



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 08-Jun-2020 | Report No: PIDC223395



**BASIC INFORMATION**

**A. Basic Program Data**

Country Nigeria	Project ID P174114	Parent Project ID (if any)	Program Name NIGERIA: COVID-19 Action Recovery and Economic Stimulus
Region AFRICA WEST	Estimated Appraisal Date 14-Sep-2020	Estimated Board Date 15-Oct-2020	Does this operation have an IPF component? Yes
Financing Instrument Program-for-Results Financing	Borrower(s) International Economic Relations Department of Federal Ministry of Finance	Implementing Agency Federal Project Support Unit	Practice Area (Lead) Social Protection & Jobs

**Proposed Program Development Objective(s)**

To protect livelihoods and food security of poor and vulnerable families and facilitate recovery of local economic activity in all participating states across Nigeria

**COST & FINANCING**

**SUMMARY (USD Millions)**

<b>Government program Cost</b>	770.00
<b>Total Operation Cost</b>	770.00
Total Program Cost	750.00
IPF Component	20.00
<b>Total Financing</b>	750.00
<b>Financing Gap</b>	20.00

**FINANCING (USD Millions)**

<b>Total World Bank Group Financing</b>	750.00
World Bank Lending	750.00



Concept Review Decision

The review did authorize the preparation to continue

## B. Introduction and Context

1. **This program document outlines a proposed Program-for-Results (PforR) operation in the amount of US\$750 million to support the States of the Federal Government of Nigeria in their efforts to mitigate the impact of the COVID-19 pandemic on the livelihoods of poor and vulnerable households and microenterprises in the country.** The proposed PforR is an emergency operation designed to support budgeted program of expenditures and interventions at the State level targeting existing and newly vulnerable and poor households, agricultural value chains, and micro and small enterprises affected by the economic crisis. The operation provides financial support to the States to fulfill program objectives in four key results areas: (i) strengthening institutional support for coordination and delivery; (ii) increasing cash transfers and livelihood support to poor and vulnerable households; (iii) increasing food security and safe functioning of food supply chains for poor households; and (iv) preventing collapse and facilitating recovery of household/micro enterprises. It is fully aligned with the forthcoming World Bank 2020–24 Country Partnership Framework for Nigeria, as well as Nigeria’s Economic Reform and Growth Plan for 2017–20 and the National Economic Council’s COVID-19 action plan.<sup>1</sup>

### Country Context

2. **Even before the COVID-19 pandemic, poverty and vulnerability levels were already high in Nigeria.** Measured using the national poverty line, the poverty rate in 2018/19 was 40 percent nationally, with poverty rates significantly higher in rural areas (52 percent) compared to urban areas (18 percent).<sup>2</sup> Geographically, all three Northern regions have higher poverty rates compared to the Southern regions. The poverty rate in the North East (70.2 percent) is more than seven times higher than in the South West (9.7 percent). In addition to 40 percent of the population who fall below the poverty line, additional 25 percent of Nigerians are vulnerable to falling back into poverty in 2018/19.<sup>3</sup> In the North East and North West, most individuals are either poor or vulnerable. Besides monetary poverty, Nigeria ranked sixth lowest globally in the World Bank’s Human Capital Index in 2018, with one in every three children under the age of five suffering from chronic malnutrition. In 2018, 63 percent of children in the poorest quintile were stunted compared to 18 percent in the richest quintile and only 29 percent of primary school age children from the poorest quintile were in school (adjusting for attendance) compared to 89 percent from the richest quintile, starkly highlighting the fact that the human capital indicators were far worse for the poorest segment of the population compared to the averages. The COVID-19 crisis strikes at a time when Nigerian youth were already facing severe lack of job opportunities, with overall unemployment increasing from 8 percent in 2015 to 23 percent in 2018.<sup>4</sup>

<sup>1</sup> National Economic Council (NEC) Final Report of Ad-Hoc Committee on COVID-19 “Containing the Outbreak and Responding to the Adverse Economic Effects”, March 25, 2020.

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

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

<sup>4</sup> National Bureau of Statistics (2018).



