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Report No: PAD4674

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED CREDIT

IN THE AMOUNT OF SDR 565.3 MILLION
(US$800.0 MILLION EQUIVALENT)

TO THE

FEDERAL REPUBLIC OF NIGERIA

FOR A

NATIONAL SOCIAL SAFETY NET PROGRAM - SCALE UP

November 23, 2021

Social Protection and Jobs Global Practice
Western and Central Africa Region

CURRENCY EQUIVALENTS
(Exchange Rate Effective October 31, 2021)

Currency Unit =	Nigerian Naira (N)
US$1=	N411.00
US$1=	SDR 0.70652404

FISCAL YEAR
January 1 – December 31

Regional Vice President:	Ousmane Diagana
Country Director:	Shubham Chaudhuri
Regional Director:	Dena Ringold
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ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machine
BVN	Bank Verification Number
CAPI	Computer-Assisted Personal Interview
CARES	COVID-19 Action Recovery and Economic Stimulus
CBN	Central Bank of Nigeria
CBT	Community-Based Targeting
COVID-19	Coronavirus Disease 2019
CRI	Corporate Results Indicator
CPF	Country Partnership Framework
CPI	Consumer Price Index
CQS	Selection Based on the Consultants' Qualifications
CSDP	Community and Social Development Project
CSO	Civil Society Organization
CT	Cash Transfer
DA	Designated Account
DFS	Digital Financial Services
EFInA	Enhancing Financial Innovation and Access.
ERGP	Economic Recovery and Growth Plan
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMP	Environmental Social Management Plan
ESR-CT	Economic Shock Responsive Cash Transfer
ESRS	Environment and Social Review Summary
ESS	Environmental and Social Standards
FA	Financing Agreement
FCT	Federal Capital Territory
FM	Financial Management
FMHADMSD	Federal Ministry of Humanitarian Affairs, Disaster Management, and Social Development
FPFMD	Federal Project Financial Management Department
FPM	Financial Procedures Manual
G2P	Government to Person
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GoN	Government of Nigeria
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IA	Implementing Agency
ICT	Information and Communication Technology
ID4D	ID for Development
IDP	Internally Displaced Person
IFR	Interim Financial Report
IPF	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
KYC	Know Your Customer

LGA	Local Government Area
LGDO	Local Government Desk Officer
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments, and Agencies
MIS	Management Information System
MoU	Memorandum of Understanding
NASSCO	National Social Safety Nets Coordinating Office
NASSP	National Social Safety Nets Project
NASSP-SU	National Social Safety Net Program - Scale Up
NBR	National Beneficiary Registry
NBS	National Bureau of Statistics
NCB	National Competitive Bidding
NCTO	National Cash Transfer Office
NC-NSIP	National Coordinator - National Social Investment Programs
NDC	Nationally Determined Contribution
NIN	National Identification Number
NLPS	National Longitudinal Phone Survey
NLSS	Nigeria Living Standards Survey
NPM	National Program Manager
NSC	National Steering Committee
NSPP	National Social Protection Policy
NSR	National Social Registry
OBD	Output-Based Disbursement
PDO	Project Development Objective
PFMU	Project Financial Management Unit
PIM	Project Implementation Manual
PMT	Proxy Means Test
PMU	Project Management Unit
POS	Point of Sale
PPSD	Project Procurement Strategy for Development
PSP	Payment Service Provider
RFQ	Request for Quotation
RRR	Rapid Response Registry
SCTU	State Cash Transfer Unit
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
SEP	Stakeholder Engagement Plan
SMS	Short Message Service
SOCU	State Operations Coordinating Unit
SSC	State Streeting Committee
SSR	State Social Registry
STEP	Systematic Tracking of Exchanges in Procurement
ToR	Terms of Reference
USSD	Unstructured Supplementary Service Data
WA	Withdrawal Application
WHO	World Health Organization

YESSO	Youth Employment and Social Support Operation

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Nigeria	National Social Safety Net Program-Scale Up	
Project ID	**Financing Instrument**	**Environmental and Social Risk Classification**
P176935	Investment Project Financing	Substantial

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[ ] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[ ] Performance-Based Conditions (PBCs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternate Procurement Arrangements (APA)	[ ] Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
16-Dec-2021	30-Jun-2024

Bank/IFC Collaboration

No

Proposed Development Objective(s)

Expand coverage of shock responsive safety net support among the poor and vulnerable and strengthen the national safety net delivery system.

Components

Component Name	Cost (US$, millions)

Economic Shock Responsive Cash Transfer (ESR-CT)	600.00
Extended Regular Cash Transfer (ER-CT) for the poor and the vulnerable	147.00
Delivery System Strengthening and Project Management	53.00

Organizations

Borrower:	Federal Republic of Nigeria
Implementing Agency:	Federal Ministry of Humanitarian Affairs, Disaster Management and Social Development

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	800.00
Total Financing	800.00
of which IBRD/IDA	800.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	800.00
IDA Credit	800.00

IDA Resources (in US$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Nigeria	800.00	0.00	0.00	800.00
National PBA	800.00	0.00	0.00	800.00
Total	**800.00**	**0.00**	**0.00**	**800.00**

Expected Disbursements (in US$, Millions)

WB Fiscal Year	2022	2023	2024

Annual	200.00	473.50	126.50
Cumulative	200.00	673.50	800.00

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Jobs

Contributing Practice Areas

Finance, Competitiveness and Innovation, Governance, Poverty and Equity, Social Sustainability and Inclusion

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	
10. Overall	Substantial

COMPLIANCE

Policy

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

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] 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

Schedule 2. Section I. A.3 Independent Verification of Output-Based Financing and Targeted Cash Transfers: Not later than six months after the Effectiveness Date, the Recipient shall engage independent experts, whose terms of reference, qualifications and experience shall be satisfactory to the Association, to conduct ex-post verifications every calendar semester of the output-based financing activities under Parts 3.1 (a) and (b) of the Project and of the Cash Transfers under Parts 1 and 2 of the Project.

Sections and Description

ESCP: Within one month after effectiveness prepare and disclose a Generic Environmental and Social

Management Plan which includes an annex on LMP

Sections and Description
ESCP: Within six months after project Effectiveness, a Process Evaluation (review) of the effectiveness of the different delivery approaches (targeting, payment, social accountability mechanism, gender and social inclusion) will be captured in the M&E plan of the program and will be conducted under the Component 1 (urban locations) more specifically and to include component 2 as necessary, to ensure that additional social and accountability risks are not created.

Sections and Description
ESCP: GBV (SEA/SH) Action Plan will be developed within one month after effectiveness.

Sections and Description
ESCP: Prepare a Labor Management Procedures (LMP) as an Annex in the generic ESMP within a month after effectiveness.

Conditions

Type	Financing source	Description
Effectiveness	IBRD/IDA	The National Steering Committee shall have been duly established in accordance with Section I.A.1.1 of Schedule 2 to the Financing Agreement.
Effectiveness	IBRD/IDA	All necessary administrative action has been taken to authorize NASSCO and NCTO to assume their roles and responsibilities under the Project in accordance with Section I.A.1.2 and 3 of Schedule 2 to the Financing Agreement.
Effectiveness	IBRD/IDA	The Project Implementation Manual has been duly updated in accordance with Section I.C of Schedule 2 to the Financing Agreement.
Disbursement	IBRD/IDA	No withdrawal shall be made in respect of payments to any Participating State, unless and until such Participating State has (a) established a SSC, SOCU and SCTU in accordance with Section I.A.2 of Schedule 2 to the Financing Agreement and (b) signed a Memorandum of Understanding with the Recipient, acceptable to the Association, in accordance with Section I.B of Schedule to the Financing Agreement.
Disbursement	IBRD/IDA	No withdrawal shall be made under Category 1, unless or until the

		Recipient, acting through the FMHADMSD, (a) undertakes an independent assessment of the NASSCO and NCTO Management Information Systems, to be carried out by a consultant and under terms of reference acceptable to the Association, in accordance with internationally recognized cyber risk management norms; and (b) develops an action plan acceptable to the Association to mitigate the risks and gaps identified in the such assessment.
Type Disbursement	Financing source IBRD/IDA	Description No withdrawal shall be made under Category 1, unless or until, the Recipient, acting through FMHADMSD, has entered into a memorandum of understanding or an equivalent agreement with the Central Bank of Nigeria, acceptable in form and substance to the Association, regarding cooperation on the payment modalities for Cash Transfers under the Project and on continuing the engagement to improve the payments of social transfers.
Type Disbursement	Financing source IBRD/IDA	Description No withdrawal shall be made under any output-based payments under Categories 2 and 3, unless and until the Recipient has furnished all required verification documents acceptable to the Association including, where the PIM so requires, the verification report of the independent expert in accordance with Section I.A.3 of Schedule 2 of the Financing Agreement.
Type Disbursement	Financing source IBRD/IDA	Description No withdrawal shall be made under any output-based payments under Categories 2 and 3, unless and until the Recipient has confirmed the number of outputs achieved as follows: (a) for Category (2), the measured Outputs will be the number of beneficiary households registered, verified and enrolled in the RRR in accordance with the criteria and procedures set out in the PIM; and (b) for Category (3), the measured Outputs will be the number of beneficiary household enrolled in the National Beneficiary Registry (NBR) in accordance with the criteria and procedures set out in the PIM.
Type Disbursement	Financing source IBRD/IDA	Description No withdrawal shall be made under Category 1, unless or until, the Recipient has furnished all required verification documents acceptable to the Association showing that Cash Transfers, with respect to which a Withdrawal Application has been submitted, had been made in accordance with the provisions of this Agreement

		and of the PIM, such verification to be provided in accordance with procedures and arrangements set out in the PIM, including, where the PIM so requires, the verification report of the independent expert in accordance with Section I.A.3 of Schedule 2 of the Financing Agreement.

