state (or states) to be carried out. The World Bank has been supporting state governments in strengthening public FM institutions, systems and processes through several operations⁶³. The result of the 2018 and 2019 APA conducted by the Independent credible Verification Agency (IVA) involving all the 36 states under the SFTAS program were equally reviewed. These reports indicate that the seven states have continued to make progress in PFM reforms in key areas such as planning and budgeting, accounting and reporting, internal and external auditing, state IFMIS,

⁶³ State Employment and Expenditure for Results Project (P121455 - SEEFOR); State Fiscal Transparency, Accountability and Sustainability PforR (P162009 - SFTAS); Kaduna Economic Transformation PforR (P161998); SPESSE Project (P169405 -); Public Sector Governance Reform and Development Project (P097026 - PSGRDP).



cash management, budget preparation, and budget execution. Some selected indicators of PFM performance for the participating states are presented in **Appendix B**.

7. Program Expenditure Framework. The PEF comprises of the expenditure framework of the federal and the seven participating states, each of which covers expenditures by the implementing agencies involved in the implementation of the PforR in the two Result Areas of the Program: (a) Strengthened sector policies and institutions for improved services, and (b) Improved access to water supply, sanitation and hygiene services. The IDA contribution to the PforR amounts to US\$640 million within an expenditure framework estimated to be US\$815 million. A summary of the consolidated PEF is provided in **Appendix C**.

SECTION 3: REVIEW OF PFM CYCLE

8. The Program fiduciary arrangements will be a combination of the State Governments' systems which are generally functioning well, as well as the systems of the implementing agencies. The assessment covered these systems comprising of: (a) planning and budgeting; (b) budget execution; (c) accounting and financial reporting; (d) internal controls including internal audit; (e) treasury management and funds flow; (f) external auditing; (g) procurement processes and procedures; (h) contract administration; (i) contract dispute resolution; (j) program governance and anti-corruption arrangements; and (k) legislative oversight. The assessment of the PFM cycle revealed that historical performance has been varied across the participating 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 Auditors-General are in place in all sub-national governments and are performing regular external audit.

a) Institutional and Legal Framework

9. The FMoF and its respective agencies are the key institutions for public FM in the Federal Government. Other players include the National Assembly and the Office of the Auditor-General for the Federation. The enabling institutional and legal framework for FM in Nigeria is contained in a variety of sources and is acceptable to the World Bank. Sources include the: (a) Constitution (Sections 80-89) – accounts, audit, and investigations; (b) Finance (Control & Management) Act of 1958 – the organic public finance management law; (c) Fiscal Responsibility Act (FRA) of 2007, aiming to instil discipline into fiscal planning and management; (d) Federal Public Procurement Act of 2007; and (e) Freedom of Information (FoI) Act of 2011 – aiming to improve transparency and public accountability by providing for public access to non-sensitive official data. Along with the subsidiary legislation, regulations, and operational and financial directives which dictate the day-to-day management and oversight of public finances (notwithstanding the long overdue organic public finance legislation and the audit law), it is concluded that the legal framework in place as applicable to the Program, is acceptable to the World Bank.

**b) Planning and Budgeting**

10. Adequacy of budgets. The budget estimates of the PforR Program will be 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 the budgets are prepared based on the Medium-term Expenditure Framework (MTEF) documents and on fiscal policy guidelines issued by the State Ministry of Finance. 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 are still evolving, however the performance on citizens' engagement in budget preparation⁶⁴ greatly improved in 2019. The timely publication of the annual budget is one part of the eligibility criteria for participation in the SFTAS program and the 2020 and 2021 annual budget was submitted by the seven states by end January 2020 and January 2021 respectively. Responding to the COVID-19 pandemic, all the seven 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.

11. The Program Budget. The Program budget comprises recurrent and capital expenditures of the federal MWR and the state level implementing agencies. 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 has been incentivized and yielded positive results. Planning and budgeting follow a structured and timely process consistent with the states' PFM cycle. During FY20 however, the allocation of resources was much lower than the provision within the approved budgets resulting in high expenditure deviation from states' annual budget. However, the use of performance-based disbursement will engender commitment on the part of state governments to provide budgetary resources for the implementation of SURWASH interventions as the lack of funds will hamper their ability to access disbursements from the World Bank. This mitigates, to some extent, the risk of the Program activities not receiving budgetary resources.

12. Procurement Arrangement and Planning. The procurement arrangements for the Program will be governed by the public procurement systems established in each of the seven states at different times as follows: Delta (2020); Ekiti (2010, revised 2020); Gombe (2019); Imo (2010); Kaduna (2015); Katsina (2017); and Plateau (2018). The laws are publicly available on each of the state government's website except Katsina which has been working to finalize the website. The procurement systems in the states are similar to that at the federal government level which is based on the UNCITRAL model law, with minor differences to cater for peculiar domestication at the state level. The procurement laws have provision for establishment of e-procurement system for enhanced efficiency and transparency. Kaduna State has already launched its e-procurement system which was incentivized under the Kaduna State PforR⁶⁵ funded by the World Bank. Most of the states have Procurement Manuals fully developed and in use. The procurement manual for Gombe State however is still under development. This is expected to be finalized

⁶⁴ Under SFTAS 2018 results, 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, CSOs and local governments.

⁶⁵ Kaduna State Economic Transformation PforR (P161998).



before Program effectiveness. Revised guidelines were issued by the Federal and all the seven participating States in response to emergency procurement using COVID 19 funds, also supported by SFTAS PforR. These guidelines provide for mandatory publication of bidding opportunities and contract awarded by these governments.

13. Procurement Implementation will mainly be carried out by the water and sanitation agencies in each of the states based on the participating agencies' areas of responsibilities including ministries of water resources, the Water Corporations, and small towns and rural water agencies as well as environmental protection agencies. 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. Draft annual procurement plans are used to formulate the budget. The procurement plans are finalized after the appropriation law is enacted usually in January and disclosed in the State Procurement Agencies' website. The finalization of procurement plan may be delayed if there is slippage in the passage of the appropriation bill by the legislature. In the past three years, however, the enactment of the budget has been timely. Analysis of procurement performance data (see **Appendix E**) revealed that although the average percentage variance between estimated budget and contract amount is about 28 percent, the variance was 61.76 in Katsina, suggesting inefficient budgeting and procurement planning. The procurement planning and budgeting system in Katsina will be monitored to ensure that procurement estimates are within market range.

14. The procurement laws enacted by all the states have provisions to handle procurement related complaints by bidders. All the states have common procedure for addressing procurement-related complaints as stated in paragraphs 79, 55, 54, 56, 63, 59 and 67 of the procurement laws of Plateau, Delta, Ekiti, Imo, Katsina, Gombe and Kaduna, respectively. The States' Public Procurement Bureaus 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. Analysis of data revealed that four complaints were received by the Katsina SMWR between 2019 and 2020 while Kaduna Water Corporation and RUWASA, Kaduna State received 1 and 21 complaints, respectively, during the same period (see **Appendix F**). All the complaints which were received from bidders and host communities were disposed expeditiously.

15. **Procurement profile of the program.** Available information on the extent and profile of procurable expenditure under the Program indicate that procurement activities are within the program boundary and will contribute to the PDO. The activities cut across procurement categories of Goods, Works and Services which include construction/rehabilitation of boreholes, construction of VIP Latrines and water closets, rehabilitation of water treatment plants, rehabilitation/expansion of distribution networks, procurement of water treatment chemicals, operational vehicles and training.

c) Budget Execution

16. **Accounting.** Accounting under the Program will be done by the FPIU and the PFMU of each State, with the implementing agencies also maintaining their books of records. The Nigeria Federation adopted the International Public Sector Accounting Standards (IPSAS) accrual basis of accounting and financial reporting as of fiscal year 2016. 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 i.e., GFS 2001 – compliant, but its implementation is also uneven across the states. In most 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. Except Gombe, Imo and Plateau States, the participating states prepared their 2019 audited financial statements on IPSAS accrual basis. The State Treasury staff are usually well- qualified and experienced in financial management. At the level of the implementing agencies, the system for accounting varies. Most of the implementing agencies assessed used a combination of manual and excel based system for their accounting. Few agencies utilize a computerized accounting software with or without a combination of excel based records (for e.g., Gombe State Water Board). A third category of agencies are in the process of computerizing their accounting system (for e.g., Imo State Water and Sewerage Corporation, Delta State STWASSA and RUWASSA).

17. Financial reporting. Financial reporting under the Program will be done bi-annually by the SPIU (with support from the PFMU) of each State, and consolidated financing reporting will be done by the FPIU. FPIU will submit the consolidated report to the World Bank within 45 days from the end of the calendar semester. Program financial statements will also be prepared by the FPIU and individually by each of the SPIUs, and subject to audit. The Program expenditures are material within the context of the overall expenditures of the States. The FPIU 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 federal and each participating state's audited program financial statements.

18. In 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 2019, five out of the seven participating states were able to meet the full requirements. Kaduna and Imo states did not meet the full reporting requirements. At the level of the implementing agencies, preparation of financial reports in a manual process.

19. Treasury Management and Funds Flow. The Ministry of Finance and, by extension, the Offices of the State Accountant-General exercise control over the flow of funds. Controls are initiated immediately following the budget release to MDAs through the Budget Office. Expenditure commitments are subject to a process of validation at the MDA level by the departments responsible for accounting and financial control as well as the Offices of State Accountant-General. Pre-payment 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 2019 APA found that only 2 (Gombe and Kaduna) out of the seven participating states have a TSA that covers at least 60 percent revenue.

20. The PforR proceeds of the IDA Credit will be disbursed to the Federal Government's Special Fund Account, a sub-account of the TSA held with the CBN – managed by the FPIU. Disbursements are triggered by the achievement of the DLI-related results for the Program and verified by the IVA. FPIU will arrange



for the independent verification of the achievement of the results, in accordance with the agreed verification protocol. The IVA will prepare a Results Verification Report to be shared simultaneously with the FMWR and the World Bank. The FMWR will notify the World Bank of any comments on the report and whether the results are acceptable. At that point, the World Bank will make a final determination on acceptance of the results. Once the results are accepted, the report will be shared with a committee of representatives from development partner organizations and civil society. Upon notification of acceptance of the verification report, a Withdrawal Application (WA) 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 participating states will be made directly from the Special Fund Account to a segregated program account to be opened up in each state which will be a sub-account of the Consolidated Revenue Fund Account of the respective States, and from which disbursements will be made to the implementing agencies. Transfer of the DLI funds from the federal to the state governments should not be later than 14 days from the time of receipt of funds from the World Bank. This will be part of the POM and monitored to ensure that the states receive their share promptly. To mitigate the risk of delay in the transfer of funds from States to the implementing agencies, a 'Fund Release Policy' will be prepared and adopted by each OSAG that will establish guidelines and timelines for transfer of funds.

21. Advances up to a maximum of 25 percent of the notional allocation for the federal and each participating state will be disbursed to FPIU upon effectiveness of the operation. The funds will be on-lent to the participating states upon execution of the subsidiary agreements. The advance will be adjusted against amounts due to the federal and participating states for verified DLI achievement. In the event the advances from the World Bank exceed the payments to be made against achieved and verified DLIs or exceed the actual expenditures incurred under the PEF, the excess advance will have to be refunded to the World Bank. This is will be specified in the Subsidiary Agreements.

22. The assessment of the flow of funds at the level of the implementing agencies in the participating states shows that the state governments through the respective Offices of the Accountant General releases funds from the State treasury to the implementing agencies which then proceed to incur and record expenditures against approved budget. The implementing agencies maintain bank accounts with commercial banks into which budgetary resources are disbursed. Review of historical data for budget releases and budget execution in the states revealed varying degrees of performance depending on the nature of funding (counterpart versus donor funded) and nature of expenditure (CapEx versus OpEx). The analysis and discussions also revealed that low budget execution rates in many instances were as a result of low rates of budget releases (detailed tables for budget releases and budget execution are provided in **Appendix D**). The use of performance-based disbursement will engender commitment on the part of state governments to ensure timely funds flow to the implementing agencies for the implementation of SURWASH interventions as the lack of necessary funds will hamper their ability to access disbursements from the World Bank. This mitigates, to some extent, the risk of the Program activities not receiving funds in a timely manner.

23. **The PEF** comprises of the expenditure framework of the FMWR and the seven participating states, each of which covers expenditures by the implementing agencies involved in the implementation of the



PforR in the two Result Areas of the Program: (a) Strengthened sector policies and institutions for improved services, and (b) Improved access to water supply, sanitation and hygiene services. The IDA contribution to the PforR amounts to US\$640 million within an expenditure framework estimated to be US\$815 million. FPIU will monitor the actual total Program expenditures incurred using the semester IFRs and the annual financial statements of participating states. In the instance that the total Program expenditures at Program closure are less than the Program withdrawals i.e., disbursements from the World Bank, the excess amount will be refunded by the Federal Government to the World Bank.

24. Procurement processes and practices. Bidding procedures in the states are generally based on open competition as enshrined in the various procurement laws. Low-value procurement at the local government levels most times are restricted to registered contractors. Some sample bidding documents, and contract documents examined for some states showed equitable conditions of contract. Timelines between Invitation for Bids (IFB) and contract ward average 30 days for shopping and small-value consulting services and about 90 days for open competitive procurement which are considered reasonable. Imo State water sector did not implement any capital projects between 2013 and 2019 from its own resources. The Water Corporation in Ekiti State has been implementing contracts in the water sector under the World Bank-funded NUWSRP3 (P123513) which closed on March 30, 2021. The performance of the Ekiti State Water Corporation is satisfactory. The Ekiti State RUWASSA has executed some works contracts using national competitive bidding process.

25. 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 A.4.1. Approved Procurement Thresholds and Methods at State Level

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	ICB	State Executive Council

26. 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.

27. Contract administration. The existing platform under the World Bank funded Third National Urban Water Reform Project in Ekiti State has adequate processes and systems in place to monitor the performance of contractors/consultants. Kaduna State has procurement monitoring council to oversee contract performance depending on threshold. For large value contracts, consultants are engaged for the supervision of the works. Except Imo, all other participating states have experience in managing contracts implemented using competitive procurement methods at national and international levels. The number of bids received in those states for NCB packages ranged from low four in KEPA, Kaduna State to 128 in



Kaduna SMWR while the bids received in ICB packages ranged from 24 in KADSWAC to 500 in RUWASA for works. On the average, three bids were received for small value Works and Goods, respectively, using RFQ procedures which is in line with best practices. The number of bids received for the procurement of Goods using NCB ranged from low four in KEPA and 16 in EKSWC. The average number of proposals received for all selection methods used for the engagement of consultants was less than optimal. The PPSD has determined the need to regularly conduct market sounding to further improve competition in contracting in the participating states.

28. The data received from Imo State were mainly for operational expenses and few low-value procurement activities implemented during the last few years. These were not sufficient to measure the performance of the procurement system in the implementing agency. The implementing agency in the state will need to rebuild its procurement system. To strengthen procurement capacity in the state, one experienced Procurement Officer in the public service who has had World Bank or other Donor Partner procurement experience should be deployed to the project and should be supported by a procurement consultant.