3. **COVID-19 is expected to negatively affect economic growth in Nigeria, primarily due to the steep fall in global oil prices.** Nigeria enjoyed relatively high and stable economic growth from 2000-2014, before the country went into a recession following the oil-price shock in late-2014. Growth averaged 6.1 percent between 2000-2014 before dropping below 3 percent in 2015 and turning negative in 2016. Nigerian economy has been recovering slowly since with the uptick in oil prices, but growth has stayed below 3 percent in subsequent years. As Nigeria's economy and the government's finances are highly dependent on revenues from sales of crude oil, current projections estimate the Nigerian economy to contract by at least 3 percent in 2020, due to the fall in oil prices caused by COVID-19.<sup>5</sup> It is further expected that consolidated government revenues will fall by US\$ 12 billion (3 percent of GDP) or more, severely constraining the government's ability to respond to the crisis and at a time when fiscal resources are urgently needed to protect the poor and vulnerable from the negative impact of COVID-19.

4. **While the number of confirmed COVID-19 cases have grown slowly in Nigeria compared to the West, it is already having a severe impact on the lives and livelihoods of Nigerians.** To prevent the spread of COVID-19, the Nigerian government had previously announced total lockdowns in urban centers in Lagos, Ogun, and Abuja. The prolonged month-long lockdown severely impacted informal firms and workers in urban areas first before impacting rural areas, where many of Nigeria's poor reside. An economic crisis such as the one caused by COVID-19 could push large segments of non-poor households back into poverty. With economic growth expected to decline by at least 3 percent in 2020, the poverty headcount rate is estimated to increase from 40.1 percent in 2019 to 42.5 percent in 2020 and will continue to rise absent any change in government policy. By 2022, the forecasts suggest that almost 100 million Nigerians will be below the poverty line, an additional 16.4 million poor people compared with today, which arises from both the rising poverty rate and natural population growth. While only 15.9 percent of the current poor are urban dwellers, 29.9 percent of the new poor in 2020 are predicted to be in urban areas. It is expected that consumption will fall across the distribution, leading to a rise in the poverty headcount rate and increase in the poverty gap index.

5. **The Government of Nigeria has taken important measures to stop the spread of COVID-19 and has put in place measures to cushion the poor and vulnerable against the negative impact of the crisis.** A fiscal stimulus package in the form of a COVID-19 intervention fund of N500 billion (US\$1.4 billion), has been approved by the President to support healthcare facilities, provide relief for taxpayers, and incentivize employers to retain and recruit staff during the downturn. Regulated fuel prices have been reduced, and an automatic fuel price formula introduced to ensure fuel subsidies are eliminated. The President also ordered an increase of the social register by 1 million households to 3.6 million to help cushion the effect of the lockdown. The Central Bank has instituted a N50 billion targeted credit facility for households and Micro and Small Enterprises (MSEs) that have been affected by COVID-19. The president also approved the establishment of a N500 billion COVID-19 crisis intervention fund while the restructuring of the Treasury Single Account ('TSA') is in progress to better mobilize cash donations from people and corporate bodies across the country.

#### Sectoral (or multi-sectoral) and Institutional Context of the Program

6. **The proposed PforR is part of a broader emergency package offered by the World Bank Group, which is anchored by the key measures taken by the government, and complemented by support from other development partners, to put in place measures to respond to the pandemic.** The Government of Nigeria is establishing a multi-faceted economic, fiscal and health response to COVID-19 at the federal and state level and has requested a significant package of support from the World Bank. Based on request from the Federal Ministry of Finance, Budget and Planning, the World Bank is preparing a multi-pronged package of support of between USD 2.5 billion and USD 3 billion over the

<sup>5</sup> World Bank (2020)



next six months, which includes the Nigeria CARES PforR. The broader support package includes programs designed to: (i) Contain the COVID-19 outbreak and prepare for a more severe outbreak (REDISSE); (ii) Immediate fiscal relief for the federal government (CoFFER) and funding to protect core government functions to the State level (SFTAS); and (iii) Support for protecting livelihoods, local economic activity, and enabling recovery (CARES and NAASP).