I. STRATEGIC CONTEXT

A. Country Context

1. **Nigeria is central to the World Bank's mission of eliminating global poverty.** A multiethnic and diverse federation of 36 autonomous states and the Federal Capital Territory (FCT), with an abundance of resources, and a young and dynamic society, Nigeria is already Africa's largest country (over 200 million people) and largest economy (nominal gross domestic product [GDP] of around US$405 billion in 2020) and has the potential to be a giant on the global stage.

2. **The path to sustained economic growth has, however, been turbulent for Nigeria.** Historically, between 1960 and 1999, the average annual growth rate in GDP per capita was close to zero, that is, the economic growth was barely able to keep pace with the growth in population. While the Nigerian economy experienced high growth rates at the turn of the century with an average annual growth in per capita GDP of 5.2 percent between 2001 and 2010, annual growth markedly slowed down in the past decade to a low of 2.3 percent in 2011–14 and negative 1.9 percent in the recent six years. In fact, for each of the years since 2016, the Nigerian economy grew at a pace slower than its population, contracting in 2016 and 2020. The initial spurt of growth between 2000 and 2010 was driven by growth in the non-oil sector of the economy, particularly services and non-oil export-oriented manufacturing, and was accompanied by a period of macroeconomic stability. However, oil continues to occupy a large share of the economy, and shocks to the global oil market translate to volatility and vulnerability for Nigeria.

3. **Consequently, a large segment of the population still lives in poverty and has low human capital development outcomes.** With over 40 percent of its population (over 80 million people) in poverty in 2018/19, Nigeria is among the countries with the largest number of people living below the poverty line.[1] Poverty exhibits large spatial and geographic disparities: the poverty rate in the northeast (70.2 percent) is more than seven times higher than in the southwest (9.7 percent) and urban poverty (18 percent) is about one-third of rural poverty rate (52 percent). In addition to the high poverty rate, an additional 25 percent of Nigerians are vulnerable to falling back into poverty.[2] Besides monetary poverty, Nigeria ranked seventh lowest globally in the World Bank's Human Capital Index in 2020.[3] Fragility, conflict, and insecurity affect many parts of the country, particularly in the northeast. Weak capacity continues to plague the public sector.

4. **Coronavirus disease 2019 (COVID-19) further pushed the economy downward, though the impacts have not been as severe as anticipated.** In 2020, Nigeria experienced its deepest recession in four decades due to pandemic-related domestic restrictions as well as capital outflows, intensified risk aversion, low oil prices, and shrinking remittances. The economy contracted by 1.8 percent and the per capita GDP fell by 4.3 percent. Oil production contracted by 8.9 percent, non-oil manufacturing and construction fell by 3.9 percent, and services fell by 2.2 percent, while only the agricultural sector saw a

[1] Based on World Bank calculations using the National Living Standard Survey (NLSS) 2018/19, 40 percent of the total population, or almost 83 million people, live below the country's poverty line of N137,430 (US$381.75 equivalent in survey year) per year. See World Bank. 2020. *Nigeria Releases New Report on Poverty and Inequality in Country*. https://www.worldbank.org/en/programs/lsms/brief/nigeria-releases-new-report-on-poverty-and-inequality-in-country.
[2] 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).
[3] https://www.worldbank.org/en/publication/human-capital.

modest growth of 2.2 percent consistent with recent growth trends of the sector. But owing to the low COVID-19 caseload in the country, the subsequent rapid easing of COVID-19 restrictions, a rebound in global oil prices and remittance inflows in the fourth quarter of 2020, and counteracting government policies, the economy showed signs of growth and recovery in the fourth quarter. The overall contraction of the economy was shallower than had been expected. Nevertheless, the pandemic is expected to have pushed millions of additional Nigerians into poverty.[4]

5. **Yet, the pandemic is expected to have had long-lasting detrimental impacts on the economy, particularly for the poor and vulnerable.** The overall economic growth masks the detrimental impact that the pandemic has had in Nigeria. Within the first few months of the pandemic, the COVID-19 National Longitudinal Phone Survey (NLPS) found that employment had shrunk, reducing incomes for many families, particularly those operating a non-farm household enterprise. By June 2020, shrinking incomes and household welfare had pushed many to work in the low-quality commerce sector and many families continued to resort to extreme measures such as lowering their food consumption in response to shocks.[5]

6. **In addition to COVID-19, the poor and the vulnerable are also battling a resultant shock of high and increasing inflation.** Throughout 2020, the rate of inflation rose steadily and reached a four-year high of 18.2 percent (year-on-year) in March 2021 and has remained stubbornly above 17 percent as of July 2021.[6] Surging food prices accounted for 63 percent of the rising inflation in 2020.[7] COVID-19 pandemic-related restrictions on travel and trade and the ensuing disruption in food supply chain, together with insecurity and conflict in food producing areas, put upward pressures on food prices. The need to strengthen monetary policy and resultant anticipatory consumption and investment behavior from firms and consumers exacerbated the upward pressure on prices.

7. **High inflation hits everyone, but the poorest and the vulnerable suffer the most.** Simulation exercises show that the increase in food prices alone between June 2020 and June 2021 pushed an additional 5.6 million Nigerians below the poverty line, increasing the poverty headcount from 40.1 percent to 42.8 percent. The food price increase lowered average per capita consumption by 4.2 percent with a slightly larger effect in urban areas (4.5 percent) compared to rural areas (4.0 percent). Poor and vulnerable households (those in the bottom six deciles) suffered a loss of 4.4 percent compared to 3.9 percent for others in the top 4 deciles.[8] Due to the larger effects of inflation in urban areas, a larger share (27 percent) of the newly poor hail from urban areas compared to 2019 where 17 percent of the poor were from urban areas. Incorporating price increase in other non-food items would further exacerbate the impacts of inflation. Consequently, in November 2020, about 56 percent of the households in the COVID-19 NLPS reported that at least one adult had skipped meals in the past month to cope with rising prices. Even if the inflation rate remains stable or slightly decreases for the rest of 2021, it will continue

[4] Early simulations, based on a more adverse expected outlook of the economy, suggested that COVID-19 could have increased the number of extremely poor Nigerians by 10–15 million by 2022.
[5] Jenq, Christina, Jonathan Lain, and Tara Vishwanath. 2021. "Jobs for a New Generation: Rebuilding Nigeria's Labor Market after COVID-19." *World Bank Blogs*, September 27, 2021. https://blogs.worldbank.org/africacan/jobs-new-generation-rebuilding-nigerias-labor-market-after-covid-19; Siwatu, Gbemisola Oseni, Amparo Palacios-Lopez, Kevin Robert Mcgee, Akuffo Amankwah, Tara Vishwanath, and Jonathan William Lain. 2020. "Impact of COVID-19 on Nigerian Households: Third Round Results. Monitoring COVID-19 Impacts on Households in Nigeria." Working Paper 152115, World Bank Group, Washington, DC. http://documents.worldbank.org/curated/en/244031598460057591/Third-Round-Results.
[6] National Bureau of Statistics CPI and Inflation Report. July 2021.
[7] World Bank. 2021. *Nigeria Development Update, June 2021: Resilience through Reforms*. World Bank, Washington, DC. https://openknowledge.worldbank.org/handle/10986/35786.
[8] See annex 3 for a more detailed analysis on the impacts of inflation.

driving more Nigerians into poverty. Without immediate support, the poor and the vulnerable are likely to be pushed deeper into poverty and be forced to further resort to coping mechanisms that are detrimental not just in the short term while the shock lasts but also in the long term. Detrimental coping behaviors—such as the sale of productive assets, underinvestment in child nutrition, and children dropping out of school—adversely affect accumulation of human capital and physical capital in the long term and reduces their resilience to cope with future shocks, propagating the impact of the shocks far into the future.

8. **Concurrently, climate change threatens to disrupt livelihoods even further.** Nigeria is frequently classified as one of the top 10 most vulnerable countries to the impacts of climate change and natural hazards.[9] Nigeria is exposed to high levels of river flooding, urban flooding, coastal flooding, water scarcity (droughts), extreme heat, and wildfires.[10] Over 8.7 million people were affected by flooding between 2010 and 2018.[11] Desertification adversely affects 15 northern states where over 60 million people reside.[12] The impact of climate change is more severe in the arid northern part of the country with rising mean temperatures and more variable weather patterns. Increased climate variability affects agricultural productivity upon which 44 percent of the workers and 60 percent of the poor depend upon (see annex 5). Worsening climate has been linked with increased conflict,[13] particularly in agricultural and pastoral areas,[14] which further contributes to food scarcity and food price increases.[15]

9. **Provision of immediate support, in combination with sustained fiscal reforms, are essential to ensure smooth recovery from the COVID-19 pandemic and the related economic shocks.** The worsening economic outlook is expected to increase the number of Nigerians living below the international poverty line by 12 million during 2019–23.[16] To fulfill the Government's ambition to lift some 100 million Nigerians out of poverty by 2030, Nigeria has to make tangible progress on multiple fronts, at both the federal and subnational levels, and ensure proper protection of the poor and vulnerable. The Government has already taken some initial steps in implementing long-delayed policy reforms. It has (a) cut nonessential spending and redirected resources toward the COVID-19 response efforts at both the federal and state levels; (b) increased public sector transparency and enhanced debt management; and (c) taken initial steps to create fiscal space through elimination of regressive subsidies. Continuation of these reforms is necessary to maximize the impact of the Government's limited resources and ensure adequate protection of the poor and vulnerable despite a series of adverse shocks it is currently facing.