29. **Records management.** 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. Currently, the states keep all hard copy procurement records in accordance with the government's administrative procedures. Some records are also kept in Compact Disks. However, the states will be encouraged to also establish electronic document management system to enhance record keeping and ease of retrieval when needed.

d) Internal Controls

30. **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. 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 World Bank Verification Numbers (BVs) 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 revealed that five (other than Imo and Katsina) out of the seven States have implemented the biometric capture of their civil servants. For 2019, Imo state is still at an early stage while the remaining six states have implemented biometric capture.



31. **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 pre-payment 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.

32. At the level of the implementing agencies, most of the assessed agencies have a functioning internal audit unit, headed by a qualified accountant (ICAN or ANAN). The internal audit units of some agencies have between two and four staff reporting to the head of the unit, but in most agencies, it operates with only one staff (who is the head of the unit) engaged by the agencies. One of the agencies assessed had its internal auditor deployed by the OSAG (STWASSA in Plateau state). One outlier among the assessed agencies was the Kaduna State Water Corporation where the internal audit function was spread out in its 34 outstation offices. It had an internal audit staff in each of its outstation offices, seven staff in the main office, and all of them headed by a qualified Chief Internal Auditor. However, the primary function of majority of these internal audit units was pre-audit of expenditures. Few units carried out reviews apart from the pre-audits, some monthly but otherwise the periodicity varied.

e) Oversight – Program Audit

33. **Program audit.** Responsibility for the annual program audit will rest with the federal as well as individually with each State. The FPIU and the SPIUs will prepare program-specific financial statements based on expenditures against their respective PEF, and have them audited by private auditors under ToR acceptable to the World Bank. Noting the Program boundary, the audited program-specific financial statements 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). 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). The auditors will also provide a management letter noting deficiencies observed in internal controls and recommendations for improvement. The audited financial statements of the federal and seven participating states shall be submitted to the World Bank **within nine (9) months** of the end of the government fiscal year.

34. The external audit function across the states has been strengthened, resulting in the early publication of the 2018 audited General-Purpose financial statements (GPFS) for the seven states. Although the quality of the audit reports of the GPFSs is uneven, some improvement has been noted. The SFTAS Program is incentivizing such improvements in audit reporting. At the level of the implementing agencies, the annual audit is carried out by private auditors engaged either by the OAUG of the State or by the



agencies based on a list of auditors provided by the OAuG of the State. Annual audits of all assessed agencies were up to date up to FY19.

35. For 2019, all seven states published IPSAS-compliant audited financial statements 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.

f) Procurement and FM Capacity

36. **Financial Management.** The states Treasury Offices are endowed with adequately qualified and experienced staff in financial management. The implementing agencies across the participating states have FM and internal audit staff with varying degrees of experience. In most of the assessed agencies, the finance department is headed by a qualified accountant (ICAN or ANAN). In STWASSA of Delta State, the Chief Accountant has been deputed by the OAG of the State. While some agencies have experience of managing other donor funded projects (UNICEF and AfDB), not many have experience with World Bank-funded projects. The Water Corporation in Ekiti State has been involved with the World Bank-funded Urban Three Project, as such its finance staff are well versed with World Bank FM requirements. The FPIU-FMWR has experience of working on World Bank projects. A Project Accountant and a Project Internal Auditor will be assigned to the FPIU by the OAGF. The SPIUs that will be set up in each of the participating states as a coordinating body will also include as part of their staffing structure Project Accountants and Project Internal Auditors assigned by the state OAGs but who will be part of the PFMUs. The project accountants will coordinate with the FM staff of all the implementing agencies as well as the FPFMD and State OAGs to facilitate the FM functions under the program. Separately, training and capacity building initiatives will be funded under the TA component based on the various needs of the implementing agencies. World Bank will also provide periodic training as required.

37. **Procurement.** The implementing agencies have procurement staff with varying degrees of experience across the states. This is adequate for small-value and non-complex procurement activities such as sinking of boreholes, construction of pit latrines. However, for large-value contracts involving rehabilitation of treatment plants and distribution lines, additional staff will be required to strengthen existing technical capacity; procurement consultants will be engaged to support the teams for a limited period of time. Some states' procurement regulatory agencies were newly constituted and therefore will require capacity building to perform their oversight functions effectively.

g) Program governance and anticorruption arrangements

38. **Consistent with OP/BP 9.0,** and as part of the IFSA, an assessment was conducted on the existing institutional and oversight systems and practices in Nigeria pertaining to 'Governance and Anticorruption' (GAC) 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.

39. The Program appears exposed to two main risks of fraud and corruption: (a) fraudulent or corrupt invoicing by contractors and (b) diversion of fund. The implementation of actions in this regard indicated in the PAP will mitigate their occurrence.

40. The national anticorruption 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 (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 and promote transparency (asset disclosure and freedom of information). A recent peer review of the implementation of the UNCAC in Nigeria concludes that its legal and institutional anticorruption framework is robust enough. 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 further strengthened the anticorruption framework.

41. Asset disclosure requirements apply to all public officers, including at State and LGA 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.

42. 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 inter-agency task team on anticorruption). 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 (ACTUs) which are the most relevant for assessment under the Program. The anti-corruption nodal agency in Nigeria is the ICPC but in practice its jurisdiction overlaps with that of the EFCC. The Technical Unit on Governance and Anticorruption Reforms (TUGAR), 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.

43. 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.

44. The EFCC. 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 an MOU that it has signed with the World Bank. In 2019 EFCC's performance was recognized by INT. 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.

45. 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 respective platforms. (b) The World Bank Anti-Corruption Guidelines will apply to the Program-for- Results. (c) A protocol for recording, reporting, and investigating allegations and complaints pertaining to fraud and corruption were agreed among the implementing agencies and confirmed during negotiations as set out in paragraphs 104 and 105 of the PAD. The protocol shall establish a framework of responsibilities for this purpose with clear identification of those charged with ensuring regular oversight and adherence. States' reports on GRM will be sent to the FPIU and the FPIU will transmit the same to the World Bank. 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.

46. The Program governance and anticorruption arrangements will rely largely on the country's national level governance and anticorruption arrangements. The Economic and Financial Crimes Commission (EFCC), Independent and Corrupt Practices Commission, the Code of Conduct 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 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 FPIU for compilation and inclusion in 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 SURWASH Program implementation. Where allegations or complaints are made, the submission shall provide status of actions taken.

Table A.4.2. Responsibilities under Anti-Corruption Guidelines

Activity	Responsible Agency	Report Recipient	Investigation
GRM	Implementation Platforms	SPIU/FPIU	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
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47. 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, were agreed to and documented in the minutes of negotiations as described in the PAD and will be included in the POM. 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. **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.

SECTION 4: PROGRAM SYSTEMS AND CAPACITY IMPROVEMENTS

48. 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 proactively refining the operational modalities will be critical to managing the risks during program life.

Table A.4.3. PAP Fiduciary Actions

Action Description	Due Date	Responsible Party	Completion Measurement
Preparation and submission of consolidated calendar semester program financial reports	45 days after the end of the relevant calendar semester	FPIU	SPIUs prepare and submit program financial reports to the FPIU, and the FPIU consolidates the reports with its own and submits to the World Bank
Protocol adopted and implemented for reporting, management and investigation of	Prior to effectiveness; Semi-annual	FPIU	Protocol adopted by FPIU prior to effectiveness. Report on fraud and corruption



fraud and corruption allegations operationalized in MDAs implementing CARES Program			allegations submitted bi-annually as part of Program implementation progress report
Finalization and adoption of a 'Funds Release policy' for improved predictability of funds flow to MDAs implementing SURWASH	By effectiveness	Ministry of Budget and Planning; Ministry of Finance	Funds Release policy finalized and MDAs BERs showing cumulative budget releases against appropriations

49. Other fiduciary actions

Table A.4.4. Other Fiduciary Actions

Action Description	Due Date	Responsible Party	Completion Measurement
FMWR and the seven states prepare program-specific financial statements and have them audited	Within nine months from the end of the fiscal year	FPIU and SPIUs	FPIU and the SPIUs submit audited program-specific financial statements to the World Bank by the due date
Assignment of Project Accountants to the FPIU and the SPIUs	Within three months of effectiveness	OAGF and OAG of the states	Accountants assigned
Ensure deployment of adequate number of procurement officers across implementing agencies	Within three months of effectiveness	States Ministries of Water Resources	
Arrange for the training of procurement officers	Within three months of effectiveness	States Ministries of Water Resources	
Arrange for capacity building of regulatory agencies to conduct procurement post reviews	Within three months of effectiveness	State Government	
Engage procurement consultant to support procurement units in managing high-value contracts	Within three months of effectiveness	States Ministries of Water Resources	

SECTION 5: IMPLEMENTATION SUPPORT

50. Support will include the following:

- a. Monitoring of implementation progress towards achievement of Program results.



- b. Support to the Borrower to resolve fiduciary implementation challenges.
- c. Monitoring of the performance of the fiduciary systems and the implementation of fiduciary actions in the PAP (and other actions).
- d. Monitoring changes in fiduciary risks to the Program and, as relevant, compliance with the fiduciary provisions in the legal covenants.
- e. Fiduciary supervision will be consistent with a risk-based approach and will be carried out at least twice a year based on the fiduciary risk rating. In addition, periodic implementation support and capacity building/ training will be provided as needed to the FPIU and the SPIUs.



APPENDIX A – LIST OF ASSESSED AGENCIES

DELTA	EKITI	GOMBE	IMO	KADUNA	KATSINA	PLATEAU
SMWR	Ministry of Infrastructure and Public Utilities	SMWR	SMWR	State Ministry of Public Works and Infrastructure	SMWR	State Ministry of Water Resources and Energy
Urban Water Corporation	Ekiti State Water Corporation / Ekiti Water and Sewerage Company	Gombe State Water Board	Urban Water Corporation	Kaduna State Water Corporation	Katsina State Water Board	Jos Water Services Corporation (Urban)
RUWASSA	RUWASSA	RUWASSA	RUWASSA	RUWASSA	RUWASSA	RUWASSA
STWSSA	Small Towns Water Supply and Sanitation Unit	STWSSA	STWSSA	Department of Semi Urban Water Supply	STWSSA	STWSSA
State Water and Sanitation Regulatory Commission	Water and Sanitation Protection Agency	Gombe State Environment and Protection Agency	Environment and Protection Agency	Environmental Protection Agency	Environment and Protection Agency	Environment and Protection Agency



APPENDIX B - SELECTED PUBLIC PFM PERFORMANCE INDICATORS FOR THE PARTICIPATING STATES

STATES	DELTA	EKITI	GOMBE	IMO	KADUNA	KATSINA	PLATEAU
AFS Publication							
FY2017 – December 31, 2018	✓	✓	✓	✗	✓	✓	✗
FY2018 – September 30, 2019	✓	✓	✓	✗	✓	✓	✓
Budget Publication							
FY2019 – Feb 28, 2019	✓	✓	✓	✗	✓	✓	✓
FY2020 – Jan 30, 2020	✓	✓	✓	✓	✓	✓	✓
FY2021 – Feb 30, 2021	✓	✓	✓	✓	✓	✓	✓
PFM Legislation							
Fiscal Responsibility Law	✗	✗	✓	✗	✓	✗	✗
Consolidated Revenue Code	✗	✗	✗	✗	✓	✗	✗
Procurement Law FY 2018	✗	✗	✗	✗	✓	✗	✗
Procurement Law FY 2019							
Other PFM Performance							
Budget Deviation FY2018	29%	27.70%	24%	48%	54%	51.30%	45.70%
Budget Deviation FY2019	8%	34.20%	22.30		47.72%	53.30%	37%
Quarterly BERs FY2018	✗	✓	✓	✗	✗	✗	✗
Quarterly BERs FY2019	✓	✓	✓	✓	✗	✓	✓
Citizens' Budget FY2018	✗	✗	✗	✗	✗	✗	✗
Citizens' Budget FY2019							
Contract Award Publication 2018	✓	✓	✗	✗	✓	✗	✗
Contract Award Publication 2019	✓	✗	✓	✓	✓	✓	✓
TSA (%age coverage) 2018	14.82%	✗	✗	✗	✓	✗	12%
TSA (%age coverage) 2019	14.88%	4.75%	80.46%		105%	✗	35.47%
Biometric Capture for payroll 2018	100%	71%	70%	✗	73%	✗	63%
Biometric Capture for payroll 2019	100%	95.99%	88.4%		52.72%	69%	88.93%

* Note: BER = Budget Execution Report.



APPENDIX C – CONSOLIDATED (SUMMARY) PROGRAM EXPENDITURE FRAMEWORK

Federal / State	Result Area	Budget Codes	Total Amount (US\$)	Yearly projections of program expenditures (US\$)						
				2021	2022	2023	2024	2025	2026	2027
				Capital Expenditures (CapEx)						
FMWR	2	ERGP30115203 ERGP28110324 ERGP28128475 ERGP28128490 ERGP28110316 ERGP28111602 ERGP30110871 ERGP28111123	58,022,119	5,771,018	7,432,115	10,263,185	10,710,892	10,119,582	6,862,663	6,862,663
Delta	2	023821205 0238212023 0238212027 0252020002 0252021001 0252121003	83,305,690	8,502,202	13,148,110	13,148,110	12,727,744	12,713,732	12,143,573	10,917,220
Ekiti	1, 2	25210200100 26100100101 / 001010000010117 25210300100 26100100100 / 00130000030143	70,304,134	10,545,620	14,060,827	14,060,827	14,060,827	7,030,413	7,030,413	3,515,207
Gombe	2	04000110 to 04000116 04000123 to 04000128 1000345 to 1000352 1000356 1000364 1000384 to 1000387	109,973,937	28,585,043	33,865,428	10,560,770	10,560,770	10,560,770	10,560,770	5,280,385
Imo	2	462	92,689,307	9,798,024	44,168,045	21,990,912	10,592,560	3,450,742	2,652,438	36,586



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Federal/ State	Result Area	Budget Codes	Total Amount (US\$)	Yearly projections of program expenditures (US\$)						
				2021	2022	2023	2024	2025	2026	2027
Kaduna	1, 2	23020105 23020103	74,989,406	3,810,898	12,389,962	13,464,648	20,881,017	14,144,683	6,629,828	3,668,371
Katsina	2	32030109/MWRRP017 32010208/MWRRP004 32010208/MWRRP001 32010210/MWRRP009 32010210/MWRRP008 32010210/MWRRP011 32010210/MWRRP012 32010208/MWRRP005 32010101/SEPAPP003 32010101/SEPAPP002 32010208/RUWPP001	142,460,968	14,755,997	29,366,136	32,403,144	28,039,851	29,896,639	7,010,105	989,097
Plateau	2	23030000 23030198 23020241 23030199 2302042 23020235 23010210 23030123 2303015 to 23030161 23020337 23070304 23020148 to 23020152 23020261 to 23020262 23040110 to 23040115 23050160 to 23050162	72,842,334	0	12,655,724	14,189,978	18,489,279	16,946,933	10,031,364	529,057
		Total CapEx	704,587,895	81,768,802	167,086,346	130,081,574	126,062,940	104,863,494	62,926,154	31,798,585