7. **Existing social safety nets programs can be leveraged to mitigate the effect of COVID-19 on vulnerable groups but the targeting mechanisms needs to be expanded and adapted to capture the people who will be vulnerable due to the COVID-19.** A total of more than 5.4 million Nigerians (adults and children) have benefited from existing social safety net interventions (Cash Transfer, Public Workfare, Special Grants to Vulnerable and Skills for Job). However, identification of the poor in Nigeria remains challenging due to the inadequacy of data. Multiple definitions of poverty and vulnerability and lack of clarity on welfare measures adds to existing challenges. In recent times, the State Social Registry and the National Social Registry of poor and vulnerable households have been established under the World Bank financed Youth Employment and Social Support Operation<sup>6</sup> and National Social Safety Nets Project (NASSP)<sup>7</sup> using a combined geographical and community-based identification and targeting system verified through proxy means testing to rank households. The state level registry that started in 2016 has limited coverage in many of the urban locations. There is a renewed effort to rapidly expand the coverage of the registries and use other objective criteria of vulnerability to capture the new poor especially in urban areas. The newly created Ministry of Humanitarian Affairs, Disaster Management and Social Development is planning to provide the appropriate platform for interagency collaboration. The new National Living Standard Survey 2018/19, provides an opportunity to validate and strengthen the social registries at State and National level and to ensure harmonization with other existing beneficiary registries.

8. **The Community and Social Development Project supports the empowerment of communities and vulnerable groups within communities** to develop, implement, and monitor social infrastructure service micro-projects (such as in basic services – health, education, water, roads, skills centers, among others) and natural resource management interventions. It also strengthens the capacity of local government authorities, LGAs and sectoral public agencies to support communities and build a partnership between them. The CSDP is currently managed at the State level by State Agencies established by Law of the States. 30 States of the Federation and the Federal Capital Territory are participating in the project. Kaduna State has just established its own Community and Social Development Agencies CSDA. Delta and Rivers has CDD/PIUs imbedded in relevant Ministries that operates like CSDAs and supported by SEEFOR -a World Bank assisted project in the Niger Delta. Only Lagos, Kano and Jigawa are not participating in CSDP but do have community engagement agencies and departments. There is a Federal Project Support unit responsible for coordination, technical support, monitoring and evaluation and finance resources mobilization and management. A total of 4,600 Community Development plans and over 600 Group Development Plans are now approved and funded as of December 2019. The North East States continued to improve on the number of CDPs and GDPs. Over 2 million people are benefiting from the CSDP interventions in the North East while across all the participating state, well over 7 million individuals are benefiting from CSDP as of December 2019.

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<sup>6</sup> YESSO a State level Social Safety Net Operation started the State Social Registry in 2015 from a USD 400m IDA credit. It also supports 3 major interventions at the State level- Pubic workfare, Special Grants to the Internally Displaced persons in North East and the Aged and physically challenged, and Skills for Job. It is closing in June 2020.

<sup>7</sup> NASSP, through its exiting budget available from the IDA of USD 500 million and USD 321 million from the government through Abacha Restituted Fund, will be scaled up horizontally and vertically to support the existing 1 million poor and vulnerable households (over 5 million people) currently benefiting from CCT and will enroll additional 1 million poor and vulnerable households (5 million people) from the National Social Registry to receive Cash Transfer support for at least 1 year to cushion the impact of COVID-19 on poor and vulnerable households.



9. **The National Fadama Development Project is a state-level intervention coordinated by the Federal Government.** Beginning in 1990 with a pilot agricultural project (Fadama I) designed to bring basic irrigation and productive support to farmers in selected Nigerian states, the Fadama series have evolved through two subsequent innovative and adaptive projects (Fadama II and III) that are now well established nationally. Fadama II, launched in 2003, introduced a groundbreaking Community-Driven Development (CDD) model to Nigeria's rural areas and helped institutionalized local stakeholder engagement in community decision making. Since 2009 when Fadama III series commenced, it has contributed to the Government of Nigeria's development objectives and policy in terms of gross domestic product, food security, rural development, and employment generation. Cassava farmers under Fadama III, and its two additional Financing Facilities realized more than N20.6 billion as revenue and a gross margin of N13 billion in 2019. Similarly, rice, sorghum and tomato farmers realized gross margin of N104.4 billion, N60.9 billion and N19.2 billion respectively during the project's life span. The project performance evaluation report showed that 100 percent of the beneficiaries have increased their real income by at least 40%. Yield rose from a baseline of 5.27t/ha to 25.34t/ha for cassava (380.83%), 2.83t/ha to 4.93t/ha for rice (74.2%), 1.54t/ha to 2.4t/ha for sorghum (55.84%), and 1.6t/ha to 30.44t/ha for tomato (1,802.5%).