[9] Climate Scorecard (2019). Nigeria Listed as One of the 10 Most Climate Vulnerable Countries. https://www.climatescorecard.org/2018/11/nigeria-listed-as-one-of-the-10-most-climate-vulnerable-countries/.
[10] https://thinkhazard.org/en/report/182-nigeria.
[11] https://climateknowledgeportal.worldbank.org/country/nigeria/vulnerability.
[12] Azare, I. M., et al. 2020. "Deforestation, desert encroachment, climate change and agricultural production in the Sudano-Sahelian Region of Nigeria." *Journal of Applied Sciences and Environmental Management* 24.1 (2020): 127–132. https://dx.doi.org/10.4314/jasem.v24i1.18
[13] Burke, Marshall, Solomon M. Hsiang, and Edward Miguel. 2015. "Climate and Conflict." *Annual Review of Economics* 7 (1): 577–617.
[14] McGuirk, E. F., and N. Nunn. 2020. "Transhumant Pastoralism, Climate Change, and Conflict in Africa." No. w28243, National Bureau of Economic Research.
[15] Cervigni, Raffaello, Riccardo Valentini, and Monia Santini, eds. 2013. *Toward Climate-Resilient Development in Nigeria. Directions in Development*. Washington, DC: World Bank. doi:10.1596/978-0-8213-9923-1. License: Creative Commons Attribution CC BY 3.0 IGO.
[16] World Bank. Macro Poverty Outlook. October 2021. https://thedocs.worldbank.org/en/doc/bae48ff2fefc5a869546775b3f010735-0500062021/related/mpo-nga.pdf.

B. Sectoral and Institutional Context

10. **The levels of social protection in Nigeria, both in terms of financing and coverage, have been low.** Compared to the high levels of poverty and vulnerability, the expenditures on safety nets and coverage of safety net programs are low. In 2016, Nigeria spent about 0.3 percent of its GDP on safety net programs, much lower than the global average, the average for low-and-middle income countries, as well as for comparator countries in the region. By 2018, only 17 percent of households were covered by any safety nets program and fewer than 1 percent were covered by any cash transfer (CT) program. The coverage of social assistance among the poor and the vulnerable (the bottom 60 percent) is only slightly higher than 20 percent. Coverage has continued to increase since 2018 (as explained below), but even after accounting for these recent changes, the coverage and expenditure still lag the need as well as expectation, given Nigeria's income levels.

11. **Apart from low coverage, the performance of the Government social safety net programs is variable, as measured by other dimensions of design and implementation.** These areas include the adequacy of program benefits; links with active labor market programs for potentially improved self-employment and wage employment outcomes; ex ante or ex post program coverage of households that experience adverse shocks and links with social insurance programs; and links with nutrition, health, and education programs and services for potentially improved human development outcomes for children.

12. **The limited existing social protection programs in the country also remain fragmented.** While institutional and programmatic developments are under way to address this, the social protection system remains fragmented. Programs suffer from contradicting mandates and objectives of the different agencies and line ministries supervising them, which often leads to an overlap of activities and duplication of efforts. However, the establishment and operation of the National Social Safety Nets Coordinating Office (NASSCO) under the National Social Safety Nets Project (NASSP) (P151488) made significant contributions in the areas of targeting and coordinating social safety net-related programs at the federal government level leveraging the National Social Registry (NSR) and the Development Partners Group on social protection in Nigeria. More is still needed in coordinating the broader social protection programs in the country both at the national and subnational levels.

13. **Progress has been slow in improving financial inclusion across demographic groups and sectors.** Nigeria has one of the highest proportions of financially excluded adults in the Sub-Saharan Africa region with about 36 percent of adults not having access to any form of formal or informal financial services, and the exclusion rate only reduced by 1 percent between 2018 and 2020.[17] According to the recent Enhancing Financial Innovation and Access (EFInA) report, access to banks, lack of awareness about banking, and irregular income are the biggest barriers to having bank accounts in Nigeria. The rural, farming-dependent northwest region, and less-than-secondary-educated populations contributed largely to the high level of financial exclusion in the country. Accelerating access to bank accounts will improve efficiency of payment and transparency of the social protection system in Nigeria. Nigeria needs to leverage the high levels of mobile phone ownership (76 percent nationally, 85 percent in urban areas according to Nigeria Living Standards Survey [NLSS] 2018/19) and/or access to someone with a mobile phone (89 percent) to expand

[17] EFInA Access to Financial Services in Nigeria 2020 Survey. Key Findings. https://a2f.ng/wp-content/uploads/2021/06/A2F-2020-Final-Report.pdf.

financial inclusion on the demand side and work with stakeholders in the finance space to expand financial access points in the rural areas on the supply side.

14. **Significant and persistent gender gaps exist in Nigeria, in accessing various economic, social, and financial services.** Nigeria ranks 139 out of 156 countries in the 2021 Global Gap Index, which measures gender gap on indicators of economic participation and opportunity, education, health and survival, and political empowerment.[18] According to this study, gender gaps barely narrowed since 2006—and worsened in the past year. Large gender gaps are present in labor force participation (gap of 11 percentage points) and earnings for similar work (gap of 30 percent).[19] Lower participation and earnings undoubtedly translate to lower female control in the use of household resources though specific data on this gap is currently absent. Similarly, women lag in terms of financial inclusion with only 39 percent of adult women owning a financial account in 2020, compared to 51 percent of men.[20] Women's participation in financial activities is also skewed toward informal mechanisms and channels. Lower formal financial penetration could result in lower access to social transfers. Additional institutional and cost barriers (such as distance and price) may further enlarge the gender gap in accessing services.[21] Geographic variations and varying cultural and religious norms exacerbate the existing inequalities. The Framework for Advancing Women's Financial Inclusion in Nigeria[22] recommends that financial and digital literacy; creation of financial access points closer to communities and homes through interoperable agent networks, women-friendly digital financial services (DFS), and fintech products; and an enabling environment for enrollment in identity services are key to promote women's financial inclusion.

15. **The low levels and poor quality of social assistance are also connected to, and reflected in, the poor quality of human capital in Nigeria.** According to the Human Capital Index,[23] Nigeria has the highest level of child (under five) mortality, one of the highest incidences of childhood stunting, and one of the lowest test scores. Underinvestment in the human capital of children often results from a low coverage of safety net programs for the poor and vulnerable. In the absence of strong safety nets, shocks push poor families toward extreme coping mechanisms—such as reducing nutrition of children and pulling them out of school—which further depresses human capital in the long term and reduces resilience to cope with future shocks.

16. **Climate change and social protection systems are inextricably linked, but shock responsive social protection is virtually nonexistent in Nigeria.** In addition to the links between climate change and poverty and vulnerability (elaborated further in annex 5), adverse shocks, climate induced or otherwise, may also push poor and vulnerable households to coping strategies with adverse climate impacts. Social protection interventions, in general, and shock responsive and adaptive safety net programs, in particular, can build resilience of the most vulnerable households before a shock occurs and prevent people from falling into poverty after a shock occurs (adaptation). However, even though Nigeria continually faces economic- and climate-related shocks, the social protection system to respond to such shocks at scale is virtually nonexistent. Nonetheless, Nigeria has recognized social protection mechanisms as an adaptation priority against climate crisis in its Nationally Determined Contribution (NDC).

[18] Global Gender Gap Report 2021. World Economic Forum. http://www3.weforum.org/docs/WEF_GGGR_2021.pdf.
[19] Ibid.
[20] World Bank. 2017. *Global Findex Report*. https://globalfindex.worldbank.org/.
[21] World Bank. 2019. *Nigeria on the Move: A Journey to Inclusive Growth. Nigeria Systematic Country Diagnostic*. World Bank.
[22] CBN (Central Bank of Nigeria). 2020. *Framework for Advancing Women's Financial Inclusion in Nigeria*.
[23] https://www.worldbank.org/en/publication/human-capital.

17. **Recent progress shows the Government's commitment toward providing stronger social protection to its citizens.** Recently, the Government has invested in developing its social assistance system to help the chronic poor and those affected by recent shocks and crises including those that are climate induced. The Government introduced a National Social Protection Policy (NSPP) Framework in 2017, which seeks to establish a minimum social floor for all Nigerian citizens with key objectives, among others, to reduce poverty among the poor and vulnerable, empower the poor and people vulnerable, and protect individuals and households from shocks. Gender sensitivity remains one of the central tenets of the NSPP. The 2021 update to the NSPP further seeks to strengthen social protection systems, particularly by developing and using the NSR for adequate beneficiary selection of all social and labor market programs, improving coordination and integration between state and national registers, and establishing a strong information management system.

18. Concurrently, a social protection coordinating platform was established in the Office of the Vice-President which was transferred to the newly created Federal Ministry of Humanitarian Affairs, Disaster Management, and Social Development (FMHADMSD) in 2019. The platform oversees and coordinates social protection programs throughout the country. This was further accompanied by an increased budget allocation for social safety net interventions, particularly in response to COVID-19 crisis and related shocks that the country is facing.

19. **The World Bank has been a key partner in the Government's effort to expand and strengthen the social protection programs and systems**, particularly through its support to different national programs: the NASSP, Youth Employment and Social Support Operation (YESSO) (P126964), Community and Social Development Project (CSDP) (P090644), and the recently approved COVID-19 Action Recovery and Economic Stimulus (CARES) Program (P174114). These operations, particularly the YESSO and NASSP, support development of the NSR and launched the country's flagship CT program for the poor (regular-CT).