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Federal/ State	Result Area	Budget Codes	Total Amount (US\$)	Yearly projections of program expenditures (US\$)						
				2021	2022	2023	2024	2025	2026	2027
Operational Expenditures (OpEx)										
FMWR	1	ERGP28101915 ERGP30110693 ERGP30110892 ERGP28110316	3,877,285	221,932	391,645	391,645	979,112	979,112	456,919	456,919
Delta	1, 2	0238212005 0238212027 0252020001 0252020006 0252021004 0252021007 0252210008 0252210005 0252221002	16,332,499	1,802,934	3,251,455	2,768,327	2,509,117	2,126,117	2,028,303	1,846,246
Ekiti	1, 2	26100100100 26100100101 25210200100 26100100101 / 00101000010117	7,673,790	1,151,069	1,534,758	1,534,758	1,534,758	767,379	767,379	383,690
Gombe	1	10000353 to 10000355 10000357 to 10000363 10000365 to 10000383 04000117 to 04000122 04000129 04000130	14,958,100	4,787,560	3,261,218	2,185,871	1,180,863	1,180,863	1,180,863	1,180,863
Imo	1, 2	419 445-462	7,007,317	801,927	2,972,098	1,224,159	676,963	565,988	421,305	344,878



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Federal/ State Result Area	Budget Codes	Total Amount (US\$)	Yearly projections of program expenditures (US\$)						
			2021	2022	2023	2024	2025	2026	2027
Kaduna	1	2,202,011.4 2,202,050.5 2,202,071.1	3,059,268	465,114	819,303	561,789	602,138	435,004	148,904 27,016
Katsina	1	3,320,301,09/MWWRP017 3,203,0109/MWWRP017 3,201,0101/SEPA/P003 3,201,0005/SEPA/P015 3,203,0109/SEPA/P016 3,201,0510/SEPA/P009 3,201,0208/RUWP/P001	6,701,039	1,788,715	1,229,258	925,109	1,027,916	895,421	556,082 278,538
Plateau	1	2,304,0104 2,305,0140 2,304,0105 2,304,0106	4,670,732	1,362,805	1,092,480	1,047,358	419,309	374,390	187,195 187,195
		Total OpEx	64,280,029	12,382,055	14,552,215	10,639,015	8,930,177	7,324,274	5,746,949 4,705,344
		Contingency (6%)	46,132,075	5,649,051	10,898,314	8,443,235	8,099,587	6,731,266	4,120,386 2,190,236
		Total program financing	815,000,000	99,799,908	192,536,875	149,163,824	143,092,704	118,919,034	72,793,490 38,694,165



APPENDIX D – SUMMARY TABLES OF BUDGET RELEASES AND BUDGET EXECUTION

TABLE A.4.D.1 – BUDGET RELEASE

States and Implementing Entities	Approved Budget (OR revised budget as applicable) in Naira			Funds released to the agencies in Naira			Percentage of funds released		
	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
DELTA									
Urban Water Corporation	50,000,000	50,000,000	250,000,000	40,500,000	13,566,750	33,727,888	81.00	27.13	13.49
RUWASSA	360,000,000	420,000,000	450,000,000	315,629,570	109,822,726	348,375,000	87.67	26.15	77.42
STWSSA	90,000,000	90,000,000	132,000,000	50,000,000	50,000,000	92,000,000	55.56	55.56	69.70
EKITI									
Ministry of Infrastructure and Public Utilities (MIPU)	175,359,695	181,355,805	94,959,695	67,631,983	74,235,469	75,686,864	38.57	40.93	79.70
Ekiti State Water Corporation (EKSWC) / Ekiti Water and Sewerage Company (EKWSC)	962,394,091	812,412,147	477,394,091	363,626,861	415,132,303	345,301,162	37.78	51.10	72.33
Ekiti State RUWASSA	42,221,986	43,751,982	32,945,111	33,450,503	43,651,982	32,945,122	79.23	99.77	100.00
IMO									
RUWASSA	55,678,562	70,278,538	403,293,201	21,368,697	23,975,577	23,907,577	38.38	34.12	5.86
KADUNA									
Kaduna State Water Corporation	3,773,837,779	2,273,837,779		3,773,837,779	2,273,837,779		100.00	100.00	-
RUWASSA	1,166,761,013	1,134,581,813	2,047,503,791	887,606,709	902,392,506	1,540,950,064	76.07	79.54	75.26
Environment and Protection Agency	181,986,260	147,225,700	86,448,280	95,500,761	27,935,480	47,141,440	52.48	18.97	54.53
KATSINA									
Katsina State Water Board	774,441,387		493,183,500	610,333,892		494,190,276	78.81	-	99.20
RUWASSA	2,376,000		1,643,900	2,418,000	803,000	765,561	415,088	33.80	46.57
Department of Semi Urban Water supply	1,900,000,000		800,000,000	975,000,000	115,408,459	310,877,607	202,000,000	6.07	38.86
Katsina State Environmental Protection Agency	847,604,665	673,290,167	490,959,766	150,008,329	116,228,710	224,950,202	17.70	17.26	45.82
PLATEAU									
Jos Water Services Corporation (Urban)	1,480,751,979	1,071,000,000	12,528,500,000	296,150,395	453,433,000	125,285,000	20.00	42.34	1.00
Plateau RUWASSA	616,979,991	488,568,000	595,600,000	108,588,478	188,930,416	5,956,000	17.60	38.67	1.00
Environment and Protection Agency (PEPSA)	68,500,000	27,100,000	27,100,000	20,550,000	8,130,000	30.00	30.00	30.00	30.00



TABLE A.4.D.2 – BUDGET EXECUTION

States and Implementing Entities	Approved Budget (or revised budget, if applicable) (in millions of Naira)					Budget execution for the year (in millions of Naira)					Budget execution in percentage				
	FY16	FY17	FY18	FY19	FY20	FY16	FY17	FY18	FY19	FY20	FY16	FY17	FY18	FY19	FY20
DELTA															
SMWNR (WASH sector)	1,394,421	1,181,500	1,600,000	1,668,278	0	77,709	213,634	509,835	752,145	5,57	18.08	31.86	45.09	-	
Urban Water Corporation	130,000	130,000	50,000	50,000	227,000	98,430	50,000	40,500	13,567	67,176	75.72	38.46	81.00	27.13	
RUWASSA	70,000	204,000	360,000	420,000	450,000	40,000	154,000	315,630	109,823	348,375	57.14	75.49	87.67	26.15	
STWSSA	90,000	90,000	90,000	132,000	130,000	90,000	50,000	50,000	92,000	100,000	100.00	55.56	55.56	69.70	
EKITI															
Ministry of Infrastructure and Public Utilities (MIPU)	101,686	164,433	187,360	141,360	149,360	43,380	55,916	67,632	74,235	75,687	42.66	34.01	36.10	52.52	
Ekiti State Water Corporation (EKSWC) / Ekiti Water and Sewerage Company (EKWSC)	280,074	0	972,690	823,654	449,626	0	0	363,627	415,132	345,301	0.00	-	37.38	50.40	
Ekiti State RUWASSA	24,577	33,807	42,222	43,752	32,945	21,323	30,539	33,451	43,652	32,895	86.76	90.33	79.23	99.77	
GOMBE															
Gombe SMWNR (WASH sector)	208,276	174,339	697,910	465,910	348,530	132,366	99,403	150,619	126,850	132,400	63.55	57.02	21.58	27.23	
Gombe State Water Board	0	2,752,706	2,804,945	2,777,950	2,258,600	0	1,077,801	1,372,123	2,037,811	1,629,589	-	39.15	48.92	73.36	
RUWASSA	394,895	292,700	1,341,875	1,277,325	1,372,595	52,999	87,423	16,185	516	3,625	13.42	29.87	1.21	0.04	
Gombe State Environment and Protection Agency (GOSEPA)	1,522,580	1,458,190	1,535,200	1,756,000	2,628,200	1,179,008	1,134,296	1,157,350	1,411,495	2,110,332	77.43	77.79	75.39	80.38	
IMO															
Urban Water Corporation	100,000	926,000	335,440	1,063,264	627,139	0	0	0	119,704	233,383	0.00	0.00	0.00	11.26	
RUWASSA	55,308	55,609	55,679	70,279	350,407	20,368	21,251	21,368	23,976	36,83	38.21	38.38	34.12	6.82	



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States and Implementing Entities	Approved Budget (or revised budget, if applicable) (in millions of Naira)					Budget execution for the year (in millions of Naira)					Budget execution in percentage				
	FY16	FY17	FY18	FY19	FY20	FY16	FY17	FY18	FY19	FY20	FY16	FY17	FY18	FY19	FY20
KADUNA															
Kaduna State Water Corporation	2,515,400	3,231,222	3,773,838	2,273,838	0	2,515,400	3,231,222	3,773,838	2,273,838	0	100.00	100.00	100.00	100.00	-
RUWASSA	878,469	1,014,500	1,166,761	1,134,582	2,232,730	878,469	1,014,500	1,166,761	1,134,582	2,232,730	100.00	100.00	100.00	100.00	100.00
Environment and Protection Agency	37,423	307,268	181,986	147,226	86,448	0	25,900	95,501	27,935	47,141	0.00	8.43	52.48	18.97	54.53
KATSINA															
Katsina State Water Board	510,744	729,493	774,441	0	498,184	502,637	636,612	610,334	0	494,190	98.41	87.27	78.81	-	99.20
RUWASSA	891,610	2,153	2,376	1,644	2,418	567	864	803	766	415	0.06	40.11	33.80	46.57	17.17
Department of Semi Urban Water Supply	454,000	1,650,000	1,900,000	800,000	975,000	0	104,807	115,408	310,878	202,000	0.00	6.35	6.07	38.86	20.72
Katsina State Environmental Protection Agency	141,952	680,005	847,605	673,290	490,960	126,047	83,316	150,008	116,229	224,950	88.80	12.25	17.70	17.26	45.82
PLATEAU															
State Ministry of Water Resources and Energy (WASH sector)	505,622	549,300	1,073,400	2,571,600	1,862,600	151,687	164,790	322,020	771,480	18,626	30.00	30.00	30.00	30.00	1.00
Jos Water Services Corporation (Urban)	1,188,326	427,564	1,480,752	1,071,000	12,528,500	209,145	75,251	296,150	453,433	125,285	17.60	17.60	20.00	42.34	1.00
Plateau RUWASSA	495,136	178,152	616,980	488,568	595,600	87,144	31,355	108,588	188,930	5,956	17.60	17.60	17.60	38.67	1.00
Environment and Protection Agency (PEPSA)	50,000	50,000	68,500	27,100	27,100	15,000	20,550	8,130	8,130	30.00	30.00	30.00	30.00	30.00	30.00



APPENDIX E – PROCUREMENT PERFORMANCE

States	Implementing Agencies	Procurement Category (Goods, Works or Consultancy)	Procurement Method ¹	Average Number of bids Received	No. of days between IFB and Award	No. of Contracts	Estimated Budget (NGN)	Contract Amount (NGN)	Variance Between Budget and Contract Price	% of Variance	% of bid processes declared null before contract signature
RUWASA	Goods	Shopping	3	30	1		7,280,000.00	7,189,000.00	91,000.00	1.25	0.00
	Consultancy	Least Cost	5	120	1		7,787,500.00	1,990,000.00	5,797,500.00	74.45	0.00
	Works	Shopping	3 per lot	14	18		230,200,754.91	200,273,754.91	29,927,000.00	13.00	0.00
GOMBE	GOSEPA	Goods	Shopping	3	30	1	18,000,000.00	17,350,000.00	1,350,000.00	7.5	0.00
		Works	Shopping	3	35	1	28,000,000.00	26,880,404.08	1,119,959.20	4.0	0.00
	WATER BOARD	Works	Shopping	3	28	1	1,389,700.00	1,275,000.00	114,700.00	8.25	0.00
		Works	Shopping	4	30	1	24,250,000.00	22,117,900.00	2,132,100.00	8.79	0.00
		Consultancy	Least Cost	3	30	1	15,000,000.00	11,000,000.00	4,000,000.00	26.6	0.00
							16,500,000.00	16,216,375.00	283,625.00	1.7	0.00



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States	Implementing Agencies	Procurement Category (Goods, Works or Consultancy)	Procurement Method ¹	Average Number of bids Received	No. of days between IFB and Award	No. of Contracts	Estimated Budget (NGN)	Contract Amount (NGN)	Variance Between Budget and Contract Price	% of Variance	% of bid processes declared null before contract signature
	Ministry of Public Works & Infrastructure	Works	NCB	128	90	1	3,306,424,281.39	2,796,321,000.00	510,103,281.00	15	NIL
KADSWAC	WORKS	ICB	24	90	1	1,883,991,831.65	1,485,872,054.27	398,119,777.38	21%	NIL	
RUWASSA	Works	ICB	500	60	88	N469,684,874.52	N469,684,874.52	0.00	0%	0%	
KADUNA	Works	ICB	500	14	34	N302,797,072.68	N302,797,072.68	0.00	0%	0%	
KEPA	GOODS	NCB	10	7	1	66,000,000.00	65,175,000.00	825,000.00	1.25%	0%	
	GOODS	NCB	4	7	1	10,756,450.00	9,680,670.00	1,075,780.00	10.00%	0%	
	GOODS	NCB	4	7	1	38,850,000.00	25,900,000.00	14,100,000.00	36.29%	0%	
	GOODS	NCB	5	7	1	32,175,000.00	31,368,892.35	806,107.6	2.50%	0%	



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States	Implementing Agencies	Procurement Category (Goods, Works or Consultancy)	Procurement Method ¹	Average Number of bids Received	No. of days between IFB and Award	No. of Contracts	Estimated Budget (NGN)	Contract Amount (NGN)	Variance Between Budget and Contract Price	% of Variance	% of bid processes declared null before contract signature
KATSINA	KTSEPA	Goods	Shopping	–	2 WEEKS	23	1,616,100	1,587,050	29,050	1.8	–
		Consultancy	Individual Consultant	7	2 WEEKS	7	808,050	792,752	15,298	1.9	–
RUWASSA	RUWASSA	Works	Fixed Budget	23	2 WEEKS	15	80,642,330	79,860,221	782,109	0.97	–
		Works	Least Cost	107 (2016)	20 Days	5	706,875,276.58	697,675,176.58	9,200,100.00	1.3%	
RUWASSA	RUWASSA	Works	Least Cost	143 (2017)	17 Days	3	1,313,443,750.62	1,223,342,640.62	90,101,110.00	7.4%	
		Works	Least Cost	218 (2018)	21 Days	3	2,349,242,381.85	2,259,142,081.85	90,100,300.00	3.9%	
KATSINA	RUWASSA	Works	Least Cost	173 (2019)	21 Days	3	1,716,587,114.36	1,616,587,114.36	100,000,000.0	6.1%	
		Works	Least Cost	53 (2020)	16 Days	1	238,590,744.00	237,590,744.00	10,000,000.00	4.1%	
Department of Rural and Semi Urban Water Supply	Department of Rural and Semi Urban Water Supply	Works	Fixed Budget	15 (2017)	14days	5	281,896,554.00	281,896,554.00	Nil	Nil	Nil
		Works	Fixed Budget	8 (2018)	14days	8	430,421,251.41	430,421,251.41	Nil	Nil	Nil
		Works	Fixed Budget	3 (2019)	14days	1	43,242,000.00	43,242,000.00	Nil	Nil	Nil