10. **The Fadama structure has been successfully deployed to provide solutions to national challenges, including delivering inputs and services to farmers, investing in various types of productive agricultural infrastructure and assets, improving food supply chains in underserved areas, and supporting programs to increase employment of graduate youths.** Specifically, the project had, in 2017 competitively empowered 6,916 unemployed youth and women graduates who indicated interest in becoming agricultural entrepreneurs. Fadama project has proved to be a reliable platform for implementing rural based intervention and activities that could target the poor and the vulnerable with sufficient national spread and capacity. There is a National Fadama Coordinating Unit responsible for coordination, technical support, monitoring and evaluation to the State Level operation. A total of 18,650 Business Plans have been prepared and over 220,551 farmers across 19,469 production groups in 3,051 Production Clusters have received various trainings. In the Conflict affected North East region, Fadama has helped to restore the livelihoods (crops, livestock, fisheries, and non-agricultural enterprises) of 32,480 farming households with 950,400 man-days of work provided to the beneficiaries. Over 1,218,824 people have benefited from the Fadama interventions across the country.

11. **In many of the States there are SME support Agencies of the State Government and also Ministries of Commerce and Industry as well as Ministries of Cooperatives with programs and initiatives on promotion and facilitation of household enterprises (micro and small).** Some of the Ministry, Departments and Agencies (MDAs) provide small loans and grants to registered businesses. Registration and regulations of local firms and enterprises are also managed by the MDAs. At the Federal level there is the Government Enterprise and Empowerment Program (GEEP) initiative administered by the Bank of Industry exist in all 36 States of the Federation and FCT. The GEEP provides loans of between ₦10,000 (\$28) and ₦300,000 (\$835) to traders, artisans, enterprising youth, and farmers. The program commenced in 2016 and has empowered 2.2 million such micro-enterprises with interest-free loans to grow their businesses up to date, making it the largest public microcredit program. The majority of these micro-enterprises are in over 2,100 clusters and markets across all 36 states of Nigeria, and the capital. As of today, about 5 million GEEP candidates are connected to the Consolidated Beneficiary Register for the National Social Investment Program. The number is growing. Candidates can also be served on other programs i.e. school feeding, cash transfers, etc. The GEEP program has over 4,300 local agents nationwide to verify beneficiaries and perform credit check before loans are disbursed to the beneficiaries' mobile wallet. Funds can be cashed out with minimal intermediation to reduce transaction costs and fraud. The program, in addition to provide quick financial intermediation to the needed enterprises, can also serve in more data capture. Partnership between state MDAs supporting household enterprises (micro and small) and GEEP can be a veritable mechanism especially at this time when local economy is at the mercy of the health crisis and the economic downturn.



## Relationship to CAS/CPF

12. **The proposed PforR supports the World Bank Group’s Nigeria CPF for 2020-24 and is aligned with the framework of support proposed by the World Bank Africa region and the WBG Social Response Framework.** The CPF reflects Nigeria’s aspiration for faster, more inclusive, and sustained economic growth in the next decade to help the government in its ambition to lift 100 million people out of poverty. This PforR directly supports the CPF’s Pillars on “Investing in human capital and social inclusion”, “Fostering Jobs and Economic Transformation”, and “Reducing fragility and building resilience”. More specifically, the PFORR: (i) enables the States to continue to build and expand their social protection systems to strengthen safety nets and basic services; (ii) prevents disruptions and job losses in agricultural supply chains by supporting linkages between farmers and markets; and (iii) helps micro and small enterprises wither the impact of the economic crisis by providing support in the form of credits and grants. The PFORR also addresses priorities outlined in the 2019 Systematic Country Diagnostic for Nigeria by averting further erosion of human capital, supporting private firms and microenterprises to stay afloat, and continuing the provision of basic services to the most vulnerable groups. The PFORR is also fully aligned with the Africa region’s framework of *protecting lives, livelihoods, and the future* to address the pandemic and the multifaceted action plan proposed in the WBG Social Response Framework of *saving lives, protecting the poor and vulnerable, securing jobs and the economy, and accelerating a resilient recovery*.

