I. Project Context

Country Context

Nigeria is a large Federation with substantial economic potential. With an estimated population of 167 million (NPopCom, 2011) and a gross domestic product (GDP) of US$237 billion in 2011, Nigeria is Africa's most populous nation and the second largest economy in Sub-Saharan Africa. It is the only federation in the Africa region, with one Federal Capital Territory, 36 autonomous states, and 774 local government councils as the third tier of government. In recent years, economic growth has been particularly impressive with real GDP averaging about 7 percent since 2003, reaching as high as 7.4 percent in 2011, compared with an average of only 2.5 percent between 1995 and 1999. Growth is larger in agriculture – mostly primary production – as the economy remains predominantly rural and agrarian. The 2008/2009 global financial crisis had a fairly limited effect on Nigeria's growth performance because of continued strong activity in all sectors of the country's non-oil economy, particularly agriculture and wholesale/retail trade.

The socioeconomic situation remains challenging in spite of high growth. The country's high economic growth has had little impact on the welfare of Nigerians as is clear from the country's human development indicators, which have declined or remained stagnant. The relative poverty headcount in Nigeria rose from 27.2 percent in 1980 to 65.6 percent in 1996. However, between 1996 and 2004, the poverty headcount declined by about 10 percentage points to 54.7 percent (2003/2004 Nigeria Living Standards Survey or NLSS). A recent analysis by the National Bureau of Statistics (NBS) of the 2009/2010 NLSS indicated that there has been an increase in the poverty rate to well over 60 percent. Nevertheless, there is an overall acceptance that the poverty rate in Nigeria has been well above 50 percent in the last 10 years, and there is also a widespread sentiment in the country that a large part of the Nigerian population has not been benefiting from the recent economic growth. The slow or negligible progress being made towards achieving some of the Millennium Development Goals (MDGs) in a number of regions is further evidence of this.

The two major indices of deterioration in the welfare status of Nigerians in recent times are the increasing rates of youth unemployment and maternal and child mortality. NBS (2011) stated that youth unemployment is 38 percent, maternal mortality is 704 per 100,000, and the infant mortality rate is 75 per 1,000. According to the 2009 Nigeria MDG report, more than 4 million children are not attending junior secondary school, and about 45,000 women die annually during childbirth. Fundamental to these two issues is the high level of illiteracy and lack of functional education in Nigeria. Both of these problems have reached crisis levels, with youth unemployment presenting a great threat to the political and social fabric as well as the stability of the nation. Nigeria ranked 158th out of 182 countries in the 2009 United Nations Human Development Index.

Youth unemployment and human development indicators vary widely across the country and are particularly worrisome in the rural and northern parts. While the share of young people in total population is about 51 percent according to the Living Standards Survey of 2010, national youth unemployment is 38 percent both in urban and rural areas. Youth unemployment is particularly high in the North, especially in the states of Benue (64 percent), Kaduna (50 percent), and Niger (47 percent). Seventy percent of unemployed youths are uneducated and unskilled. Furthermore, according to the 2010 Nigeria Demographic and Health Survey (DHS EdData), 38 percent of the adult population (those aged 18 years or older) have no formal education. In terms of regional variations, about two-thirds of the adults in the North-West and the North-East regions have no schooling at all. The lowest rates are in the South-South (11 percent), South-East (14 percent), and South-West (17 percent) regions. The maternal mortality rates in the North-East and North-West of the country are alarming. In Kano State, the rate is three times higher than the country's average. According to the 2009 Country Partnership Strategy (CPS), these rates are closely associated with the low level of adult women's literacy (20 percent) and the early median age for first marriage (15 years) in the North-West zone.

II. Sectoral and Institutional Context

Access to good quality, market-oriented education, skills development, health, and nutrition services is vital to enable youths in Nigeria to accumulate human capital and become more employable. The lack of these basic social services as well as limited access to those that are available both prevent poor people from taking advantage of the job opportunities created by the economic growth. According to the Nigeria Poverty and Vulnerability Assessment (2004), households that contain a parent who possesses some level of education are more likely to ensure
that their children attend school. Depending on the level of this education, school enrollment could increase by as much 20 percentage points while child labor decreases by 7 percentage points. Chronically malnourished (stunted) students usually have low school attendance rates as well as high dropout and repetition rates. As a result, they are less likely than average to develop good social and job-related skills and are more likely to be limited to lower quality jobs with a lower income-earning potential.

In Nigeria, public expenditure on social services and assistance programs has grown but is still insufficient. According to the annual reports of the Central Bank of Nigeria (CBN), spending on the social programs provided by the federal government (including education and health but excluding pensions and other related transfers) rose from about 1.4 percent of GDP in 2004 to almost 2 percent in 2009. Social expenditures at the state level were significantly higher—2.9 percent of GDP in 2008. Social spending by the federal and state governments combined, increased between 2004 and 2008 to almost 5 percent of GDP, which is still quite low compared with other countries. Recent figures from the office of the Accountant General of the Federation (compiled by the International Monetary Fund and the World Bank in 2012) indicate that federal spending on social protection as a percentage of GDP has been stable but very low between 2009 and 2012, averaging 0.30 percent. As a percentage of the budget, it is still low, representing about 2 percent in 2010 and 3.5 percent in 2012. Per capital expenditure on social protection at the federal level rose slightly from $3.5 in 2009 to $6 in 2012.