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States	Implementing Agencies	Procurement Category (Goods, Works or Consultancy)	Procurement Method ¹	Average Number of bids Received	No. of days between IFB and Award	No. of Contracts	Estimated Budget (NGN)	Contract Amount (NGN)	Variance Between Budget and Contract Price	% of Variance	% of bid processes declared null before contract signature
	Ministry of water Resources	All	Least Cost	3	30 days	9	3,800,000,000.00 (2020)	1,937,207,779.61	1,862,792,220.39	50.98	Nil
KATSINA	Ministry of water Resources	All	Least Cost	3	30 days	10	3,800,000,000.00 (2019)	1,593,238,397.42	2,206,761,602.58	41.93	Nil
	Ministry of water Resources	All	Least Cost	3	30 days	10	3,800,000,000.00 (2018)	9,595,508,126.90	(5,795,508,126.90)	252.51	Nil
	Ministry of water Resources	All	Least Cost	3	30 days	6	3,800,000,000.00 (2017)	2,464,431,911.56	1,335,568,088.44	64.85	Nil
	Ministry of water Resources	All	Least Cost	3	30 days	9	3,800,000,000.00 (2016)	2,649,703,502.00	1,150,296,498.00	69.73	Nil
PLATEAU	Plateau RUWASSA	Goods, Open Competitive Bidding,	100 Bidders	30 days (3 weeks for bidding and 1 week for Evaluation, 1 week for NOC and Award	10 and above	100,000,000.00	95,000,000.00 – 105,000,000.00	Plus or minus 5 percent of the Budget provision	Less than 5 percent(mostly due to delay in submission)		



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States	Implementing Agencies	Procurement Category (Goods, Works or Consultancy)	Procurement Method ¹	Average Number of bids Received	No. of days between IFB and Award	No. of Contracts	Estimated Budget (NGN)	Contract Amount (NGN)	Variance Between Budget and Contract Price	% of Variance	% of bid processes declared null before contract signature
PLATEAU	Plateau PRUWASSA	Goods,	Open Competitive Bidding,	100 Bidders	30 days (3 weeks for bidding and 1 week for Evaluation, 1 week for NOC and Award)	10 and above	100,000,000.00	N95,000,000.00 – 105,000,000.00)		Plus or minus 5 percent of the Budget provision	Less than 5 percent (mostly due to delay in submission)
DELTA	Jos Water Service Corporation JWSC	Consultancy services	ICB/NCB QCBS, Fixed Budget,	8	6 weeks	1	US\$275000	US\$274260	US\$740	0.27	nil
DELTA	Urban Water Corporation	Works/Good s	Consultancy services QCBS,	21	6 weeks	1	US\$900, 000	867,521.75	US\$32,478.25	3.61	nil
STWSSA	Works	Least cost, Request for quotations (RFQ)	Least cost, Request for quotations (RFQ)	10	3 weeks	10	94,955,887.50	94,955,887.50	Nil	Nil	0%
RUWASSA	Works	NCB, Least Cost	NCB, Least Cost	39	3 weeks	11	288,375,000	286,717,629	1,657,371	0.99%	0%



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States	Implementing Agencies	Procurement Category (Goods, Works or Consultancy)	Procurement Method ¹	Average Number of bids Received	No. of days between IFB and Award	No. of Contracts	Estimated Budget (NGN)	Contract Amount (NGN)	Variance Between Budget and Contract Price	% of Variance	% of bid processes declared null before contract signature
DELTA	State Water and Sanitation Regulatory Commission	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
EKITI	EKRUWASSA	WORKS	NCB	48	92	8	90,850,000.00	62,745,403.17	28,104,596.83	30.94	52.3
	WORKS	NCB	64	51	14		124,987,500.00	97,823,032.77	27,164,467.23	21.73	24.2
	WORKS	NCB	66	45	19		360,550,000.00	330,262,839.87	30,287,160.13	8.4	10.5
Ministry of Infrastructure and Public Utilities	Goods	Shopping	3 Bids	28days	1	2,000,000	1,700,000	300,000	15%	0%	
EKSWC	Consultancy	SS	21	16	1	US\$350000	US\$350,000	0	0	20	
	Consultancy	CQS	4	12	1	US\$50,000	US\$46,555	US\$450	3		
	Consultancy	CQS	5	11	1	US\$200,000	US\$202,396.37	(US\$2,396)	4		



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States	Implementing Agencies	Procurement Category (Goods, Works or Consultancy)	Procurement Method ¹	Average Number of bids Received	No. of days between IFB and Award	No. of Contracts	Estimated Budget (NGN)	Contract Amount (NGN)	Variance Between Budget and Contract Price	% of Variance	% of bid processes declared null before contract signature
EKITI											
	Consultancy	CQS	3	13	1		US\$10,000	US\$102,107.25	(US\$2,107)	2	
	Consultancy	IND CON	3	4	1		US\$30,000	US\$28,600	US\$1,400	2	
	Goods	NCB	11	8	1		US\$200,000	US\$15,294.72	(US\$15,294.72)	10	
	Goods	NCB	16	8	1		US\$1000,000.00	US\$942,032.58	US\$57,968	15	
	Goods	NCB	8	8	1		US\$700,000	US\$585,141.67	US\$114,858.33	7	
	Works	ICB	12	12	1		US\$7,500,000	US\$5,970,406.11	US\$1,529,593.89	11	
	Works	NCB	9	10	1		US\$3,500,000	US\$3,280,346.95	US\$219,653.05	8	
	Works	NCB	11	10	1		US\$7,500,000	US\$5,429,576.39	US\$2,070,423.61	10	
	Works	Shopping	3	4	1		US\$200,000	US\$194,903.2	US\$5,096.80	2	
	Works	Shopping	3	3	1		US\$10,000	US\$4,912.93	US\$5,087.07	2	



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States	Implementing Agencies	Procurement Category (Goods, Works or Consultancy)	Procurement Method ¹	Average Number of bids Received	No. of days between IFB and Award	No. of Contracts	Estimated Budget (NGN)	Contract Amount (NGN)	Variance Between Budget and Contract Price	% of Variance	% of bid processes declared null before contract signature
IMO	Imo State Water and Sewerage Corporation	Water treatment chemicals and reagents, Fuel and lubricants, Water fittings and accessories, UPV pipes and accessories etc.	Least cost	Three (3)	Two weeks	Five (5)		N12,528,177			

¹ Shopping, NCB, ICB, Individual Consultant, QoS, QBS, QCBS, Fixed Budget, Least Cost, etc.



APPENDIX F – MANAGEMENT OF PROCUREMENT-RELATED COMPLAINTS

State	Implementing Agencies	Year of Report	Description of Complainant (Service Provider/ Customers/Host Community)	Number of Complaints Received	Number of Complaints Resolved	Number of Complaints Outstanding	Average Time for Resolving Complaints
KADUNA	MINISTRY OF PUBLIC WORKS AND INFRASTRUCTURE	NA	KADUNA STATE WATER CORPORATION	2020	1	Nil	Nil
	RUWASSA	2019	Services Provider/Host Community	15	15	0	48 hours
	KEPA	2020	Services Provider/Host Community	6	6	0	24 hours
Katsina	Ministry of Water Resources	2016 TO 2020	Service Provider	3	3	Nil	N/A
	Ministry of Water Resources	2019	Service Provider	1	1	Nil	8 Weeks
	Ministry of Water Resources	2018	Project host Community	1	1	Nil	1 to 2 Weeks
	Ministry of Water Resources	2017	Service Provider	2	2	Nil	4 Weeks
	Ministry of Water Resources	2016	Nil	Nil	Nil	Nil	

**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 and sector experts. An E&S risk screening was undertaken at the concept stage during program preparation. The ESSA process was informed by World Bank's Guidance on PforR Environmental and Social System Assessment (September 18, 2020). The findings, conclusion, and technical deductions expressed in the ESSA document are those of the World Bank. The ESSA was publicly disclosed by the World Bank and the FMWR on April 29, 2021 and will be applicable to the whole program. Under the TA component, in line with the World Bank's Environmental and Social Framework (ESF), the ESRS was disclosed on March 22, 2021, by the World Bank. The SEP and LMP were publicly disclosed by the FMWR on March 20, 2021 and the World Bank on March 22, 2021. The ESCP was subsequently publicly disclosed by the FMWR and the World Bank on April 29, 2021.
2. During preparation of the ESSA, extensive consultations were carried out virtually with various stakeholders at the Federal, State and LGA level due to COVID-19. This included government staff, regulatory WASH agencies, NGOs and sector experts across seven participating states and the federal agencies. During the consultation, the details of the Program were presented to the participants after which some additional questions were raised which each of the State representatives were given some time to respond. The E&S issues, the questionnaire and discussion points used for the consultation were sent to participants prior to the meetings. Following the consultation plan, the States were also requested to submit documents relating to their E&S systems and institutional frameworks. Further public consultations for the ESSA were conducted on March 10, 2021, to incorporate the views of NGOs, CBOs and CSOs with those of the state and federal implementing agencies prior to the project appraisal.

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 the six core principles and key planning elements that pertain to ESSAs in line with the World Bank's Policy for P4Rs. During preparation, a scoping exercise was conducted to determine the applicability of each of the six PforR E&S Core Principles to the various program DLIs and results chain.

Expected E&S Impacts and Risk of the Program

4. The E&S risks of the Program have been assessed and deemed to be substantial. Overall, the Program will bring positive benefits such as the adequate collection and treatment of a considerable amount of sewage, which was, prior to the Program, being inadequately collected and discharged to watercourses with inappropriate or no treatment; and promote communities from opting for better sanitation facilities and combat impacts of open defecation. However, the proposed Program will involve the implementation of small- to medium-scale civil works in order to establish sound WASH infrastructure in the project areas



as well as the design and management of sewage and fecal sludge which can pose environmental risks that if not managed via a sound due diligence system can pose significant risks. Potential associated physical interventions will include activities such as the drilling of boreholes, construction and rehabilitation of water points and water schemes, construction and rehabilitation of water facilities in associated institutions (schools and health centers) and public spaces (markets, bus stations), protecting the quality and quantity of water sources for relevant water facilities, household-level sanitation activities, construction and rehabilitation of latrines in associated institutions (schools and health centers) and public spaces (markets, bus stations).

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. Generation and need for disposal and management of excavated material and other construction waste generated from construction/rehabilitation activities during the construction phase
- b. Occupational health and safety of workers both during the construction and operational phases
- c. Increased level of dust, noise and vibration from moving of construction vehicles and machinery
- d. Community health and safety risk, including nuances during the construction period and impacts that can come about due to unsound operation of WASH facilities
- e. Pollution of surface and groundwater sources
- f. Wastewater and fecal sludge from sanitation facilities
- g. Impacts due to land acquisition for construction (permanent and temporary)
- h. Impacts on cultural heritage and women's safety if facilities are not sited properly
- i. Labor risks due to workforce brought into rural areas by contractors
- j. Resultant impacts on community health,
- k. SEA and GBV issues
- l. Potential influx of persons due to improved water and sanitation infrastructure
- m. Potential for conflict between the communities if all do not receive equal benefits from the Program.

Recommendations

6. Following the identification of E&S risks, the E&S management system in place to manage the identified risks was assessed. Based on the risks and gaps identified in ESSA, the key action identified is to build capacity of all program-implementing agencies on E&S management including the development and use of guidelines, procedures and a monitoring framework that can be streamlined and institutionalized at the Federal, State and LG level. This will help strengthen the implementation and improve the outcomes of the Program as well as facilitate the program implementing agencies. The guidelines will also look at facilitating sound processes for the management of sludge and fecal waste during WASH infrastructure operation in order to facilitate the States to move to more environmentally sound means of disposal and management of solid and liquid waste generated via WASH processes.

7. Key E&S Operation actions that will be applicable to the program will include:

- a. *Exclusion of high-risk interventions* accomplished through application of criteria to exclude certain interventions from the Operation that may impact sites of importance that pertain to natural habitats, protected areas and sites of known and documented cultural heritage, resettlement and other activities that will pose substantial irreversible environmental risks.



- b. *Strengthening the existing GoN system for E&S management via adequate process guidelines in line with international best practice which will facilitate the state agencies to implement a streamlined due diligence process in line with State and Federal Environmental Regulations and the World Bank's core principles on Environment and Social management for P4Rs.*
 - c. *Building institutional capacity in the SPIUs to address E&S issues for monitoring and due diligence at all project-implementing levels and agencies via a program that will help institutionalize and retain capacity within these key agencies. The capacity building program will also look at introducing new means of using disruptive technology such a geographically enabled monitoring systems and IT tools for better E&S impact analysis, management and monitoring.*
 - d. *Ensuring that a robust E&S screening mechanism is in place to guide E&S management of proposed interventions.*
 - e. *Providing guidelines for participating states to explore core social inclusion programs such as the development of gender sensitive policies and operations manual to forestall GBV and gender vulnerabilities, SEA and protection of the disabled population and other vulnerable groups.*
8. **Projects on International Waterways (OP/BP 7.50):** OP 7.50 is applicable as the Program aims to provide WASH services in select rural, small towns and institutions (schools and health facilities), with potential impacts on both groundwater and surface water. Some Program sites fall within transboundary river basins that are shared with neighbor countries and therefore considered “international waterways,” including the Niger river basin (shared with Benin, Burkina Faso, Côte d’Ivoire, Cameroon, Algeria, Guinea, Mali, Mauritania, Niger, Nigeria, Sierra Leone, Chad) and the Lake Chad basin (shared with Algeria, Cameroon, Central African Republic, Chad, Libya, Niger and Sudan). Given the small scale and diffuse nature of eligible activities financed by this Program and that investments of particularly high environmental risk will be excluded, the Program will not adversely affect the flow, quantity or quality of the water flowing to other riparian countries and will not be appreciably harmed by other riparians’ water use. In accordance with the World Bank’s OP 7.50 paragraph 1, both the Lake Chad Basin Commission (LCBC) and the Niger Basin Authority (NBA) have been notified of the Program by the FMWR. The LCBC responded favorably to the Program, while no objection was received from the NBA within the allotted timeframe. OP 7.50 was approved by World Bank management on March 19, 2021.