## Rationale for Bank Engagement and Choice of Financing Instrument

13. **The PforR instrument allows the States to access funds for budgeted programs of expenditures and comes at a time when the decline in revenues threatens the ability of the government to respond to the crisis.** Unprecedented decline in oil prices (70 percent since the start of the crisis) has constrained the government’s ability to respond to the crisis. 80 percent of Nigeria’s exports, 30 percent of banking-sector credit, and 50 percent of general government revenues rely on sales of crude oil. Much of the nonoil industrial and services sectors also rely on foreign-exchange inflows generated by the oil industry. With the Nigerian economy expected to contract 5 percentage points below the pre-COVID 19 economic growth forecast, States will require substantial funds to quickly and effectively respond to the crisis. Some of the ₦500 billion funds allocated as the federal government’s fiscal stimulus package will be implemented at the State level and would need to be reflected in the State government’s budget. As the PforR is designed for a 2-year emergency response, using and strengthening existing programs and platforms also has the added benefit of building capacity of those platforms to ensure sustainability beyond the duration of the program. The PforR aims to build strong coordination mechanisms between the Federal and State level of the government. Strong level of Federal oversight and support could help States lagging in capacity to implement programs to protect livelihoods and food security of poor and vulnerable households and facilitate recovery of local economic activities. The PforR instrument also allows states to quickly access funds using existing government programs and systems, reducing the transaction processes. Finally, the program is designed to disburse against tangible results and provides flexibility to the States to achieve the results that are best suited to their needs.

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

### Program Development Objective(s)

To protect livelihoods and food security of poor and vulnerable families and facilitate recovery of local economic activity in all participating states across Nigeria