20. **The NASSP has played a key role in strengthening social protection in Nigeria in recent years.** The NASSP, approved in June 2016 and closing in June 2022, was designed to contribute to the Government's vision of lifting over 100 million poor and vulnerable Nigerians out of poverty. The project launched the regular-CT program in all 36 states and the FCT and reached two million households by June 2021. The NASSP also strengthens the institutionalization of social protection by improving the social protection coordination platform at the federal and state levels, supporting capacity building, and improving the policy environment. In addition, the NASSP, along with the recently closed YESSO, strengthens the payment mechanism, management information systems (MISs), and monitoring and evaluation (M&E) systems of social assistance programs. The NASSP has promoted gender and social inclusion interventions (including ensuring that a vast majority of beneficiaries are female) that have facilitated the empowerment of women and other vulnerable groups in accessing program benefit and in household decision-making on the use of CTs. Citizen's engagement and social accountability is another important area where a system to facilitate accountability measures in the delivery was established. Third-

party monitoring implemented through independent civil society organizations (CSOs) and grievance redress mechanisms (GRMs) were successfully rolled out.[24]

21. **The NASSP is financed through an IDA credit of US$500 million plus the allocation of the Government of Nigeria (GoN), which is equivalent to US$322.5 million from the Abacha Restituted Fund.** The current disbursement of IDA financing for the NASSP is at 76 percent. The slow disbursement until recent year is attributed to various factors that resulted in the delay of scale-up and implementation of the program. These include a significant delay in effectiveness of the program; outbreak of COVID-19 that resulted in the lockdown and travel restriction; and change of the institutional home for the program from the Vice-President's Office to the FMHADMSD, which resulted in the delays of the critical implementation-related decisions including delayed contract extension of the payment service providers (PSPs). However, these challenges were addressed through strong follow-up from the World Bank. As a result, implementation has picked up momentum with the project implementation moving forward and full disbursement expected by the closing of the project in June 2022.

22. **Implementation of the NASSP provides valuable lessons toward improving social protection in Nigeria**: (a) the importance of linking project design to the country's long-term vision and priority and national policy and strategy framework; (b) the importance of investing in the delivery systems and making these accessible to other programs and interventions; (c) the need to mainstream program delivery into the existing government structures and institutions to improve sustainability; (d) the importance of instituting strong accountability mechanisms including citizens engagement, social accountability mechanisms, and GRM in the context of large-scale programs with highly decentralized service delivery; and (e) the need to invest and take advantage of investing in digitized delivery mechanisms to improve the targeting and payment mechanisms. These lessons have continued to improve the NASSP service delivery and the monitoring of results and impacts.

23. **The NSR serves as a foundation for delivering social assistance in Nigeria, largely in the rural areas.** Established in 2013, the NSR uses a combination of geographic and community-based targeting (CBT) to identify the poor and vulnerable. Their poverty and vulnerability status is further validated through a proxy means test (PMT). The program was initially launched in poorer states and, with support from the NASSP and YESSO, was gradually expanded to cover all 36 states and FCT. The coverage of the NSR has grown steadily in recent years reaching 10.1 million households (42.7 million individuals) by September 30, 2021. Around 75 percent of the households in the NSR are from rural areas. Overall, the NSR covers about 20 percent of the national population (31 percent in rural areas and 10 percent in urban areas), with higher coverage in areas vulnerable to climate shocks (see annex 5). In the context of the NASSP regular-CT targeting, the PMT scores in the NSR classify three-quarters of these households as being in the bottom six deciles of the national consumption distribution. Due to the nature of its rollout, the coverage of the NSR is higher in poorer local government areas (LGAs) and states. Many safety net programs, including the regular-CT of the NASSP, use the NSR to target support to the beneficiaries. Annex 2 provides further details on the NSR.

[24] The third-party monitors are independent CSOs registered with the Corporate Affairs Commission in Nigeria. They are recruited through a competitive procurement process and guided by the World Bank procurement officers through the NASSCO. The third-party monitoring mechanism seeks to gradually build social accountability through deep citizen engagement activities.

24. **The Government has further expanded social protection in response to the COVID-19 crisis.** The lack of large-scale safety net programs and the lack of a social registry with sufficient coverage, particularly in urban areas, limited the ability of the Government to provide quick relief to its citizens in response to the COVID-19 crisis. Between March 2020 and March 2021, less than 5 percent of households received support from social safety net programs in the form of direct CTs through NASSP.[25] The CARES Program, approved in December 2020, uses the delivery structures—the State Cash Transfer Units (SCTUs) and the social registries—strengthened under the NASSP and YESSO to identify beneficiaries and deliver social benefits including social transfers, public works, and livelihood grant support.[26] Furthermore, a restructuring of the NASSP in April 2020 supported the establishment of the Rapid Response Registry (RRR) in selected urban and peri-urban areas based on which the Government intends to support one million households through a COVID-19 cash transfers (COVID-CT) program through its own funds. The focus of the restructuring on urban areas reflects the larger effect that the COVID-19 crisis has had in the urban economy as well as the lack of a social registry to identify the poor and vulnerable in urban areas.

25. **The establishment of the RRR and the launch of the COVID-CT in urban areas required innovations on several fronts.** In the absence of a social registry with sufficient coverage in urban and peri-urban areas, the RRR is being developed through two key innovations: (a) geographic targeting based on poverty maps—1,163 of the poorest urban wards with a total population of over 20 million people were selected based on the ward-level poverty maps produced by applying cutting-edge machine learning algorithms to granular satellite imagery data,[27] and (b) mobile-based self-registration—potential beneficiaries in the selected wards were invited to self-register through an unstructured supplementary service data (USSD) application through targeted and localized short message service (SMS) blasts in the selected wards. This is then followed by an in-person verification and validation process to collect necessary information to provide CTs and collect basic information on household demographics and minimize potential double-dipping. The USSD-based self-registration system provides a quick way to establish a registry in urban areas whereas the geographic targeting of wards ensures that most of the beneficiaries registered are poor and vulnerable. The USSD-based self-registration was launched in June 2021, and potential beneficiaries were given 10 days to self-register.[28] To date, the system has received over 1.75 million successful registrations. The USSD registration leverages the high mobile phone ownership (85 percent) in urban Nigeria. The registration information provided by potential beneficiaries is currently being verified, validated, and de-duplicated by the local authorities. During verification and validation, bank account information will be collected from beneficiaries for direct transfer of COVID-CT benefits. For those without an existing bank account, the project has partnered with financial institutions to leverage their agent network to provide an adequate transactional account (either an e-wallet or a virtual account) for the beneficiaries who can access and use the transfers through these accounts. About one million registrant households are expected to have been verified by the end of November 2021 and begin receiving the COVID-CT through the Government's own resources.

26. **The innovative RRR process is undergoing continual improvements through on-the-ground learning.** Because the RRR is a novel approach in Nigeria being implemented at a large scale, the system is continually identifying key issues and improving them to make the system more efficient. In addition to

[25] Based on the NLPS and World Bank estimates; https://microdata.worldbank.org/index.php/catalog/3712/related-materials.
[26] The program aims to reach 2.5 million beneficiaries under the results area of increasing social transfer and access to basic services and livelihood support, including 0.5 million through social transfers.
[27] See https://blogs.worldbank.org/opendata/using-big-data-and-machine-learning-locate-poor-nigeria and the references therein for more details on the methodology.
[28] For operational ease, the SMS blasts were done in three batches, with 12–13 states in each batch.

resolving technical glitches on registration, the NASSP is working toward improving communication and outreach to facilitate the registration process in the subsequent registration waves. The NASSP has conducted process evaluations based on the June 2021 rollout and is incorporating the lessons in the planned second wave of SMS blasts in November 2021. The World Bank also has an analytical program to assess the targeting mechanism and understand potential exclusion of the RRR. Proactive management from NASSCO and technical support and analytical work by the World Bank will continually improve the RRR system, making it more efficient with each iteration.

27. **The NASSP is also exploring ways to make the RRR more inclusive by identifying its potential shortcomings.** For instance, though over 85 percent[29] of the urban population is in households that have someone with a mobile phone, not all may be able to use it to register. Similarly, only two-thirds of adults in urban areas are currently banked, which leaves one-third without an existing bank account. These issues are being closely monitored and analyzed to ensure that the poor and vulnerable, women, persons with disabilities, and other marginalized groups are not excluded from receiving the transfers. The NASSP is also exploring special provisions to improve inclusion, including strengthening the GRM and communications processes.[30]

28. **In addition, Nigeria needs to further strengthen the social protection delivery system to effectively respond to current and future shocks, including climate-induced shocks, and provide improved social protection in the longer term.** The following summarizes the key directions to be taken for a more effective social protection system:

(a) **Stronger coordination and alignment in program design and implementation across Government agencies and administrative levels.** Specifically, further development, refinement, and usage of integrated social registry and delivery platforms should help reduce fragmentation.

(b) **Improved resilience and shock responsiveness of the social protection system.** Rapid, robust, and efficient beneficiary targeting, registration, and payment delivery mechanisms are crucial in effectively responding to shocks. Continuous improvements are needed to ensure that the intended beneficiaries are selected and that the resources reach the intended beneficiaries as quickly, securely, and transparently as possible.

(c) **Development and usage of better data and data systems.** Data from integrated registries will need to be actively used to understand the coverage, gaps in coverage, and fiscal planning of safety nets programs. Newer technologies and data can be used to expand coverage and improve the targeting of safety net programs. Policies will need to be informed by strong M&E of safety net programs.

(d) **Better linking of safety net programs with other programs and services.** Stronger links with labor market and other support services will pave a way for beneficiaries to exit poverty and related safety nets programs.