ANNEX 6. PROGRAM ACTION PLAN

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
Establishment of SPIUs, including at least a coordinator and specialists in procurement, financial management, environmental, social and inclusion, planning, and M&E, as well as technical staff. Implementation of capacity building program.	Technical		State PIUs	Other	3 months after effectiveness or prior to disbursement, whichever is earlier	SPIUs est. with required staff (w/ clear ToRs) by 3 mths after effectiveness or prior to disbmt for any state, whichever is earlier. Staff maintained through implementation. Training module & implementation support supervision report of WB team.
Prepare Program Operational Manual (POM), with comprehensive guidelines for E&S due diligence and core inclusion activities, such as gender, SEP, SEA/H, resettlement and protection of vulnerable groups. Use POM for all implementation.	Technical		Federal/State PIUs	Other	Prior to effectiveness	POM completed and disseminated to stakeholders prior to effectiveness. POM adopted by SPIUs prior to disbursement. Associated training provided, guidelines operationalized, and relevant POM requirements are applied to all Program activities.
Hire the IVA to verify DLIs annually against verification protocol and conduct quarterly monitoring of progress on E&S risk management, particularly regarding the compliance of Program activities with the PAP & E&S due diligence, and ACG.	Technical		Federal/State PIUs	Other	90 days after effectiveness; Every 3 months during Program implementation	IVA hired with Bank-accepted contract/TORs no later than 90 days after effectiveness. Submit qtly reports to Bank including progress of implem. of actions & compliance with E&S risk management & anti-corruption guidelines. E&S due diligence per POM.



Ensure that a robust E&S screening mechanism is in place and guides E&S management of proposed interventions throughout implementation, supported by a comprehensive manual which will include inter alia the Exclusion List (to be included in the POM).	Environmental and Social Systems		Federal/State PIUs	Other	Prior to effectiveness	Screening mechanism manual prepared and submitted to the Bank prior to effectiveness. IVA to submit quarterly reports to the Bank throughout implementation.
Establish a strong grievance redress mechanism (GRM) system to ensure that the stakeholders are well sensitized ahead of any implementation.	Environmental and Social Systems		SPIUs, Implementing Agencies	Other	Prior to start of activities in relevant state	Appropriate GRM protocol and staffing are in place.
Establish a gender-based violence (GBV) response committee at the state level to proactively create a safe place for all gender related issues.	Environmental and Social Systems		SPIUs, Implementing Agencies	Other	Prior to start of activities in relevant state	First minutes of committee meeting, including committee composition, satisfactory to the Bank.
Preparation and submission of consolidated calendar semester program financial reports.	Fiduciary Systems		FPIU	Other	45 days after the end of the relevant calendar semester	SPIUs prepare and submit program financial reports to the FPIU, and the FPIU consolidates the reports with its own and submits to the Bank.
Protocol adopted and implemented for reporting, management and investigation of fraud and corruption allegations operationalized in MDAs implementing SURWASH	Fiduciary Systems		FPIU	Other	Prior to effectiveness; Semi-annually	Protocol adopted by FPIU prior to effectiveness. Report on fraud and corruption allegations submitted bi-annually as part of Program implementation progress report.



program.						
Finalization and adoption of a 'Funds Release policy' for improved predictability of funds flow to MDAs implementing SURWASH.	Fiduciary Systems		Min. Budget and Planning; Min. Finance	Other	By effectiveness	Funds Release policy finalized and MDAs BERs showing cumulative budget releases against appropriations.

**ANNEX 7. IMPLEMENTATION SUPPORT PLAN**

- 1. The World Bank's implementation support strategy for the SURWASH program will account for the scale of the Program, the assessed capacity of implementing agencies, associated risks and the need for close monitoring and continued TA to federal- and state-level implementing agencies that are responsible for delivering results under the operation.** The implementation strategy will adopt a flexible and demand-driven approach to facilitate timely responses to implementation challenges that might arise during implementation. This will be complemented by ongoing, proactive outreach and frequent communication with implementing agencies, particularly at the state level. This effort will be intensified during the early stages of Program implementation to facilitate a smooth rollout across states. The team will also work closely with the FPIU to facilitate the exchange of knowledge and lessons learned across states to improve Program performance over time.
- 2. The team will continuously monitor the institutional capacity of key implementing agencies and assess emerging Program risks to enable a prompt response to emerging implementation challenges.** The implementation support strategy is multipronged and will include: (a) formal JRM on a quarterly basis, or more frequently if needed; (b) monthly technical meetings and field visits, when possible, to provide oversight and TA of capacity building, M&E, communications and outreach activities, and on audit and FM reporting requirements; (c) on-demand external technical expertise; and (d) audit and fiduciary reporting (including safeguards, procurement, and financial management). Support will also be provided by relevant World Bank GWSP-supported initiatives, including global support for implementation and capacity building on PIR, utilities turnaround, CWIS, and WSS information systems (IBNET for urban utilities and SIASAR for rural and small town services).
- 3. Implementation Support Plan.** The World Bank will provide just-in-time support to address emerging technical, fiduciary, E&S issues. Implementation support will take place both remotely and through field visits, and will primarily focus on the following:
 - (a) **Technical.** The World Bank will make available relevant technical expertise spanning all relevant subsectors throughout the Program duration, from the preparation phase through implementation. Technical support will be particularly involved during the early stages of Program implementation.
 - (b) **Fiduciary.** The team will undertake periodic supervision of FM and procurement arrangements, adopting a risk-based approach. This support will be provided at the federal and state level, as required, as part of the Program supervision plan and as implementation challenges arise. The supervision intensity will be based initially on the fiduciary risk rating and will cover all aspects of FM and procurement including internal control systems, the overall fiduciary control environment, effective implementation of fiduciary actions in the PAP, monitoring changes in fiduciary risks to the Program, and compliance with fiduciary covenants in the legal agreement. Other supervision activities will include desk reviews of financial reports, internal audit reports and annual audit reports.
 - (c) **E&S.** The World Bank will monitor compliance with the ESSA during JRMs and technical guidance will be provided accordingly, including training on E&S management.
 - (d) **Implementation Progress Monitoring.** The Program's Implementation Manual will develop monitoring arrangements, guidelines and templates that will allow aggregation of implementation progress at the federal level to enable the World Bank team and implementing



agencies to monitor and track progress. This will include periodic monitoring of: (i) progress against DLIs; (ii) disbursements (overall and per state); and (iii) implementation delays. A Program Monitoring Report will be produced on a monthly basis, but its format and frequency may be adjusted during Program implementation as required.

Table A.7.1. Implementation Support Schedule

Time	Focus	Skills Needed
Before Effectiveness	<p>Technical support for:</p> <ul style="list-style-type: none">• Institutional strengthening and development and adoption of manuals and guidelines;• Training on DLIs' data gathering and reporting;• Establishment E&S screening and assessment mechanism and capacity building on E&S;• Procurement training and management of activities under the IPF component• Timely effectiveness across the states; and• Awareness creation and communication.	Technical, institutional relations; roles and responsibility; project and team management
First twelve months	<p>Technical support for:</p> <ul style="list-style-type: none">• Development of state PIR plans for state-level reform;• Development of PIAP plans for relevant implementing agencies;• Governance, management, and accountability mechanisms;• Institutional arrangements and coordination mechanisms;• FM and disbursement training and supervision;• Procurement training and supervision;• E&S training and supervision;• Program monitoring and reporting training; and• Results areas.	Technical, policy, institutional, E&S, procurement, FM, audit, M&E, team management
12-48 months	<p>Technical support for:</p> <ul style="list-style-type: none">• FM and disbursement supervision;• Procurement management and supervision;• E&S monitoring and reporting;• Institutional arrangements;• Program monitoring and reporting training; and• Results areas	Technical, institutional, procurement, FM, E&S, M&E, team management



Table A.7.2. Task Team Skills Mix Requirements for Implementation Support (Annually)

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task Team Leader	30	As required	Headquarter (HQ) or Country Office based
Co-Task Team Leader	40	As required	Country Office based
Economist	30	As required	HQ or Country Office based
Technical Specialist – Urban Water	40	As required	HQ or Country Office based
Technical Specialist – Rural and Small Towns Water	40	As required	HQ or Country Office based
Technical Specialist – Sanitation	40	As required	HQ or Country Office based
Technical Specialist – Policy, Institutions and Regulation	30	As required	HQ or Country Office based
Public Sector Specialist – Governance	20	As required	Country Office based
FM Specialist	20	As required	Country Office based
Social Specialist	20	As required	HQ or Country Office based
Environmental Specialist	20	As required	HQ or Country Office based
FM Specialist	20	As required	Country Office based
Procurement Specialist	16	As required	Country Office based

Table A.7.3. Role of Partners in Program Implementation

Name	Institution/Country	Role
Sanitation, Hygiene, and Water in Nigeria (SHAWN II)	UNICEF (UK funded)	Support to rural WASH sector in Kaduna and Katsina states
WSS Sector Reform Program (WSSRP III)	UNICEF (EU funded)	Support to rural and small town WSS sector in Ekiti and Plateau states
E-WASH	USAID	Support to urban WSS sector in Delta and Imo states
UNICEF		Support to development and implementation of Clean Nigeria Campaign, PEWASH, and WASHIMS monitoring system

**ANNEX 8. INVESTMENT PROJECT FINANCING COMPONENT**

1. The US\$60 million IPF component supports TA activities within sector institutions at both the Federal and state level. While US\$35 million will be implemented by SPIUs within the participating states to support their TA activities, US\$25 million will be implemented by the FMWR-FPIU to support TA activities at the Federal level, as well as those supporting assisted states in preparing for future investment.
2. The key activities managed by the FMWR include:
 - **Sector Policy and Strategy Support to the FMWR.** To improve the efficiency of program activities and promote sustainability and resilience of built infrastructure, this technical support package will assist the FMWR in developing policies, guidelines, and strategies that can be easily implemented and adapted in the differing contexts across Nigeria. It will also develop their capacity for overall program coordination and results-verification. This support will assist *inter alia* in the development of: (a) advisory services for performance improvement of urban utilities, including through different types of PPP arrangements; (b) advisory services for the improvement of the sector's intergovernmental systems, thereby optimizing the use of resources and focusing on performance; (c) a menu of technology options and standard guidelines for the construction and rehabilitation of WASH facilities, with special consideration given to water source and environmental protection, water quality standards, gender and disability inclusion, climate adaptation strategies, and the promotion of renewable energy sources, including non-carbon-based solutions; (d) a menu of innovative WASH facility management modalities aside from standard community-based management; and (e) program coordination capacities, including independent verification agent (IVA) management.
 - **Strengthening national WASH structures critical to Program delivery.** This activity will support key national institutions critical to the strategic direction and oversight of the national program, including the national secretariats of the NAP, PEWASH, and Clean Nigeria: Use the Toilet campaign.
 - **Development of National WASH MIS.** This activity will support the design, development, and piloting of a national harmonized information system for all levels of government that supports integrated monitoring, reporting, and evaluation of WASH infrastructure, management modalities, and programs. This system will be tailored explicitly to inform decision-making in policy formulation, planning, and resource allocation in the WASH sector, and will build upon existing systems where feasible. The IPF will additionally support the FMWR in building the capacity of its M&E, procuring required hardware and software for the system's operation, and piloting the system in participating states.
 - **Technical, Environmental, Social, and Fiduciary Systems Capacity Building within Sector Institutions.** The Technical Assessment, the ESSA, and the IFSA carried out by the World Bank have identified a number of institutional and capacity gaps in federal, state, and local-level sector institutions that will be addressed through the Program's IPF financing window. The FMWR will be supported to address immediate institutional and capacity gaps required for Program implementation and will provide support to assisted states that meet the eligibility criteria (see Annex 9) to prepare them for future investment.
 - **Technical Capacity Building.** Activities will build capacities of sector institutions at all levels to monitor, ensure quality, and improve and sustain WASH service delivery, implement communications and outreach activities in accordance with the POM, and develop master



plans and feasibility studies of pipeline projects climate risks, namely water scarcity, droughts, and floods.

- **E&S Capacity Building of implementing agencies across all tiers of Government:** State-level E&S capacity will be strengthened through this component, including with respect to the policy enabling environment, risk management, funding, and staffing. Capacities of the Federal and state PIUs and implementing agencies will be enhanced to conduct E&S due diligence in a sound manner and undertake sustainable planning and design using E&S instruments. In addition, monitoring capacities will be developed to ensure that the operation of WASH facilities, regardless of type and scale, are managed in accordance with best practice environmental, community and occupational health and safety standards, including especially the management of pollution incidents. E&S risk management supervision strengthening will be conducted in partnership with the SPESSE project.
- **Fiduciary Systems Capacity Building.** To address the varying capacity and staffing levels of Federal and state PIUs and implementation agencies, this component will support training and capacity building of existing staff and the hiring of qualified and experienced fiduciary staff as required.
- **Capacity building of NWRI.** A parastatal of the FMWR, the NWRI delivers trainings and capacity building within the WASH sector through ongoing education and post-graduate opportunities. Given its critical role, the IPF component will support NWRI in addressing capacity constraints within Nigeria's WASH sector. Support will address insufficient facilities and equipment.
- **Engagement of an IVA.** The IPF will finance the engagement of an IVA throughout the Program period to undertake verification of the achievement of DLIs across the GRMs in all participating states. The FMWR is preparing a detailed verification protocol and ToR to engage the IVA using the agreed procurement process and supervise and manage them in line with the POM. The results of the verification exercise as submitted by the IVA and validated by the FMWR will serve as a basis of annual disbursement after the World Bank task team has provided necessary concurrence.

3. The key activities managed by participating states include:

- **Development of National WASH MIS.** This component will support participating states in deploying the national harmonized information system, developed by the FMWR, within state and local governments to inform decision-making in policy formulation, planning, and resource allocation in the WASH sector. This system will directly support state sector institutions in achieving M&E-related targets within their PIAPs.
- **Technical, Environmental, Social, and Fiduciary Systems Capacity Building within Sector Institutions.** The Technical Assessment, the ESSA, and the IFSA carried out by the World Bank have identified a number of institutional and capacity gaps in federal, state, and local-level sector institutions that will be addressed through the Program's IPF window. Participating states will be supported to address immediate institutional and capacity gaps required for Program implementation, following the same three categories as described above for the FMWR.

4. **Fiduciary.** The activities under the IPF operation will be carried out by FMWR-FPIU at the federal level, and the SPIUs that will be set up in the participating states. The FPFMD, established in the OAGF, will be responsible for managing the financial affairs of the project. The FPFMD includes PFMUs that support FM of projects at the state level. The PFMUs in the states are endowed with adequately qualified and experienced staff in financial management. The FPFMPD and PFMUs were assessed and found to be acceptable for the implementation of World Bank-assisted projects. As they are responsible for ongoing



projects, they are reviewed on a regular basis and strengthened as needed (for e.g., training). The FPIU and the SPIUs that will be set up in the states, amongst other things, will be responsible for ensuring compliance with the FM requirements of the Government and the World Bank. Qualified project accountants and internal auditors will be assigned to the FPIU and the SPIUs by the FPFMD and the PFMUs, respectively.

5. The World Bank Regulations for IPF Borrowers - Procurement in IPF for Goods, Works, Non-Consulting and Consulting Services, fourth edition, dated November 2020 and the provisions stipulated in the Financing Agreement shall apply for the IPF component. Disclosure of the procurement plan and all procurements shall be made in accordance with the provisions of these World Bank Procurement Regulations.