### PDO Level Results Indicators

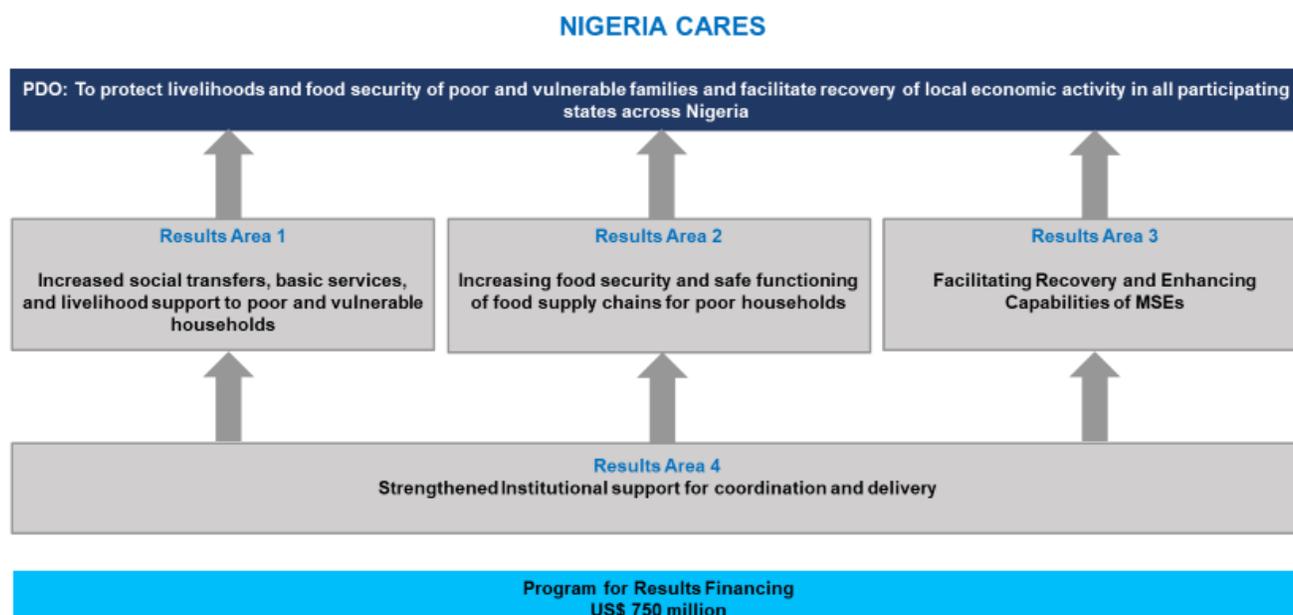


14. To achieve the development objective, the proposed Program would include the following four result areas:

- a. Increased social transfers, basic services, and livelihood support to poor and vulnerable households;
- b. Increasing food security and safe functioning of food supply chains for poor households;
- c. Facilitating recovery and enhancing capabilities of micro and small enterprises (MSEs);
- d. Strengthened institutional support for coordination and delivery;

Figure 1: Proposed Project Development Objective and Program Results Areas for CARES

### Program Development Objectives and Result Areas



### D. Program Description

#### PforR Program Boundary

15. **Results Area 1 aims to address the immediate needs of poor and vulnerable households by providing income and consumption support and access to basic services.** Through this results area, the program will support existing platforms that provide social transfers to vulnerable groups including the aged, disabled, and chronically ill and support income generating opportunities of economically active poor and vulnerable households through cash transfers and labor-intensive public works. Existing programs that provide services to poor and vulnerable communities through funding of basic social and economic infrastructure microprojects will also be eligible for funding support. Selected programs must provide clear and measurable criteria to evaluate results that contribute to improved consumption and welfare of poor and vulnerable households.

16. **Results Area 2 will provide support to increase food security of poor and vulnerable households.** Through this



results area, the P4R will support existing platforms that support poor and vulnerable households to increase production of food, maintain economic activities along food value chains, and enable safe access to food markets as buyers or sellers. The immediate needs to support agricultural livelihoods could include distribution of inputs, provision of services (extension, mechanization, animal services), farm agricultural assets, replacement of small ruminants, etc. Similarly, the future capacity to produce food could be supported through small-scale irrigation infrastructure, on-farm soil conservation measures, etc. Investments to increase food accessibility in future could be supported through sanitary infrastructure in wet markets, feeder roads to enable access to markets, increased capacity for small-scale processing, among others. The selected program areas must provide clear and measurable results that contribute to increasing food availability, accessibility and utilization and can be generated within the 18-24 months' timeframe.

**17. Results Area 3 will support Micro and Small Enterprises (MSEs) intervention programs and initiatives at Sub-National level in Nigeria.** Leveraging existing State-level MSE platforms, the program will support initiatives that eases financial constraints on MSEs, provide financing to support operational expenses of existing MSEs to cover a portion of its operational cost including salaries of permanent staff and rental expenses, and invest in MSEs' infrastructure and IT (digital) development. Existing platforms that support both formal and informal firms will be eligible. However, targeting mechanisms will be supported to identify vulnerable and viable firms with clear timeline to phase out in order to maximize the fungibility of the financing resources.

**E. Initial Environmental and Social Screening**

**18. Based on current available information in terms of the scope of the Program, no high Environmental and Social risks are anticipated due to proposed program activities.** In terms of potential environmental impacts, there could be risk of waste management, soil and ground water contamination, pest management, construction related risk and impacts including capacity to manage the grant component for MSMEs. There could be moderate risks and impacts posed due to small scale land acquisition causing resettlement during rehabilitation / construction of secondary / tertiary irrigation canals; rehabilitation of tertiary roads; rehabilitation / construction of agricultural warehouse; upgrading of sanitary infrastructures in wet markets. These infrastructure activities could also pose labor risks, GBV and community health risks when contractors/labor force are brought into remote areas for certain project activities including potential cumulative impacts. These will be further reviewed and assessed during the Environmental and Social Systems Assessment (ESSA) that would be prepared prior to appraisal. This current rating would be adjusted accordingly as additional information becomes available and based on the outcomes of the ESSA assessment.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	
Projects in Disputed Areas OP 7.60	
Summary of Screening of Environmental and Social Risks and Impacts of the IPF Component	



**Note** To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.

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