29. **The proposed project, a follow-on operation to the NASSP, intends to build on and scale up the existing delivery system to provide shock responsive safety nets and extend regular social assistance to the poor and vulnerable.** The project will provide time-limited CTs in response to recent shocks (food

[29] Data based on the NLSS of 2018/19. With increased cellphone penetration in recent years, the coverage is likely to be higher now.
[30] See annex 2 for further details on the RRR.

price inflation) in rural and urban areas. The CTs will be the first large-scale shock responsive safety net support program in Nigeria (apart from the COVID-CT program supported by the NASSP). The project will also extend the duration of support to the current beneficiaries of the NASSP regular-CT program. The project will further strengthen the social protection delivery system to ensure smooth and efficient delivery of the transfers under the project and beyond. Overall, the project will move Nigeria toward a shock responsive safety net programming and toward building a resilient society. The impact of assistance provided through a safety net program can be transformative for the country's resilience capacities: preparedness (through accumulating savings or investing in human capital); coping (smoothing consumption and lessening the need for negative coping strategies); and adaptation (diversified livelihoods, including those in light of observed and anticipated climate change impacts). This project will be supported by analytical activity and policy dialogue to strengthen shock responsive social protection in Nigeria and support the Government in creating a fiscal space for sustainable financing of shock responsive as well as regular social protection.

C. Relevance to Higher Level Objectives

30. **The proposed project is aligned with the World Bank Group's response to the COVID-19 pandemic and its strategic objectives**. The World Bank Group's COVID-19 response focuses on helping countries address the crisis and transition to recovery through a combination of support in four pillars:[31] (a) saving lives; (b) protecting the poor and vulnerable people; (c) ensuring sustainable business growth and job creation; and (d) strengthening policies, institutions, and investments for rebuilding better. The proposed CTs in response to the ongoing economic crises, caused in large part by the pandemic, and the continuation of the support to the poor and vulnerable during the pandemic period are aligned with the second pillar of protecting the poor and vulnerable. The proposed strengthening of the social protection delivery system, particularly the expansion of the RRR platform, to respond to COVID-19 and other relevant crises is aligned with the fourth pillar on strengthening policies, institutions, and investments for rebuilding better. Together, the project contributes to the World Bank Group's twin goals of ending extreme poverty and boosting shared prosperity in a sustainable manner, and the World Bank Western and Central Africa Region Priorities for 2021-2025.[32] The project is in line with the Africa Human Capital Plan[33] and contributes by increasing the coverage of social protection. It is also in line with the World Bank's Gender Strategy (FY16–23)[34] and Africa Regional Gender Action Plan FY18–-22[35] and contributes toward removing barriers to women's ownership and control of assets.

31. **In addition, the proposed project is aligned with and will contribute to the achievement of the Government's policy priorities to reduce poverty and vulnerability and to improve service delivery.** The Federal Government of Nigeria has recently approved 'The National Poverty Reduction with Growth Strategy, March 2021'. The strategy is aimed at supporting the Government's vision of lifting 100 million people out of poverty within 10 years and is anchored on four pillars: (a) macroeconomic stabilization

[31] See *World Bank Group COVID-19 Crisis Response Approach Paper*.
[32] https://documents1.worldbank.org/curated/en/978911621917765713/pdf/Supporting-A-Resilient-Recovery-The-World-Bank-s-Western-and-Central-Africa-Region-Priorities-2021-2025.pdf
[33] World Bank Group. 2021. *Investing in People for a Resilient and Inclusive Recovery: Africa Human Capital Plan Year Two Progress Report*. https://www.worldbank.org/en/publication/worldbank-africa-human-capital-plan.
[34] World Bank Group. 2015. *World Bank Group Gender Strategy (FY16–-23): Gender Equality, Poverty Reduction, and Inclusive Growth*. World Bank, Washington, DC. https://openknowledge.worldbank.org/handle/10986/23425.
[35] World Bank. 2018. *Africa Region - Gender Action Plan FY18–-22*. Washington, DC: World Bank Group. https://imagebank2.worldbank.org/search/30434699.

policies to improve the capacity of the economy to absorb shocks and avoid disruptive adjustment; (b) industrialization for economic growth and transformation of the economy from a commodity-dependent growth path to a diversified, industrialized, knowledge intensive, and job creating economy; (c) structural policies and institutional reforms to engender efficiency in service delivery, promote transparency and accountability in the management of fiscal resources, bridge the infrastructure gap, improve private sector development, and mainstream gender; and (d) redistributive policies and programs to reduce the levels of risk, vulnerability, shocks, and deprivation. The project contributes directly to pillars (c) and (d) through delivery of CTs to the poor and vulnerable in response to shocks and through improvements in the social assistance delivery mechanisms. In addition, the project is directly relevant to the NSPP because of its contribution to the development, usage, expansion, and integration of state-level social registries and CT programs. Furthermore, improved social protection mechanism is one of Nigeria's key climate change adaptation priorities under the NDC.

32. **Finally, the proposed project is aligned with the World Bank Group Country Partnership Framework (CPF) for the Federal Republic of Nigeria FY21–FY25 (Report No.153873-NG; discussed by the Board of Executive Directors on December 14, 2020).** The CPF has four strategic pillars: (a) strengthening the foundations of the public sector; (b) investing in human capital; (c) promoting jobs and economic transformation and diversification; and (d) enhancing resilience. The project will contribute to several pillars of the CPF. Most directly, the expansion of the CT programs contributes toward increasing the coverage and effectiveness of social assistance, a core objective of Pillar 2. It also contributes to other core objectives of improving investments in human capital under Pillar 2. In addition, the strengthening of social assistance delivery system will strengthen the foundations of the public sector (Pillar 1) and the proposed interventions to mitigate the impact of shocks will enhance resilience (Pillar 4).

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

33. The Project Development Objective (PDO) is to expand coverage of shock responsive safety net support among the poor and vulnerable and strengthen the national safety net delivery system.

PDO Level Indicators

34. The following key results will measure the achievement toward the PDO:

(a) Beneficiaries of social safety net programs (CRI) (total, female, unconditional cash transfers)

(b) Beneficiary households that received shock responsive cash transfers (total, percent of female primary beneficiaries)

(c) Beneficiary households that received extended regular-cash transfer support (total, percent of female primary beneficiaries)

(d) Urban wards covered through an efficient and scalable targeting and registration system

(e) Beneficiary households that received cash transfers through a safe, secure, and scalable digital mechanism (overall percent, percent of female primary beneficiaries).

35. The first three indicators measure progress toward coverage expansion of shock responsive safety net support among the poor and vulnerable, whereas the last two indicators measure the strengthened safety net delivery system. For this project, an efficient and scalable targeting and registration system uses granular big data (such as satellite imagery and call detail records) to identify areas with high incidence of poverty and vulnerability and deploys a technology-aided system (for example, using mobile phones) to quickly register beneficiaries. Likewise, a safe, secure, and scalable digital mechanism refers to a direct electronic deposit of funds to transaction accounts owned by beneficiaries.

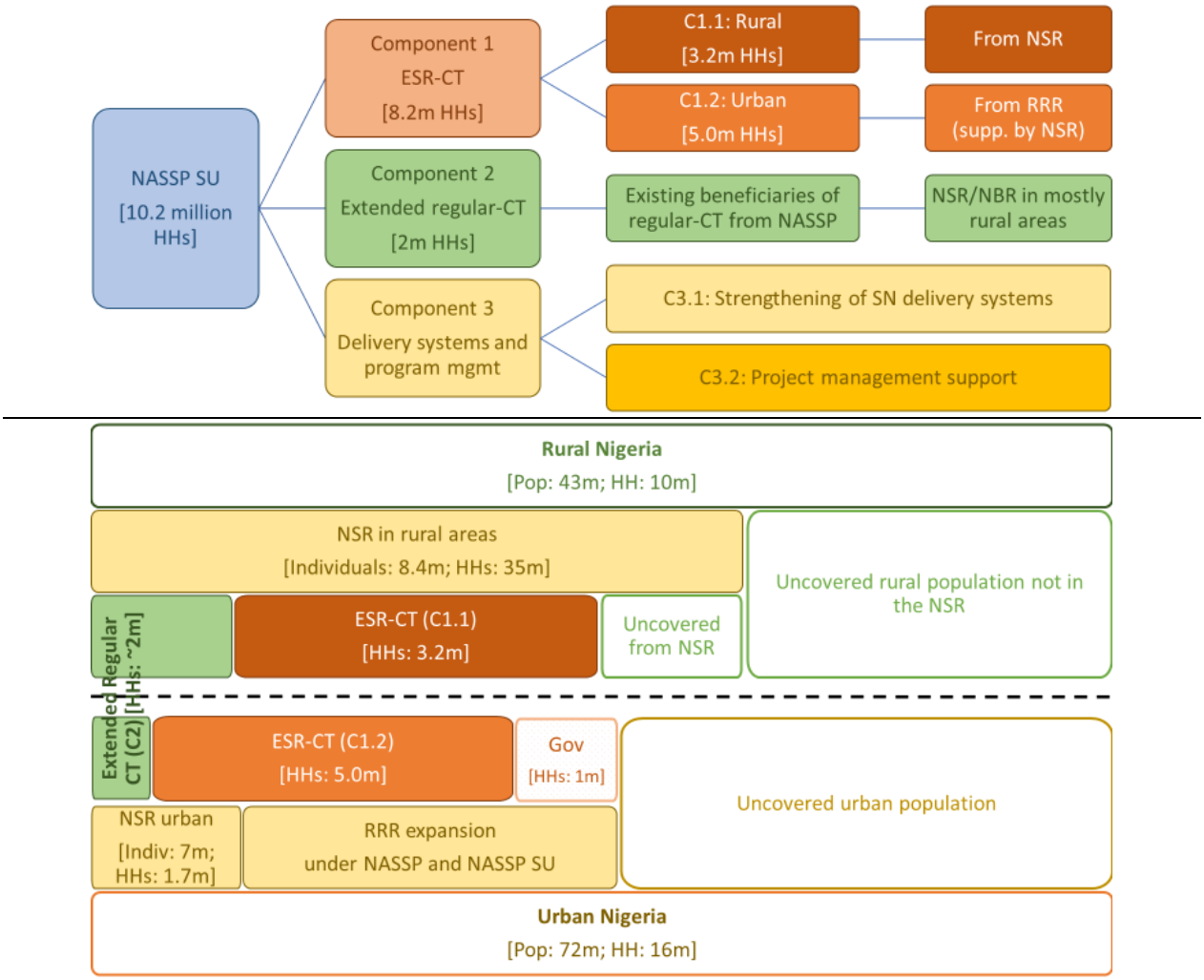
36. Gender and citizen engagement are important dimensions of the results to be achieved by the project. These will be monitored through the outcome indicators listed above and intermediate indicators looking at specific aspects of gender and citizen engagement.