6. The National Standard Bidding Documents may be used for procurements that fall within the National Competitive Bidding (NCB) thresholds, but a Side Letter shall be issued which will require that in addition to the following provisions of the National Standard Bidding Documents:

- (a) Para. 3.2(c) of the Standard Bidding Document for the Procurement of Goods;
- (b) Para. 3.2(iii) of the Standard Bidding Document for the Procurement of Works;
- (c) Para. 3.2(c) of the Standard Bidding Document for the Procurement of Small Works;
- (d) Para. 3.2(c), 38.1(b) and 70.1(c), respectively, of the Standard Request for Proposals for the Selection of Consulting Firms (Complex Time-based); and
- (e) Para. 3.2(c), 37.1(b) and 69.1(c) of the Standard Request for Proposals for the Selection of Consulting Firms (Complex Lump-sum)

the World Bank's Anti-Corruption Guidelines, including without limitation the World Bank's right to sanction and the World Bank's Inspection and audit rights, shall apply to all contracts funded under such projects. The World Bank's Anti-Corruption Guidelines shall apply, too, including without limitation the World Bank's right to sanction and the World Bank's Inspection and audit rights, in all small consulting services and Goods and Works procured using the Request for Quotation (RFQ).

7. **Fiduciary Risk Assessment.** The FM arrangements at the FPFMD and the PFMUs have been assessed and found to be adequate for this project. The Procurement Risk Assessment and Management System (PRAMS) has been carried out at FMWR-FPIU. The FMWR will use the existing structure established under the Third National Urban Water Sector Reform Project (NUWSRP3; P123513) which closed on March 30, 2021. Key activities to be financed under the IPF component will mainly be TA. Details of the activities are contained in the PPSD prepared for the TA. The FMWR has extensive experience in the selection of consultants and procurement of goods. Key risk identified is the FMWR's transition from the old procurement guidelines to the Procurement Framework. This will be mitigated through training by the World Bank. The *residual* fiduciary risk for the IPF component is assessed as **Moderate**.

8. **Budgeting.** Budget preparation will follow the federal or state governments' procedures as appropriate. FPIU and the SPIUs will prepare the annual project budget based on the work plan. The consolidated annual work plan and budget will be submitted by the FPIU to the World Bank for approval at least two months prior to the start of the fiscal year. There are adequate procedures in place for planning and budgeting, this will also apply to this new operation.



9. **PPSD.** The FMWR has prepared a PPSD for the TA component with inputs from the seven participating states. The PPSD includes: (a) project overview; (b) operating context and Borrower capacity; (c) market research and analysis; (d) risk management; (e) procurement arrangements; and (f) contract management. The PPSD serves as the cornerstone for ensuring that procurement approaches are properly planned and designed.

10. **Procurement plan.** The FMWR has prepared a Procurement Plan for the TA component for the first 18 months with inputs from the seven participating states. The Procurement Plan describes each contract to be financed under the TA, the selection methods, estimated costs, prior review requirements, and time frame in accordance with the procurement arrangements in the PPSD acceptable to the World Bank. The Procurement Plan will be updated at least annually, or as required, to reflect the actual project implementation needs.

11. **Accounting.** FPIU is currently using a computerized accounting software to maintain accounting records. It will ensure financial data to be secure and facilitate efficient preparation of periodic financial reports. This accounting system will be used with some modifications/upgrades as necessary to accommodate SURWASH accounting. In the states, the accounting system currently in use in the PFMUs will be used for SURWASH as well with relevant updates to the accommodate SURWASH. Documents are physical maintained in the respective offices. Implementation of a simple EDMS (Electronic Data Management System) across the specific PFMUs for digitization of records will be explored either through this project or through the Nigeria States Fiscal Transparency, Accountability and Sustainability PforR (SFTAS; P162009).

12. **Procurement performance and staffing.** The procurement capacity assessment of the FMWR was first carried out in September 2017 and a further assessment was carried out in January 2021. The FMWR will use the platform already existing under the NUWSRP3 (P123513) which closed on March 30, 2021. The existing office space will be adequate for the assignment with plenty of room for document storage. The procurement officer of the current water project has been designated to head the procurement team and will be assisted by another procurement officer. The procurement officer has extensive experience in selection of consultants and procurement of goods using the World Bank procurement guidelines. He also has wide experience in the use of STEP. However, the procurement team will require little training in the application of the Procurement Regulation under the Procurement Framework. The participating states shall establish SPIUs with appropriate staff to undertake procurement activities covered under the TA component. The establishment of the SPIUs is expected to be concluded before IPF funds are disbursed to the States. Once established, fiduciary assessment shall be carried out to determine the adequacy of the SPIUs and actions proposed to mitigate identified weaknesses.

13. **Complaint handling mechanism.** The Project shall use the complaint handling mechanism in accordance with the Procurement Regulations dated November 2020.

14. **Financial Reporting.** Consolidated bi-annual IFRs will be submitted to the World Bank by FPIU within 45 days from the end of the calendar semester. Assigned project accountants in the states will prepare bi-annual IFRs and submit to the FPIU through the SPIUs, and FPIU will consolidate them with its own IFR before submission to the World Bank.



15. **Internal Controls including Internal Audit.** The internal control mechanism at both the Federal and States' levels are considered adequate and acceptable for the purpose of this project. Staffing is adequate and there is proper segregation of functions. Internal auditors for the project will be assigned by FPFMD and the PFMUs. Periodic risk based internal audits will be carried out and reports will be issued at least every quarter. These reports will be reviewed during the FM implementation support missions. Apart from the project internal auditor arrangement, the internal audit function is in place in all States, but it has weak capacity. This is an institutional issue that cuts across the Federation. Support is being provided through 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 Auditors of Nigeria. Project specific FM arrangements and requirements will also be documented as part of the FM manual within the overall Operations Manual.

16. **Funds Flow.** A segregated DA in US\$ will be established by the FPIU in CBN. Segregated US\$ DAs will also be set up by the SPIUs in commercial banks acceptable to the World Bank and in consultation with state OAGs. Advances will be paid into the DAs. The project will also have access to Direct Payment and Reimbursement methods of disbursements. The DA ceiling and the minimum application size for direct payments will be defined in the DFIL. The project will follow SoE-based disbursements. The FPIU and the SPIUs will also open segregated transaction accounts in local currency (Naira drawdown accounts) to meet project expenditures, and funds from the DA may be transferred to this account on need basis. The reconciliations and financial reports will reflect transactions and balances in these accounts. Up to 10 percent of IPF financing may be applied to eligible expenses paid from counterpart funds prior to the date of signing of the agreement through retroactive financing.

17. **External Audit.** FPIU and the SPIUs will be responsible for having the annual project financial statements audited by independent external auditors. The audit reports will be submitted within six months from the end of the fiscal year. The cost of such audits will be funded under the project. There are no overdue audit reports nor ineligible expenditures under closed/active projects implemented by FMWR.

18. **Fiduciary Supervision.** Fiduciary supervision and implementation support will follow a risk-based approach. Supervision will be carried out at least twice a year, and onsite review will be carried out at least once a year covering all aspects including transaction review. Periodic review activities will include review of documents submitted through STEP (procurement), staffing, IFRs, annual audit reports along with management letters, internal audit reports, internal controls, and follow up on any previously identified issues, as well as training and capacity building activities as needed. Given the current COVID-19 situation, the World Bank's fiduciary team will carry out periodic virtual supervision effectively through email/phone communication and virtual meetings as well as physical supervision at the federal level. In addition, the fiduciary team as part its supervision strategy for the entire portfolio is engaging with the Office of the Accountant-General in the States for the latter to provide support in carrying out FM review of the World Bank-assisted operations in the states based on agreed scope of work. Separately, to strengthen the internal audit function of the government, support is being provided through the TA component of the SFTAS Program to build capacity in risk-based internal audit functions in a few selected MDAs working with the Institute of Internal Audit of Nigeria. Internal audits carried out using such risk-based methodology and after provision of training is expected to enhance fiduciary assurance derived on World Bank-assisted operations.



19. E&S impacts. The World Bank will provide TA and capacity-building activities that address weaknesses, identified capacity gaps and institutional deficiencies within States and the FMWR. The E&S impacts are negligible and are addressed separately through the ESRS prepared in line with the World Bank's E&S Framework requirements. The SEP and LMP were publicly disclosed by the FMWR on March 20, 2021 and the World Bank on March 22, 2021. The ESCP was subsequently publicly disclosed by the FMWR and the World Bank on April 29, 2021. The TA will assist the client in preparing a SMP as part of the POM and will support security interventions, including security personnel and law enforcement to improve its capacity to react to incidents and enforce the law; and reduce criminal and violent activities to the PAPs and beneficiaries. Prior to deploying security personnel, the program shall take measures to ensure that security personnel are: (i) screened to confirm that they have not engaged in past unlawful or abusive behavior, including excessive use of force; and (ii) adequately instructed and trained, on a regular basis, on the use of force and appropriate behavior and conduct.

**ANNEX 9. PROGRAM ELIGIBILITY AND READINESS CRITERIA**

1. While the Program was open to all states, inclusion was contingent upon: (1) their expression of interest; (2) achievement of the Program's eligibility criteria; (3) achievement of the Program's readiness criteria; and (4) having received satisfactory scores from the World Bank's technical, fiduciary and E&S assessments. The Eligibility Criteria include a set of actions that signal a state's commitment to reform the WASH sector and its willingness to actively participate in the program, including through the endorsement of foundational policies and protocols, the acceptance of the Program framework, and, importantly, a commitment to allocate necessary funding to the sector. Meanwhile, the Readiness Criteria require states to take initial, yet meaningful, steps in the reform process – with support through the IPF component – to develop the enabling environment prerequisite to Program participation. These criteria include, amongst others, the establishment of the SPIU with adequate capacity, approved investment plans, sector baseline data, sustainable sector funding strategies, and annual sectoral budget allocations and their proven disbursement.
2. **Eligibility criteria for state participation.** In order to participate in the Program, states must demonstrate their willingness to commit to a set of institutional and policy reforms and to allocate state budget to WASH. Criteria are either required, meaning that a state must achieve it to be eligible, or scored. States are considered to have achieved the eligibility criteria if they have met all required criteria and have attained a minimum score of 50 percent on the scored criteria. The Program Eligibility Criteria are as follows, with their status and/or weighting in parenthesis. Additional detail will be provided in the POM:
 - i. Submission of a letter of interest to participate in the Program and commitment towards meeting the readiness criteria (*required*);
 - ii. Endorsement of PEWASH Protocol by state government (*12.5 percent*);
 - iii. Launched state-level campaign to end open defecation in accordance with Clean Nigeria: Use the Toilet campaign (*12.5 percent*);
 - iv. State ODF action plan/strategy has been drafted and approved (*10.0 percent*);
 - v. Expressed commitment to carry out institutional reform in the WASH sector, to include (*25 percent*):
 - a) Improve operational, managerial and financial efficiency of all SWAs;
 - b) Commercialization or corporatization of State Urban Water Supply Agencies;
 - c) Autonomy of State Urban Water Supply Agencies evidenced by revenue retention/management autonomy; and
 - d) Passage of relevant policies and laws and the establishment of a RUWASSA STWSSA and WASH Units in all LGAs.
 - vi. Masterplan prioritizing urban water projects (*20 percent*);
 - vii. Expressed commitment to rural WASH funding (*required*);
 - viii. Declaration of a State of Emergency in the WASH Sector in line with agreed due process (e.g., reviewed Nigeria WASH Poverty Diagnostic report to understand the status of WASH in the state) (*20 percent*);
 - ix. Acceptance of criteria for LGA prioritization in the State (*required*); and
 - x. Security Risk Index at an acceptable level within one or more LGA(s) which allow for an acceptable cost-benefit analysis (*required*).



3. **Readiness criteria for state participation.** Once a state complies with the eligibility criteria, it will be eligible to apply for TA to assist it in attaining the readiness criteria, which in turn qualifies the state to receive investment funding through the Program. Criteria are either required, meaning that a state must achieve it to be considered ready, or scored. States are considered to have achieved the readiness criteria if they have met all required criteria and have attained a minimum score of 65 percent on the scored criteria. The Program Readiness Criteria are as follows, with their status and/or weighting in parenthesis. Additional detail will be provided in the POM:

- i. Completed WASH baseline data (*required*);
- ii. Establish State-PEWASH Coordinating Team (S-PCT/SPIU) with critical staff (*required*);
- iii. Approved state-level action plan for the revitalization of the WASH sector (*required*);
- iv. Develop and approve five-year WASH investment plan with allocated corresponding annual budget (*10 percent*);
- v. Adequate E&S risk management policies and capacities, including (*required*):
 - a) Recruitment of E&S specialists in the SPIU;
 - b) Protocols developed for community consultations in Program design and implementation;
 - c) Development of procedure for land acquisition;
 - d) Policies to manage contractors, including OHS, labor recruitment, safety of workers, payment of wages, GBV policies;
 - e) Grievance management systems developed and implemented; and
 - f) Completed any other actions and establishment of any other policies and procedures, as specified in the PAP.
- vi. Completed SEP under implementation to consult and engage beneficiary communities (*required*);
- vii. Established LGA WASH Departments within state LGAs (*10 percent*);
- viii. Completed designs for rural communities and small towns within prioritized LGAs (*12.5 percent*);
- ix. Approved LGA-wide WASH investment plans (*7.5 percent*);
- x. Prioritization of LGAs for investment according to prioritization criteria (*5 percent*);
- xi. Signed PEWASH Partnership Agreement and budgetary commitment and releases to RUWASSA for PEWASH counterpart projects matching (*10 percent*);
- xii. State budgetary commitment and releases for the Clean Nigeria: Use the Toilet campaign (*7.5 percent*);
- xiii. State Clean Nigeria secretariat established with desk officers (*7.5 percent*);
- xiv. Adequate urban WASH investment level (*15 percent*);
- xv. Adequate small town/rural WASH investment level (*15 percent*); and
- xvi. Existence of State Roadmap for the Elimination of Open Defecation (*required*).

4. **Prioritization criteria for LGAs within participating states (draft).** Participating states commit to an LGA-wide integrated approach to WASH which invests progressively in LGAs according to a set of prioritization criteria. States will achieve LGA prioritization through a rigorous and transparent process that considers the following aspects, which will be further elaborated in the POM:

- i. Functional LGA WASH Department;
- ii. Willingness to par participate in the Program;
- iii. Low access to WASH coverage;
- iv. High prevalence of WASH related diseases;



- v. LGA WASH Plan for five years;
- vi. Open defecation status of the LGA;
- vii. Co-location/convergence with other human capital focused operations in the state;
- viii. Signing of MoU with communities; and
- ix. Security Risk Index at an acceptable level for operations.

**ANNEX 10. PERFORMANCE IMPROVEMENT ACTION PLANS FOR IMPLEMENTING AGENCIES**

- 1. Sub-DLIs 3.1 and 5.1 incentivize relevant implementing agencies to improve their performance across key elements critical for service quality and sustainability through the design and implementation of PIAPs.** PIAPs are envisioned as roadmaps that guide each agency through the various actions required to improve sector outcomes, specific to each state's specific context and level of development. Individual PIAPs will be prepared for relevant subsectors: (1) rural and small town WSS; (2) urban water supply; and (3) urban sanitation. Implementing agencies will prepare PIAPs that establish annual targets for, at a minimum, the essential elements described below. During the first Program year, states will be eligible for disbursement upon preparing the PIAP in consultation with the FPIU and with their final approval. Disbursement under the second Program year requires that states conduct an annual assessment of achievements against their PIAP targets. Disbursements in subsequent years will depend upon the actual achievement of PIAP annual targets.
- 2. Note that when one state agency is responsible for multiple subsectors, one PIAP may be prepared that combines those subsectors.⁶⁶** In that case, disbursements for each relevant subsector would be determined on the basis of the same combined PIAP.
- 3. Although PIAPs will be prepared at the state level in consultation with the FPIU, each PIAP will need to include essential PIAP elements as described below.** These elements will be further detailed in the POM.