Most of these expenditures are untargeted. They are on youths, women, conditional grants to state and local governments for the attainment of the MDG goals, the school feeding program, a conditional cash transfer provided by the National Poverty Eradication Program (NAPEP), and the recent social safety net component of the Oil Subsidy Reinvestment Empowerment Program (SURE-P). Even when spending on pensions and on the Amnesty program for the restive Niger Delta youths is added, the expenditure pattern at the federal level indicates only a limited emphasis on social assistance programs. There is no corresponding state-level data.

The Nigerian government has designed and implemented several national and state-level demand-side interventions to address the shocks and risks faced by the poor and vulnerable. Backed by international experience and a rigorous impact evaluation, the federal government prepared a Social Protection Policy Note in 2004/05 that proposed the introduction of several demand-side interventions to address the shocks and risks faced by the poor and vulnerable. Most of the interventions did not produce the desired results for reasons ranging from poor targeting to a lack of ownership or effective monitoring and evaluation. Also, following Nigeria’s successful negotiation of debt relief in 2005, the federal government began providing matching grants to federal agencies and state governments for MDG-focused interventions. This matching grant scheme, known as the Conditional Grant Scheme (CGS), provided three rounds of support to federal agencies and state governments in 2006, 2007, and 2008. Close to N45billion ($300million) have been disbursed to federal MDAs and state agencies since it was introduced. A conditional cash transfer (CCT) program was also funded by the MDG Debt Relief Fund initially through the National Agency for Poverty Eradication Program (NAPEP) in 2007 and 2008 and subsequently to be state governments through the CGS since 2009. Poor targeting, inadequate monitoring of compliance with co-responsibilities, and the absence of a monitoring and evaluation (M&E) system has limited the performance of the CCT program. However, an initial impact evaluation of the CCT in Kano State is indicating that it may be achieving the desired outcomes.

Youth employment schemes on both the demand and supply sides have shown great promise in recent times, especially at the state level, but have had only limited results. The federal government created a Ministry of Youth Development about five years ago, and the ministry, along with other stakeholders, developed a Youth Development Strategy with an action plan for 2009-2015. Several state governments, local governments, and Non-governmental organizations (NGOs) are also executing pilot youth employment and empowerment schemes across the country with mixed results. An initiative by the Lagos state government has been one of the most successful programs on youth employment so far. It has registered 175,000 unemployed graduates across the 20 local government areas and 37 local council development areas (LCDAs) under a new databank scheme. About 2,300 youths have been successfully trained in different skills, with the state governments providing them with facilities (credit) to enable them to start up their own businesses. In the last year, in response to the demographic youth bulge and post-election violence, some states have started public works programs. The program in Ogun State engaged 20,000 youths in February 2011 and now has a wage bill of N200 million every month. Ekiti State has 10,000 participants in its program, and Oyo State started a program with 20,000 youths in March 2012. The public works in these states provide not only short-term employment but also livelihood, vocational, and entrepreneurial training for the youths in the program. There are indications that more states, including Niger, Cross River, Enugu, Bauchi, Katsina, Gombe, and Adamawa, are planning to establish public works programs as an immediate safety net for the large numbers of unemployed youths within their jurisdictions. The federal government has recognized this approach as part of its national job creation agenda and the Oil Subsidy Reinvestment Empowerment Program (SURE-P). Annually, engagement of 320,000 youth in a community services scheme is planned, as well as, under the SURE-P, starting in 2013. This is to be managed directly by the federal government.

### III. Project Development Objectives

The project will contribute to improving human capital development among the poor and reducing intergenerational poverty, by ensuring the effectiveness of the mechanism to deliver immediate employment to youth, empower them for future jobs and provide demand side support to the core poor in accessing and utilizing human development services so as to increase their employability and income earning potential. In essence, the project will contribute significantly towards reducing youth unemployment and improving both health and education levels of the core poor families and vulnerable groups in the Country. Therefore the proposed project development objective (PDO) is “increase access to opportunities for youth employment and social service delivery by the poor in participating states.” The project will support existing, and new federal and state government systems and arrangements to (i) provide temporary employment opportunities to unskilled and semi-skilled youth by supporting labor intensive public work schemes, and (ii) provide skills (trainings, internship and apprenticeship) assistance to youth for employability, and (iii) provide conditional cash transfer to core poor and vulnerable groups for education and health services utilization.

### IV. Project Description

**Component Name**

- Component 1: Strengthening the Social Safety Net System in Nigeria
- Component 2: Public Workfare
- Component 3: Skills for Jobs
- Component 4: Developing and Implementing a Conditional Cash Transfer Program

### V. Financing (in USD Million)
VI. Implementation

YESSO will be implemented at both the federal and state levels. The proposed operation promotes partnerships between federal agencies, state governments, the private sector, and the community. It will operate mainly through existing structures and systems. While the operation will provide additional resources to increase the effectiveness and efficiency of existing and ongoing initiatives of the federal and state governments, the operation is not intended to cover every initiative geared towards youth employment and social service provision for the poor. However, it does aim to support the development of a social safety net system that can be used to harmonize and coordinate all such interventions in the immediate future.

At the federal level, YESSO will involve a range of federal agencies in the implementation of each component. However it is only the units or desks of each of the agencies that are involved in the YESSO activities. These will include the Community Service Women and Youth Employment (CSWYE) Unit in the FMF which will serve as the Federal Operations Coordinating Unit for the YESSO, the Social Development Unit of NPC, the Skills for Jobs unit of NDE, the CCT desk of NAPEP, and the MDG desk office on CCT. These agencies have been implementing similar programs of government and or have the mandate for such interventions.

VII. Safeguard Policies (including public consultation)

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VIII. Contact point

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