37. This project is expected to meet urgent needs and mitigate shocks while building a shock responsive safety net system that can help adapt to future climate and other shocks. The project will contribute to households securing basic needs, diversifying livelihoods, and investing in human capital. The increased resilience will allow vulnerable households to avoid negative coping mechanisms that may have irreversible adverse impacts on human capital (for example, through reduced nutrition, schooling, and health care), including in response to climate and other shocks.

B. Project Components

38. **The project builds on the NASSP to provide strengthened social assistance support to Nigerian citizens.** Component 1 provides shock responsive time-limited CT to poor and vulnerable households in rural and urban areas. Component 2 extends the duration of the regular CT support to the poor and vulnerable households currently supported by the NASSP. Component 3 supports the strengthening of the delivery system to support Components 1 and 2 together with broad improvements to the safety net delivery system. Component 3 also provides support to program management and M&E. Component 1 directly responds to the recent ongoing shock of high inflation, particularly of food prices; Component 2 helps poor and vulnerable beneficiaries build resilience and weather the multiple concurrent shocks (COVID-19, inflation, and climate shocks) affecting them; and Component 3 builds a safety net system that can respond to future shocks. Figure 1 presents the project design and safety net coverage.

Figure 1. Project Design and Relative Coverage of Project



Note: ESR-CT = Economic Shock Responsive Cash Transfer; HH = Household;
Population and household estimates are approximate. Schematic not drawn to scale.

Component 1. Economic Shock Responsive Cash Transfer (ESR-CT) (US$600 million equivalent)

39. Component 1 will provide time-limited CTs to eligible beneficiaries in response to the current food price shocks affecting the country. The increase in inflation in the recent months, due largely to conflict in food producing regions of the country (often exacerbated by climate change) and COVID-19-induced supply chain disruptions, has pushed millions of Nigerians into poverty and reduced the welfare of many more. As discussed earlier, the increase in prices affects residents in both rural and urban areas, but the impacts are disproportionately higher for the poor and vulnerable and disproportionately higher in urban areas. This component will finance the CTs going directly to the beneficiaries. Component 3 will finance the necessary improvements toward the delivery chain of the cash payments including the cost/fees associated with payment transfers.

40. The component will target poor and vulnerable beneficiaries in the rural and urban areas identified through the existing NSR and the geographic targeting approach of the RRR in some urban areas.

The poor and vulnerable households are more likely to experience shocks, including climate-induced shocks (see annex 5), and they typically face the brunt of those shocks as well (see annex 4 on the incidence of food price hike). This component intends to build resilience of households by enabling them to meet urgent needs, and avoid negative coping mechanisms, including those that could be harmful to the climate (such as increased firewood and charcoal consumption, deforestation, and climate-adverse agriculture) and their human capital. The project seeks to narrow gender gaps on women's financial inclusion and women's control and use of resources by opening transaction accounts for an eligible adult female household member (if the household does not have existing bank account) and designating them as the CT recipient.

41. This component will provide temporary CT of ₦5,000 (US$12.17 equivalent) per month per household for six months, to provide relief against the economic shocks.[36] The analysis in annex 4 suggests that the amount is reasonable to offset the welfare impacts of food price shocks. Even though benefits are calculated on a monthly basis, the frequency of transfers will be determined based on the advantages (lower costs of transfers and ease of implementation) and disadvantages (potential liquidity concerns at the local level given the scale of the program) of fewer tranches and be included in the Project Implementation Manual (PIM).[37]

Subcomponent 1.1. Rural ESR-CT to eligible beneficiaries in the NSR (US$235 million equivalent)

42. This subcomponent will provide temporary CT of ₦5,000 (US$12.17 equivalent) per month for six months per household, to provide relief against the economic shocks to the eligible beneficiaries in the rural areas. The NSR, developed and expanded through the NASSP and YESSO, will be leveraged to target the beneficiaries and promptly provide CTs to the poor and vulnerable households in rural areas.

43. The registration process of households in the NSR ensures that it can serve as a quick, effective, and efficient targeting tool for this subcomponent (see annex 2 for more details). First, states select LGAs for the NSR registration rollout based on estimated poverty rate of the LGA. Second, within each community, potentially poor and vulnerable households are identified through a participatory community-based identification/targeting mechanism. Third, the identified households are registered in the NSR and their details are captured through a brief survey of household demographics and assets. In the context of the NASSP regular-CT, a PMT score is then generated for each of the households based on the information collected in the survey.

44. Through this process, the NSR enrolled 10.1 million households (about 42.7 million individuals) from most wards throughout the country by September 30, 2021. The coverage of the NSR has expanded significantly in the past year, almost doubling in size since the end of 2020, and is likely to include many beneficiaries who are affected by the recent shocks.[38] Of the 10.1 million households in the NSR, 8.4 million households (about 35 million individuals) are from rural areas covering over 30 percent of the rural population. The coverage of the NSR is, as expected, higher in poorer states and LGAs. Similarly, the

[36] In inflation adjusted monthly amounts, the transfer of ₦5,000 translates to 6 percent and 7 percent of the average monthly consumption of urban and rural poor households, respectively, in NLSS 2018/19.
[37] Data on the distribution of payment points and beneficiaries are not available at project preparation to assess the liquidity concerns related to reducing the number of transfers.
[38] The NSR had a total of 2.03 million households by the end of 2019, which increased to 5.73 million households by the end of 2020. The rapid increase in the coverage is due to the project activities under the NASSP and YESSO, which facilitated increasing coverage and improved data management practices.

coverage of the NSR is higher in areas more exposed to climate risks (see annex 5). Only about 1.8 million households are currently supported by the NASSP under the regular-CT program, of which 77 percent are from rural areas. This subcomponent will support 3.2 million currently unsupported rural households in the NSR.

45. **Further targeting and registration.** Further selection criteria and guidelines will be developed to select the 3.2 million beneficiary households from about 7 million rural households currently in the NSR that are unsupported by the regular-CT program under the NASSP and will be included in the PIM. These criteria will be developed through a series of workshops between the Government, World Bank, and representatives of the states. The guiding principle for the allocation of beneficiary households across states will be based on established measures of poverty and exposure to shocks. The household-level selection criteria will be informed by a careful and thorough analysis of the NSR data to identify the poor and vulnerable population most likely to be adversely affected by the shocks.[39] The targeting and beneficiary selection criteria is summarized in table 1. The selected beneficiaries will then be promptly enrolled to receive payment with the payment mechanism. Priority will be given to female adult household members to be the primary recipient.

Table 1. Targeting and beneficiary selection criteria for component 1

Sub-components	Targeting and beneficiary selection criteria

1.1 Rural ESR-CT (3.2 million households)	• All beneficiaries will be drawn from the NSR in rural areas.
	• Beneficiaries of regular-CT will be excluded from this component.
	• Further criteria to select 3.2 million households from currently uncovered households will be developed and included in the PIM.
	  ○ State allocations to be guided by the established measures of poverty and exposure to shocks.
	  ○ State and ward-level allocations to be finalized based on further analytical work and consultations.

1.2 Urban ESR-CT (5.0 million households)	• Beneficiaries will be largely drawn from the RRR in urban areas • Beneficiaries of the Government's COVID-CT program will not be eligible for support under this project. • Number of wards covered by the component may need to be expanded from the current 1,163 wards to reach program target. ○ Expansion to new wards to be based on ward level poverty maps. • If there is existing NSR coverage in the selected wards, currently uncovered beneficiaries can be included.

46. **Payment delivery system.** The CTs will be delivered by leveraging and improving upon the payment mechanism for the regular-CT program of the NASSP. The proposed improvements include (a) opening interoperable transaction accounts for beneficiaries without an existing bank account (transaction accounts promote financial inclusion among unbanked beneficiaries and interoperability will save travel time for beneficiaries to access funds and increase utility of the account); (b) leveraging the national payments infrastructure to allow for electronic funds transfer to beneficiaries' accounts using

[39] Potential mechanisms of selection could include geographic targeting of wards based on the poverty map, (updated) PMT scores, attributes collected during the enrollment process, or a combination of these approaches.

straight-through processing; (c) bulk processing for opening transaction accounts[40] and electronic funds transfer that are efficient, cost-effective, and secure; and (d) providing additional support and payment services in areas with low coverage of financial access points and for beneficiaries who may be financially excluded (such as women, disabled, and other marginalized groups).[41]

47. Relative to the current payment modality of the NASSP, these improvements are expected to (a) improve timeliness of the payments; (b) improve the safety and security of the transfers; (c) improve financial inclusion among beneficiaries by providing them the options to save, partially withdraw, or transfer funds at their choice; and (d) make the payment delivery system scalable. See box 1 for more details and annex 3 for further exposition.

48. The exact payment mechanism applicable to any beneficiary will depend upon the type of beneficiary and the coverage of financial access points in the locality they live: (a) without existing accounts and living in low-coverage areas; (b) without existing accounts but living in high-coverage areas; and (c) with existing bank accounts (and living in high coverage areas). Data on bank accounts of the beneficiaries will be collected through the project, whereas data on coverage of the financial access points would come from the financial institutions. For beneficiaries without a bank account, the project will support opening of transactional accounts/wallets (with priority given to female members), provision of additional mechanisms for those who are unable to open a transactional account/wallet, and procurement of services from PSPs to provide roaming agent services in areas with low coverage of financial access points. It is expected that in rural areas covered by this subcomponent, a significant share of the beneficiaries will require project support to open transactional accounts/wallets and that a significant share of project areas will require roaming agent service from PSPs. The detailed implementation arrangement and processes of the proposed payment mechanism, summarized in box 1, will be finalized and included in the PIM. As the project will collect personal and private data, due consideration will be provided for data privacy and protection issues (see paragraphs 81-84).