4. Rural and Small Town WSS Essential PIAP ElementsAccountability

- Rural and small town WASH policy/strategy in place, including established roles and responsibilities for O&M of WASH facilities.
- Submission of regular and complete WASH M&E data by LGAs to relevant state agency and through national MIS system.
- Submission of LGA annual reports to state agency following approved template to be defined in POM (including registry of public and private WSS service providers, female representation within staff and in leadership positions, and status of critical support activities. These include supervision of water providers, water quality monitoring, IEC/BCC, sanitation marketing, and a pro-poor incentive program for sanitation access).

Sustainability

- Adoption of guidance to support sustainable tariff establishment and collection.
- Implementation of capacity building plans for RUWASSA, LGA WASH Departments, WASHCOMs, and other relevant actors.
- Adoption and domestication of O&M strategy, to include periodic surveillance activities.
- Development of Risk, Resilience and Emergency Response Plan.

5. Urban Water Supply Essential PIAP ElementsAccountability

⁶⁶ For example, many states have a RUWASSA that is responsible for rural water supply and sanitation. Urban water supply and sanitation may both be the responsibility of the SWA, or sanitation may be the responsibility of a different sector institution.



- Effective performance contract between BoD and MD, cascaded to the management team, in place.
- Set up and implement budget preparation, review, and approval process.
- Annual audited financial statements publicly disclosed.
- Annual report of utility performance following approved template to be defined in the POM (including technical performance, operational cost recovery improvement, customer satisfaction, citizen report cards, and female representation in engineering and technical positions) published and disclosed.
- Set up customer communications and complaints redress mechanisms.

Sustainability

- Technical performance plan (NRW, production capacity)
- Operational cost recovery improvement (commercial, customer outreach, disconnection, metering)
- Development of Risk, Resilience and Emergency Response Plan.

6. Urban Sanitation Essential PIAP Elements**Accountability**

- Implementation systems and capacity strengthened and aligned to CWIS principles (institutional, technical, funding/financing, E&S).
- Development and implementation of MoUs or performance contracts established between public authority and private operators.
- Preparation of annual reports following approved template to be defined in POM (including registry of public and private service providers and other responsible bodies, female representation within staff and in leadership positions, share of workers managing public sanitation facilities built under the Program who are persons with disabilities/other group identified as excluded and status of critical support activities, including IEC/BCC, sanitation marketing, a pro-poor incentive program, customer communication and GRM).

Sustainability

- Planning systems and capacity strengthened and aligned to CWIS principles (institutional, technical, funding/financing, E&S)
- Development of Risk, Resilience and Emergency Response Plan.

**ANNEX 11. CLIMATE CO-BENEFITS**

1. Climate co-benefits. The Program will deliver significant climate change adaptation and mitigation co-benefits in both RAs. Given Nigeria's climate risks and the variability of its climatic zones, the Program activities under both RAs and associated DLIs will strengthen Nigeria's ability to improve its resilience and climate adaptation to droughts and floods, as appropriate in participating states. Increased access to safe and sustainable WASH services will improve the resilience of the Nigerian people to water scarcity and from the threat of waterborne diseases – such as cholera, schistosomiasis, and other diarrheal diseases – the incidence of which have been shown to increase as a result of climate change: heavy rainfall and high temperatures in particular.⁶⁷ At present, flood waters are entering people's homes and neighborhoods, which climate change will only intensify. When combined with the human waste from open defecation, permeable poorly managed latrines, leaking septic tanks, and open dumping of untreated fecal sludge by sanitation workers, this poses a major public health risk that will intensify as climate change makes flooding worse. Sanitation investments under the Program will prevent the spread of human waste through flood events and protect groundwater resources, safeguarding water supplies in the face of increasing climate change-induced drought risk. The transformational nature of the Program in reducing open defecation in the country where the practice is most prevalent will have major positive implications for protecting beneficiaries from climate change shocks. Furthermore, supported WASH infrastructure will prioritize the use of renewable energy and will not permit the use of diesel if lower-carbon or zero-carbon options are feasible.

2. The National WASH Fund, to be established and operationalized through DLI 1, is envisioned as the key mechanism to enhance collaboration across different levels of government by facilitating access to financing and incentivizing performance improvements towards the development of sustainable and safely managed WASH services, with climate-related selection criteria and the prioritization of renewable energy. PIR plans under DLI 2 target the implementation of reforms that improve service sustainability, ensure water quality, conserve water resources, and improve energy efficiency. The development of risk, resilience and emergency response plans for sector institutions, as well as enhanced water quality monitoring, are included as elements of the PIAPs under sub-DLIs 3.1 and 5.1. The resilient design process⁶⁸ for infrastructure development under DLIs 3-7 will also ensure that water and sanitation infrastructure is robust to the threats of drought and flood. Water sector DLIs (DLIs 1, 2, 3, 3.1, 4, and 7) will contribute to climate mitigation by reducing GHG emissions, including through the use of renewable energies, improvements to energy efficiency, the rehabilitation of urban water infrastructure, and increased metering coverage, resulting in reductions in NRW. Similarly, sanitation sector DLIs (DLIs 1, 2, 5, 5.1, 6, and 7) also result in a reduction of GHG emissions through the prioritization of low-carbon fecal sludge management options and the upgrading of latrines. Finally, the IPF component will directly support sector institutions both at the Federal and state levels to plan, monitor, design, and implement climate-related Program activities, including through: (1) the provision of TA and capacity building; (2) the development of an MIS system to monitor sector performance, energy and resource efficiency, and resilience to climate threats; (3) support to the NWRI to deliver climate-informed trainings and capacity building to address sector capacity constraints; and (4) the development of climate resilient technology

⁶⁷ Levy K, Smith SM, Carlton EJ. Climate Change Impacts on Waterborne Diseases: Moving Toward Designing Interventions. *Curr Environ Health Rep.* 2018;5(2):272-282. doi:10.1007/s40572-018-0199-7

⁶⁸ The resilient design process will follow the principles outlined in the World Bank's *Resilient Water Infrastructure Design Brief, Building the Resilience of WSS Utilities to Climate Change and Other Threats*, and the *Decision Tree Framework*.



options and management models for use in the program, and evaluation of the impact of these approaches on water system functionality and service access.

3. GHG emissions. The Water Supply activities under this project are estimated to result in net emissions of -1,611,841 tCO₂-eq due to a combination of energy efficiency gains from NRW reduction and improved pumping, as well as shifting from diesel- and grid-powered pumping towards greater use of renewable energy sources. The average annual net emissions are -64,474 tCO₂-eq/year and the gross emissions over the economic lifetime are 1,316,053 tCO₂-eq. Under the project, leakage reduction will reduce the NRW rate from a baseline of 51.4 percent down to 27.6 percent, which represents a major reduction in leakages and a major increase in resource efficiency by the end of project implementation. In terms of the energy mix for delivering water services, the share of newly installed solar power will rise from a baseline of 14 percent up to a conservative estimate of 50 percent, while an additional 10 percent will come from wind above a zero percent baseline, representing that the majority of energy needs will be delivered by renewables. Zero-energy zero-emissions gravity-based systems will contribute a further 15 percent. DLIs 1, 2, and 3.1 set the policy framework for prioritizing renewable energy, reducing diesel pumping, and emphasizing energy efficiency for the water sector to help facilitate these emissions reductions. The infrastructure itself that will realize these estimated emissions reductions will be built under DLIs 3, 4, and 7.

4. The project's sanitation investments are estimated to result in net emissions of -1,006,120 tCO₂-eq, with average annual emissions of -40,245 tCO₂-eq, representing net emissions reductions. The gross emissions of these activities over the economic lifetime are estimated at 1,130,625 tCO₂-eq. These net emissions reflect the projects investments in septic treatment, upgrading latrines, and using treated sludge as a fertilizer replacement. They are realized under the infrastructure investments under DLI 5 and 7, as well as the policy framework, performance improvements, and standards enforced under DLIs 1, 2, 5.1, and 6.

5. The resilient design process that will be followed for infrastructure development under the Program is intended to guide engineers and utility managers in the selection of measures to boost infrastructure resilience to floods, droughts, and high winds – the main threats that climate change is expected to pose to water infrastructure – by addressing the following key questions:

- (a) What are the consequences of component failure?
- (b) At what hazard level is the component vulnerable to failure?
- (c) What is the potential range of hazard levels?
- (d) What are the costs and level of protection provided by different risk-mitigation measures?
- (e) What residual risk exists after incorporating risk-mitigation measures and what can be done should this risk materialize?

6. The approach follows the World Bank's *Resilient Water Infrastructure Brief* (2020) and can be summarized by Figure A.10.1 below:

*Figure A.11.1. The Process of Resilient Design*

7. The Program's climate co-benefits are described per DLI in Table A.10.1 below:



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Table A.11.1. Climate Co-Benefits by DLI

DLI	Adaptation Co-Benefits	Mitigation Co-Benefits
DLI 1	<ul style="list-style-type: none"> The Fund will deliver sustainable and climate-resilient WASH infrastructure through climate-related selection criteria that prioritize investments reducing vulnerability to drought, flood, and water scarcity. Supported investments will follow a resilient design process.^a Increased access to sustainable water services will improve resilience to water scarcity from drought by providing a safe and reliable source of water. Improved water quality and accessibility also reduces public health risks that are exacerbated by climate change, such as the threat posed by climate-related waterborne diseases.^b Increased access to improved sanitation and hygiene services, as well as fecal sludge treatment facilities, will reduce the threat of climate-related waterborne diseases^b by providing barriers to human contact with feces. Improved pit latrines prevent contamination of groundwater and surface waters that could transmit climate-related waterborne diseases.^b This contamination is currently commonplace across Nigeria from open defecation on land and in surface waters and from poorly constructed latrines that do not provide a proper barrier to groundwater contamination. 	<ul style="list-style-type: none"> Supported WASH infrastructure will prioritize the use of renewable energy and will not permit the use of diesel if lower-carbon or zero-carbon options are feasible. The Fund will prioritize the improved utilization and efficiency of existing urban water infrastructure, including through the installation of more energy efficient equipment and reductions in water losses. Reductions in water losses will be achieved through interventions such as bulk and micro-metering, leak detection, pipe rehabilitation and replacement, proper maintenance, supervisory control and data acquisition (SCADA) systems, improved network management, etc. These reductions directly improve both energy efficiency and water resource conservation, by reducing the amount of water a utility must produce per customer. Improved urban and small town water supply centralized networks will reduce more intensive energy use from electricity grid and diesel from groundwater pumping at household level, while also reducing associated stress on groundwater resources of which recharge is threatened by climate change. Improved access to urban water services will reduce the use of tanker trucks or other motorized vehicles for water delivery, which is highly prevalent in Nigerian urban areas and a significant source of GHG emissions. DLI 1 sets the policy framework for prioritizing renewable energy, reducing diesel pumping, and emphasizing energy efficiency for the water sector to help facilitate emissions reductions. The policy framework, performance improvements, and standards enforced under DLI 1 contribute to a net emissions reduction for the sanitation sector.
DLI 2	<ul style="list-style-type: none"> Resulting PIR reforms will improve access to sustainable WASH services in all participating states, building resilience to climate change-exacerbated hydrological shocks such as drought/water shortages and floods: 	<ul style="list-style-type: none"> Resulting PIR reforms will improve the efficiency of WASH services: <ul style="list-style-type: none"> Performance contracts between state government and SWA board of directors incentivize operational, resource, and energy efficiency. As noted in the intermediate indicator, the Program is



	<ul style="list-style-type: none">• LGA WASH Depts. support communities in O&M and repairs of WASH facilities and in repair, addressing primary reason for low functionality rates and major threats of failure during extreme weather events.• Poor-inclusive tariff policy with cost recovery promotes inclusive and sustainable access to WASH.• Water quality regulation builds beneficiaries' resilience to increasing risk of waterborne disease due to climate change.^b Importantly, regulation protects water services from deteriorating service quality, which present a risk of causing outbreaks during weather-related shocks such as floods and droughts by widely spreading waterborne pathogens.• Reforms noted above improve water service sustainability and increase resilience to climate-related threats, particularly water scarcity from drought, by ensuring that safe water is available from more secure water sources (such as deep wells that are less prone to seasonal variations). Communities and service providers are equipped with capacities to quickly identify and repair failed infrastructure, making them less likely to be disrupted when extreme weather events occur.• Reforms noted above will result in increased access to sustainable water services. This will improve resilience to water scarcity from drought by providing a safe and reliable source of water. Improved water quality and accessibility also reduces public health risks that are exacerbated by climate change, such as the threat posed by climate-related waterborne diseases.^b• Reforms noted above will result in increased access to improved sanitation and hygiene services, as well as fecal sludge treatment facilities, will reduce the threat of climate-related waterborne diseases^b by providing barriers to human contact with feces.
RESULTS AREA 2	<ul style="list-style-type: none">• Supported investments will follow a resilient design process.^a• Increased access to sustainable water services will improve resilience to water scarcity from drought by providing a safe and reliable source of water. Improved water quality and accessibility also reduces public health risks that are exacerbated by climate change, such as the threat posed by climate-related waterborne diseases.^b <ul style="list-style-type: none">• Rural and small town water supply facilities prioritize the use of renewable energies and will not permit the use of diesel if lower-carbon or zero-carbon options are feasible.• Investments prioritize improved utilization and efficiency of existing urban water infrastructure, including through the installation of more energy efficient equipment and reductions in water losses. As noted in the intermediate indicator, the Program is targeting a minimum 10 percent energy efficiency/reduction in water loss for all participating utilities, therefore reducing GHG emissions and improving water resource conservation.• Policies, standards, and operational urban sanitation authority will improve collection, transport, and treatment of fecal sludge, reducing carbon emissions.• Regulation will permit the prevention of illegal abstraction of scarce water resources, therefore improving water resource conservation that mitigates the potential for water scarcity during drought.• DLU 2 sets the policy framework for prioritizing renewable energy, reducing diesel pumping, and emphasizing energy efficiency for the water sector to help facilitate emissions reductions.• The policy framework, performance improvements, and standards enforced under DLU 2 contribute to a net emissions reduction for the sanitation sector.