49. The project will support opening of a Tier 1 transaction account with minimal know your customer (KYC) requirements for beneficiaries without an account.[42] The accounts meet the program objectives of rapidly enrolling and distributing CTs to beneficiaries (expanding financial inclusion in the meanwhile). However, due to the streamlined KYC requirements, Tier 1 accounts have relatively limited scope in uniquely identifying accountholders, and hence could have scope for duplication and double-dipping. The project will have the following mechanisms in place to address the potential of misappropriation of the transfers: (a) beneficiaries will be enrolled into the payment system from the NSR and the RRR which have validated the beneficiaries in-person; (b) independent third-party monitoring; and (c) random post-distribution monitoring. In addition, the project will encourage beneficiaries to open or upgrade to a

[40] Here, bulk processing means that the project will electronically transfer the relevant data on a large volume of beneficiaries to the financial institutions to open accounts on behalf of the beneficiaries (see more in box 1).
[41] The payment mechanism of the NASSP is also moving forward in these directions, especially with the increasing usage of interoperable transactional accounts and direct credit electronic funds transfers.
[42] The KYC requirements for Tier 1 accounts only require basic information (such as name, date of birth, gender, and address) and a photo (see https://www.cbn.gov.ng/out/2013/ccd/3%20tiered%20kyc%20requirements.pdf). They do not require verification through a Government-issued ID, thereby making the process inclusive. The project will closely monitor the regulatory environment during implementation to ensure compliance. The project will have procedures in place to minimize potential double-dipping of benefits. Where possible, the project will promote creation of a higher tier accounts; All Tier 1 accounts are interoperable in Nigeria. This means that all Tier 1 accountholders can use any payment access point to conduct their transactions.

higher tier account as and when possible. The PIM will describe these procedures and mechanisms in detail.

Box 1. Proposed Payment Mechanism for the National Social Safety Net Program - Scale Up (NASSP-SU)

The payment mechanism for the project will build on the experiences from the NASSP and will be strengthened by leveraging the national payments infrastructure to promote straight-through processing of transfers to targeted beneficiaries. Under the regular-CT program of the NASSP, a fit-for-purpose payments mechanism was developed that initially leveraged a pass-through account/wallet as a channel for fund transfers and cash-out. Pass-through accounts are special purpose accounts—act as temporary escrows—that hold cash value for a limited time and can only be used for full value cash-out. The project uses PSPs that were competitively selected for every state to process payments and leverages each PSP's specific network of agents to ensure delivery of cash to beneficiaries at designated community payment centers set up by the contracted PSP.

The project is now already increasing the usage of transactional accounts/wallets for receiving the CTs. With the support of the engaged PSPs, beneficiaries are now being provided with transactional accounts/wallets that meet minimum KYC requirements (Tier 1 KYC accounts). These accounts are funded with the CTs and allow beneficiaries to carry out a number of transactions including partial withdrawals, electronic funds transfers, and bill payments where applicable. The usage of these accounts means that beneficiaries are able to access their transfers at any time from agent locations or other financial access points.

The proposed payment mechanism will ensure that payment is delivered to the eligible recipient at the right time in a convenient manner. To ensure that the correct amount of a CT is successfully delivered, to a targeted beneficiary on time, the mechanism will use modalities that incorporate the following principles.

(a) **Effectiveness:** All beneficiaries will receive their funds directly into their interoperable transactional accounts. As the transactional accounts allow for a wider range of uses by the recipient, including deposits, savings, partial withdrawals, and transfers to other accounts, this will lead to significant financial inclusion of the beneficiaries. The mechanism will leverage the country's national payments infrastructure and interoperable agent network to ensure that beneficiaries in areas with low financial access points are able to access funds. Moreover, for the length of the project, it will facilitate disadvantaged people such as women, people with disability, and elderly, access to accounts, with the establishment of dedicated access points like in the current NASSP.

(b) **Robustness:** The payment modality will ensure the uniqueness of the receiving accounts, to minimize leakages and strengthen accountability. The project will promote and facilitate opening and use of accounts that are compliant with the regulation of the Central Bank of Nigeria (CBN). The CBN has developed a three-level tiered KYC regime to be used by financial institutions. Details of how the payment mechanism will leverage this tiered KYC regime will be included in the payment operations manual of the project.

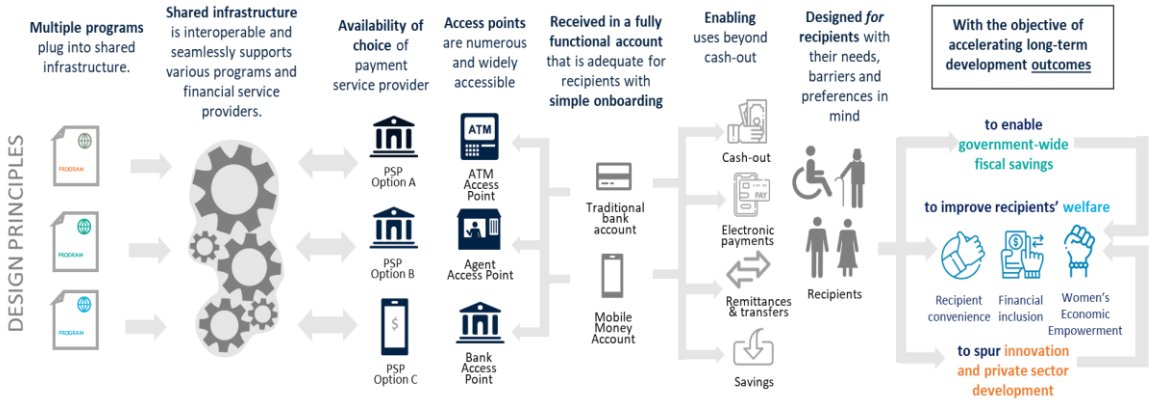
(c) **Efficiency:** The proposed mechanism will capitalize on bulk account opening and payment processing for greater efficiency and cost-effectiveness. Beneficiaries without bank accounts will be able to open transactional accounts upon enrollment, especially in areas with poor connectivity, low financial penetration, and low levels of financial literacy. Current payment modalities and technology adopted in Nigeria enable bulk accounts opening subject to beneficiaries' consent that can be fulfilled upon enrollment. Similarly, the funds transfer to beneficiary accounts will leverage the national payment infrastructure to ensure *straight-through processing* of payments. This means the funds will be transferred, in bulk, directly from the project Designated Account (DA) to the beneficiaries' accounts using an electronic funds transfer system. Unlike the model for regular-CT under NASSP, there will be no need to hand cash directly to beneficiaries through third parties.

(d) **Convenience:** All aspects of the payments value chain will be deployed to ensure user-friendliness of delivery options and enabling choices, as possible and feasible, for beneficiaries on how to receive support including through mobile wallets, bank accounts, and accounts with microfinance institutions.

This is meant to incorporate user-centered design concepts and pragmatism to ensure ease of access/usage to beneficiaries. Another key element to promote convenience to beneficiaries is the option to use funds in the beneficiaries' account to electronically pay for a number of services. These services are currently available and fully functional within Nigeria's DFS ecosystem. Examples of such services include direct payments of telecom bills, schools' tuition and fees, and utility bills, particularly in urban areas.

(e) **Scalability:** Leveraging interoperability will enable the use of more PSPs and the introduction of electronic payment instruments with ease. This will facilitate the ability to reuse this process for other social benefit transfer programs and more broadly other Government to Person (G2P) payments approach.

Figure 2. Leveraging Nigeria's Payments Infrastructure for Modernizing G2P Delivery



The payment mechanism under the project will serve multiple types of beneficiaries. Based on consultation and learning from the beneficiary registers under the NASSP, three main beneficiary types have been defined for the purpose of the payment delivery mechanism.

(a) Type 1: Beneficiaries without a transaction account, who have no/limited access to mobile connectivity or financial access points

(b) Type 2: Beneficiaries without a transaction account who have access to financial access points and mobile connectivity

(c) Type 3: Beneficiaries with an existing bank transaction account who have access to financial access points and mobile connectivity.

The delivery mechanism will be implemented to accommodate all beneficiary types along a single delivery chain based on standardized G2P user journeys, as shown in figure 2.

The selection of beneficiaries will be based on the program targeting rules. Beneficiaries will be targeted through the NSR (Subcomponent 1.1) or by leveraging the RRR (Subcomponent 1.2) which collect and verify/validate basic information on beneficiary households (see Annex 2 for more details). Selected beneficiaries will then be enrolled into the payment system.