DLI 3.1	<ul style="list-style-type: none">• PIAPs include development of risk, resilience, and emergency response plans for sector institutions. Risk and resilience plans specifically include an accounting of all climate-related threats facing the sector institution and related services and develop adaptation and mitigation strategies to improve their resiliency to these threats. Emergency response plans go into further detail on how service providers will sustain services in the face of an emergency, including climate-related floods and droughts.• PIAPs include enhanced water quality monitoring, O&M, and other actions to improve sustainability of water supply services, building resilience to climate change-intensified extreme weather risks such as droughts and floods and associated impacts including water scarcity and waterborne diseases.^b• These improvements in sustainability ensure that safe water is available from more secure water sources (such as deep wells that are less prone to seasonal variations). Communities and service providers are equipped with capacities to quickly identify and repair failed infrastructure, making them less likely to be disrupted when extreme weather events occur.• Improved O&M of WASH facilities will maximize utilization and lifespan of existing infrastructure, reducing unnecessary works and carbon emissions.• Improved access to urban water services will reduce the use of tanker trucks or other motorized vehicles for water delivery, which is
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		highly prevalent in Nigerian urban areas and a significant source of GHG emissions.
DLI 4	<ul style="list-style-type: none">Incentivizes the continued O&M of infrastructure constructed through the resilient design process^a under DLI 3.Increased access to sustainable water services will improve resilience to water scarcity from drought by providing a safe and reliable source of water. Improved water quality and accessibility also reduces public health risks that are exacerbated by climate change, such as the threat posed by climate-related waterborne diseases.^b	<ul style="list-style-type: none">As DLI 4 incentivizes the continued operations of water facilities constructed under DLI 3, DLI 4 also prioritizes the use of renewable energies, improvements in energy efficiency, and reductions in water losses.Infrastructure realized under DLI 4 result in a net emissions reduction for the water sector.
DLI 5	<ul style="list-style-type: none">Supported investments will follow a resilient design process.^aSanitation facilities will be robust to climate change-related threats of floods (structures designed to withstand floods and simultaneously prevent contaminated floodwaters).Increased access to improved sanitation and hygiene services, as well as fecal sludge treatment facilities, will reduce the threat of climate-related waterborne diseases^b by providing barriers to human contact with feces.Improved pit latrines prevent contamination of groundwater and surface waters that could transmit climate-related waterborne diseases.^b This contamination is currently commonplace across Nigeria from open defecation on land and in surface waters and from poorly constructed latrines that do not provide a proper barrier to groundwater contamination.	<ul style="list-style-type: none">Included fecal sludge management works will be planned and operated considering low-carbon options.Investments in septicage treatment, upgrading latrines, and using treated sludge as a fertilizer replacement result in a net emissions reduction.
DLI 5.1	<ul style="list-style-type: none">PIAPs include development of risk, resilience and emergency response plans for sector institutions. Risk and resilience plans specifically include an accounting of all climate-related threats facing the sector institution and related services and develop adaptation and mitigation strategies to improve their resiliency to these threats. In particular, these include strategies to ensure that services are robust to climate change-related threats of floods (especially preventing the contamination of surface and groundwaters) and in reducing the threat of climate-related waterborne diseases^b by providing barriers to human contact with feces. Emergency response plans go into further detail on how	<ul style="list-style-type: none">PIAPs include actions improve sanitation sector governance, planning, and implementation capacities to promote improved collection, transportation, and treatment of fecal sludge, reducing carbon emissions.PIAPs include performance contracts between public authority and private operators to improve the safe and hygienic transportation and treatment of fecal sludge, reducing risks of environmental contamination and carbon emissions.



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	<p>service providers will sustain its services in the face of an emergency, including climate-related floods and droughts.</p>	<ul style="list-style-type: none"> The policy framework, performance improvements, and standards enforced under DLI 5.1 contribute to a net emissions reduction for the sanitation sector.
DLI 6	<ul style="list-style-type: none"> Supported investments will follow a resilient design process.^a Sanitation facilities will be robust to climate change-related threats of floods (structures designed to withstand floods and simultaneously prevent contaminated floodwaters). Increased access to improved sanitation and hygiene services, as well as fecal sludge treatment facilities, will reduce the threat of climate-related waterborne diseases^b by providing barriers to human contact with feces. Improved pit latrines prevent contamination of groundwater and surface waters that could transmit climate-related waterborne diseases.^b This contamination is currently commonplace across Nigeria from open defecation on land and in surface waters and from poorly constructed latrines that do not provide a proper barrier to groundwater contamination. 	<ul style="list-style-type: none"> Included fecal sludge management works will be planned and operated considering low-carbon options. The policy framework, performance improvements, and standards enforced under DLI 6 contribute to a net emissions reduction for the sanitation sector.
DLI 7	<ul style="list-style-type: none"> Supported investments will follow a resilient design process.^a Increased access to sustainable water services will improve resilience to water scarcity from drought by providing a safe and reliable source of water. Improved water quality and accessibility also reduces public health risks that are exacerbated by climate change, such as the threat posed by climate-related waterborne diseases.^b Sanitation facilities will be robust to climate change-related threats of floods (structures designed to withstand floods and simultaneously prevent contaminated floodwaters). Increased access to improved sanitation and hygiene services, as well as fecal sludge treatment facilities, will reduce the threat of climate-related waterborne diseases^b by providing barriers to human contact with feces. Improved pit latrines prevent contamination of groundwater and surface waters that could transmit climate-related waterborne diseases.^b This contamination is currently commonplace across Nigeria from open defecation on land and in surface waters and from poorly constructed latrines that do not provide a proper barrier to groundwater contamination. 	<ul style="list-style-type: none"> Rural and small town water supply facilities prioritize the use of renewable energies and will not permit the use of diesel if lower-carbon or zero-carbon options are feasible. Included fecal sludge management works will be planned and operated considering low-carbon options. Infrastructure realized under DLI 7 result in a net emissions reduction for the water sector. Investments in septage treatment, upgrading latrines, and using treated sludge as a fertilizer replacement result in a net emissions reduction.

^aThe resilient design process will follow the principles outlined in the World Bank's *Resilient Water Infrastructure Design Brief: Building the Resistance of WSS Utilities to Climate Change and Other Threats*, and the *Decision Tree Framework*.

^bThe incidence of waterborne diseases – such as cholera, schistosomiasis, and other diarrheal diseases – have been shown to increase as a result of climate change, heavy rainfall and high temperatures in particular (Levy et al, 2018).

**ANNEX 12. COVID-19 in Nigeria and the role of the SURWASH Program⁶⁹*****The COVID-19 crisis has served as a wake-up call***

- 1. Nigerian public health authorities moved proactively to contain COVID-19, and nationwide lockdown measures were announced in late March 2020.** Since the first COVID-19 case was identified in late-February 2020, by April 30, 2021, Nigeria had officially recorded over 165,000 cases and 2,063 deaths. The economic and social impact of the COVID-19 pandemic on Nigeria is likely to be severe, even if Nigeria manages to contain the outbreak locally. The economy is projected to contract by about 4 percent in 2020, its deepest recession since the 1980s, with severe challenges to regaining growth momentum in 2021-2022 amidst global uncertainty. Even with moderating oil prices, in 2020 consolidated government revenues are projected to have fallen by over 2 percent of GDP (over US\$10 billion) or more, at a time when fiscal resources are urgently needed to contain the outbreak and initiate counter-cyclical and pro-poor fiscal measures to protect lives and livelihoods and support economic recovery. COVID-19 threatens households' welfare through both direct health channels if people contract the virus, as well as economic channels as labor and non-labor incomes fall, access to key services and markets is constrained, and out-of-pocket health expenses rise. Prior to COVID-19, the poverty headcount rate was forecast to remain virtually unchanged, with the number of poor people set to rise to 95-100 million by 2022 due to population growth. The poverty headcount rate is now forecast to rise to 45.2 percent by 2022.
- 2. Nigerian households are suffering; their incomes have fallen, and they are adopting negative coping strategies.** Between mid-March and May 2020, the share of respondents who were working almost halved as Nigeria implemented strict lockdown measures, with service sector workers being hit the hardest (in line with the poverty projections). Most Nigerians have subsequently returned to work, but their incomes remain precarious, and many households cannot meet their basic needs. In August 2020, almost 70 percent of households reported decreased income.⁷⁰ Households are coping in ways that may undermine human capital development: of those households that experienced a shock between May 2020 and July 2020, 69.4 percent reported reducing their food consumption, while 29.0 percent relied on savings, placing them on weaker financial footing going forward. School closures and displaced health services may have knock-on effects on long-term human capital development, which already starts from a low base in Nigeria. In July 2020, one in five households with children 0-5 years old who needed or were due for immunizations were not able to get their children vaccinated.
- 3. Sustaining reform momentum will be critical to spur foreign and domestic private investment to support the economic recovery, create jobs, stabilize increasing poverty, and ultimately lay foundations for a resilient recovery.** Without boldly continuing its long-delayed reform agenda, Nigeria would face the prospect of living up to its default reputation of not delivering on its stated commitments, leaving skeptical investors waiting on the Government, delaying job creation, and risking a reversion to the living standards and economic prospects of the 1980s. In the absence of these reforms, Nigeria is unlikely to attract the

⁶⁹ Annex 12 was prepared based on the Nigeria CPF FY21-FY25, presented to the Board on December 14, 2020.

⁷⁰ Initial results from a monthly COVID-19 National Longitudinal Phone Survey (NLPS): 67.3 percent of households reported that their total income had decreased compared with August 2019, with income from farming and non-farm business being particularly affected. Around 57.6 percent of farming households reported that their farm income had declined while 64.6 percent of households with non-farm businesses reported that their non-farm business income had declined.



private investment needed to reverse the decline in per-capita incomes, increase domestic value-added, and create better jobs, thus hindering the Government's ability to deliver on its aspiration to lift 100 million people out of poverty in the next decade.

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

The WBG support for Nigeria's COVID-19 response

5. Support for Nigeria's COVID-19 response will be a major element of the first phase of the CPF which focuses on: (i) supporting the COVID-19 response; (ii) continuing financing of selected core national programs and initiatives; and (iii) ramping up the upstream policy and institutional engagement in other areas to lay the ground for large-scale financing in the second phase. CPF consultations were held with a broad range of stakeholders, both within the Government and outside, at both the federal and subnational levels just before the onset of COVID-19 in Nigeria. These consultations indicated that many priorities and aims outlined in the ERGP and the new ESP are reflected in the CPF and are highly relevant in the context of the crisis and beyond. A comprehensive suite of responses to COVID-19 has been planned, and many of the reforms overlap with long-standing development challenges which were part of the country program prior to COVID-19 and which are likely to continue into the second phase.

6. The WBG's support for Nigeria's COVID-19 crisis response spans all pillars of the framework outlined in the WBG COVID-19 Approach Paper and covers both adjustments to existing operations and preparation of new operations. Based on the Government's request, a large multi-pronged package of support is under preparation. The package includes: (i) support for public health efforts of over US\$250 million from existing operations and a new program that directly supports states to contain the outbreak; (ii) 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; (iii) support for results-based, proactive, crisis-responsive fiscal measures by the states; and (iv) support for states' efforts to protect livelihoods, food security and local MSME activity.

7. The urgency of securing the needed fiscal resources for the COVID response has also focused attention on optimizing value-for-money from the existing portfolio. Delays in projects being declared effective and in implementation post-effectiveness have contributed to a build-up of undisbursed balances in the Nigeria portfolio. Effectiveness delays are due to the internal government process involved in securing legislative approval of externally financed programs. Post-effectiveness delays often reflect inadequate attention to follow through or procedural hurdles. Efforts had been underway to address both sets of issues and raise disbursements. The COVID crisis has lent additional urgency and impetus to these efforts. At the request of the FMoF, each project is being subjected to thorough reviews to identify bottlenecks that have held up disbursements and make the needed adjustments. This has included partial



cancellation of three projects, with four other operations under review for full or partial cancellation to improve value-for-money in existing operations and increase fiscal space for new operations that can more effectively help the Government respond to the crisis.

8. ***Support to health for saving lives*** is focused on immediate containment of COVID-19 and preparing for a more severe outbreak. ***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. ***Support to policies and institutions*** is focused on providing immediate fiscal relief and laying the ground for resilient recovery.

9. **Nigeria was the first country in Africa to be approved for support under the IFC COVID-19 Response Facility.** Under Phase 1 of the facility, IFC has committed funding to several banks for a total of US\$230 million. These funds will support working capital and trade-related short-term financing to various enterprises, including SMEs. IFC has also identified opportunities to work with other financial institutions to support COVID-19 response activities with working capital solutions and risk-sharing facilities.

The role of SURWASH in the COVID-19 response

10. During infectious disease outbreaks such as the current COVID-19 pandemic, safely managed WASH services are an essential part of both protecting human health and mitigating secondary impacts on community livelihoods. One of the most cost-effective strategies for increasing pandemic preparedness, especially in resource-constrained settings, consists of investments to strengthen core public health infrastructure, including WASH services. Good and consistently applied WASH and waste management practices serve as essential barriers to waterborne diseases and to human-to-human transmission of infectious diseases in communities, homes, health care facilities, schools, and other public places. Additionally, WASH services are essential to enable schools, workplaces, and other public spaces to maintain effective hygiene protocols when they re-open, and therefore reduce the potential for further disease outbreaks such as cholera. Finally, WASH has a crucial role in mitigating impacts on employment and economic growth in the years to come. Beyond its tremendous potential for direct job creation through labor-intensive works, WASH is a critical input to employment across the economy, including to 40 percent of jobs in the services sector.⁷¹ Previous stimulus packages have been estimated to result in 17,600 person-days of work in direct and indirect jobs for every US\$1 million invested in the sector.⁷²

11. **The GoN has recognized the importance of WASH to COVID-19 response.** As a key element of the ESP's first pillar of "Real Sector Measures," the FMWR is implementing a WASH sector emergency response plan with ongoing interventions across all States. The World Bank is also supporting critical WASH interventions to complement the public health-focused Nigeria COVID-19 Preparedness and Response Project (P173980) under the Fast-Track COVID-19 Facility. The GoN has identified the US\$700 million SURWASH Program as a critical component in the next phase of COVID-19 response, both through short-term protection of human health and mid- to long-term support for a sustainable, inclusive economic recovery that improves livelihoods of the poor and vulnerable.

⁷¹ UN World Water Development Report 2016.

⁷² Schwartz et al, 2009.



12. The SURWASH Program is fully aligned with the recently endorsed CPF FY21-25, which focuses on the post-COVID-19 recovery in Nigeria, and the World Bank's global COVID-19 response approach. In particular, the Program contributes to thematic pillars 2, 3, and 4 of the COVID-19 Response Framework Approach Paper. SURWASH supports Pillar 2, "Protecting Poor and Vulnerable People", through the provision of WASH services within poor and vulnerable communities, schools, and health facilities during the first year of the Program. Pillar 3, "Ensuring Sustainable Business Growth and Job Creation," is supported through the construction of WASH facilities during the initial two years of the Program, which contributes to job creation directly through labor-intensive works and indirectly through the provision of water supply services – a critical input to employment across the economy. Finally, it supports Pillar 4, "Strengthening Policies, Institutions and Investments for Rebuilding Better," through its focus on improving sustainable service delivery through infrastructure investments and improved sector policies, institutions, regulations, and general performance, which supports safe and sustainable WASH service delivery.



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ANNEX 13. NIGERIA COUNTRY MAP