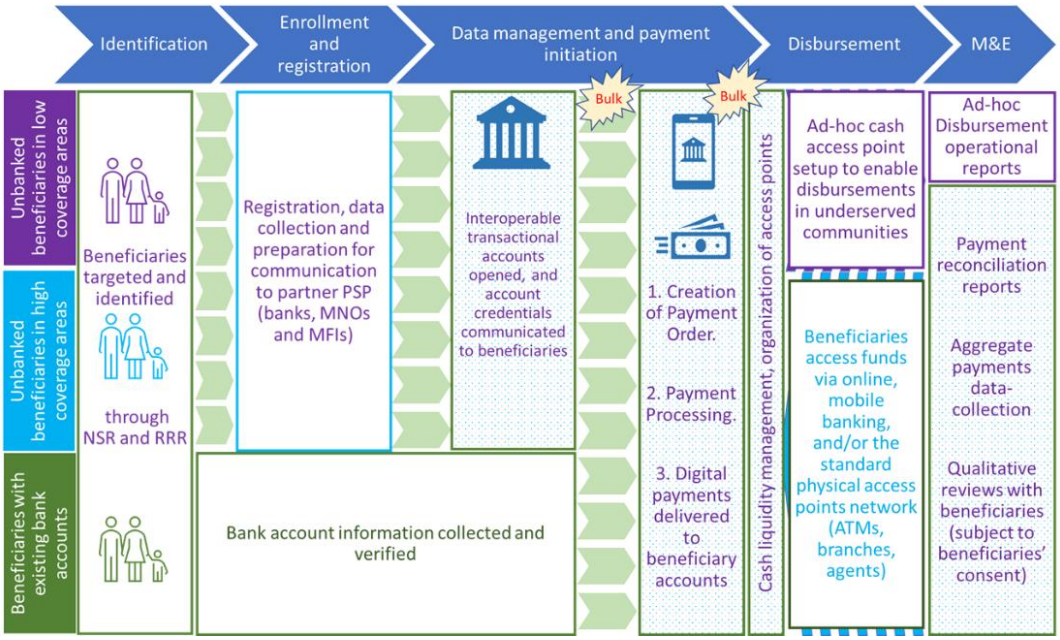
During the registration and enrollment of beneficiaries, the project will facilitate the collection of relevant data including data on existing accounts and/or data that are required for opening a transaction account. Appropriate data protection and security measures will be put in place to ensure proper management of private data.

For Type 1 and Type 2 beneficiaries, the project will support opening a transaction account. Transaction accounts that will be opened will fully comply with the CBN's regulation—particularly on the KYC for (at least) a Tier 1 account. The project will collect all relevant data and documents from the beneficiaries during the registration/enrollment phase process, including beneficiaries' consent to open accounts. The project will then transmit the information to the financial institutions for bulk creation of accounts. The project will then

communicate the details of account credentials along with the process to obtain the transfers to the beneficiaries. Female beneficiaries will be encouraged and prioritized to open transactional accounts.

For Type 3 beneficiaries, with an existing account, the project will collect the details of the account as a part of the registration/enrollment process.

Figure 3. High-level Payment Process Flow for the NASSP-SU



All transfers will be processed through the national payments infrastructure, ensuring *straight-through processing*[43] into beneficiaries' accounts or wallets. The project's payment module will be responsible for collating the account information necessary to perform the disbursement to beneficiaries. Reconciliation of payment transactions will be available with the sending PSP. See figure 3 for the payment process.

In locations known to have low coverage of financial access points, the project will procure services to provide a convenient financial access to the beneficiaries. To reduce the travel burden for beneficiaries living in rural locations, such that they can access cash in a convenient way, the project will partner and procure the services of financial institutions that operate agency networks. Agents will provide transaction services on-the-go in targeted locations including cash-in cash-out and bill payment type transactions (where possible). In low-access areas, the project will coordinate the PSP's creation of ad hoc access points.

The M&E arrangement will be based on disbursement operational reports, as well as payments and disbursements reconciliation reports prepared by the PSPs, and electronic records of benefits transfers. In addition, independent third-party monitoring and random post-distribution monitoring will be adopted to ensure that the intended beneficiaries are receiving and using the transfers.

50. Since the national payment infrastructure is crucial to the design of the payments modality, the FMHADMSD will formally engage with the CBN through a memorandum of understanding (MoU) or a

[43] As per Bank of International Settlements standard definition of 'straight through processing' pertains to the automated end-to-end processing of trades and/or payment transfers, including the automated completion of confirmation, matching, generation, clearing and settlement of instructions, without the need for re-keying or reformatting data. Please see https://www.bis.org/cpmi/publ/d00b.htm?&selection=149&scope=CPMI&c=a&base=term. This is also adopted by the Nigerian regulatory authorities.

similar agreement to facilitate cooperation and support to provide payments of the CT. The MoU will ensure mutual understanding and (a) explain the scope of the program and cooperation; (b) outline payment modalities and channels; and (c) develop the use of the national payment infrastructure as well as relevant existing programs for the project. The MoU is expected to lead to a continued engagement to strengthen and institutionalize payment modalities for social transfers in the country. The CBN, being the regulatory body of the financial sector, will support the project in an advisory capacity and provide guidance on best practice and service provider engagement. The CBN will also provide clarity on relevant regulations and ensure that project stakeholders within its regulatory oversight meet their individual service level agreements.

Subcomponent 1.2. Urban ESR-CT to eligible beneficiaries through the expansion of the RRR (US$365 million equivalent)

51. This subcomponent will provide temporary CT of N5,000 (US$12.17 equivalent) per month for six months, to provide relief against the economic shocks to the eligible urban beneficiaries. A total of 5 million currently unsupported urban beneficiary households[44] will be supported under the subcomponent.

52. **Targeting and registration.** As summarized in table 1, potential beneficiaries in urban areas will be identified through the RRR, complemented by the NSR where possible.[45] The RRR developed through the NASSP is expected to have beneficiaries unsupported by the COVID-CT program of the Government who will be eligible to receive benefits under the project. The RRR will be expanded to additional wards as necessary to meet project targets. Wards for expansion will be selected through geographic targeting based on the predicted poverty status of the ward and existence (or absence) of prior support through the Government-funded COVID-CT program. As with the current RRR rollout under the NASSP, the poverty status of the ward will be based on the poverty maps produced by applying machine learning algorithms to predict poverty rates based on granular satellite imageries.[46] Analysis shows that this approach is effective in identifying communities where most poor and vulnerable households reside (see annex 2 for more details on targeting using poverty maps).

53. In the selected wards, state offices will lead outreach and sensitization activities through various communication channels, including mass media, using local languages and critical stakeholder engagements. This will be followed by localized SMS blasts to all active cellphones in the area inviting interested individuals to express interest for the program using the USSD code that will be shared in the SMSs. The expression of interest information will be verified and validated electronically as well as manually to remove duplications and double-dipping of benefits. Following the validation of expression of interests, households' registration and validation exercise will be done to collect more information on households including socioeconomic status, assets, and payment details. As the lessons from the current launch of the RRR emerges, specific interventions will be conducted to improve the inclusion, particularly of women, people with disability, and the poor and vulnerable households. Such interventions could include establishing a dedicated hotline to provide support with registration problems, establishing

[44] Households in urban context will be based on family ties, with the definition of 'under the same roof' relaxed. That is, two individuals sharing the same room in a room-sharing arrangement can be counted as separate households.
[45] In wards where both RRR and NSR exist, systematic reconciliation of beneficiaries across the two registries will be conducted to avoid duplication.
[46] See https://blogs.worldbank.org/opendata/using-big-data-and-machine-learning-locate-poor-nigeria and the references therein for more information on how the poverty maps were produced for Nigeria.

dedicated stalls in communities to help people register and leveraging the existing CBT approaches and community outreach, including possible home visits for persons with disabilities.

54. **Payment delivery system.** The payment delivery mechanism for this subcomponent would be identical to that of Subcomponent 1.1 and is described in detail above (see box 1). However, due to differences in the composition of different types of beneficiaries and the coverage of financial access points across the rural and urban areas, the nature and the scale of the services will differ. For instance, it is anticipated that fewer beneficiaries in urban areas will require project support for opening transactional accounts and that most urban and peri-urban areas will have more financial access points. The project will not be required to support the procurement of PSPs to provide roaming agent services in most locations.

Component 2. Extended Regular Cash Transfer (ER-CT) for the poor and the vulnerable (US$147 million equivalent)

55. Component 2 will continue the social assistance provided to the poor and vulnerable under the NASSP by extending the duration of the transfers to the existing beneficiaries and providing them with an exit grant from the program. The beneficiaries under this component will be the current beneficiaries of the regular-CT program under the NASSP. Currently, 1.8 million households are supported by the regular-CT program under the NASSP. The total number of beneficiaries could reach up to two million households by the time of the NASSP closing in June 2022.

56. For the chronically poor and vulnerable households selected for this program, a sustained CT program is necessary to help them out of poverty and vulnerability. The poor and vulnerable households are more likely to experience shocks, including climate-induced shocks (see annex 5), and they typically face the brunt of those shocks as well (see annex 4 on the incidence of food price hike). A sustained CT program can help them cover basic necessities and cope with multiple shocks and crises (including COVID-19, food price hike, and other climate-induced shocks that they may face). They can also save the transfers to smooth consumption throughout the year and cope with seasonality. A lump-sum grant can further help them make productive investments in their human and physical capital and/or address pertinent constraints keeping them in poverty. This can lead to sustained gains beyond the project duration.

57. This component seeks to ensure that the beneficiaries of the regular-CT program under the NASSP continue to receive regular cash transfer for at least two years across the NASSP and this project.[47] Under this component, current regular-CT beneficiaries of the NASSP, 94 percent of whom are females, will continue to receive a transfer of N5,000 (US$12.16) per month so that the total duration of support they received under the NASSP and this project will be at least two years. When beneficiaries receive the support for two years (or more), they will stop receiving regular-CT and will instead receive a one-time cash grant[48] signifying their exit from the program.

[47] Due to the restructuring of the NASSP in response to COVID-19 and the resulting reallocation of resources, the beneficiaries of the regular-CT program under the NASSP will not be able to receive support for three years as originally envisaged under the NASSP.

[48] The exact amount of the cash grant will be based on the number of beneficiaries and the duration of support received by them by June 2022 through NASSP and the available financing under this component. The exact amount may vary by beneficiaries depending upon the duration of support under NASSP and NASSP-SU. The exact details will be finalized in the PIM.

Component 3. Delivery System Strengthening and Program management (US$53 million equivalent)

58. Component 3 will expand and strengthen the safety nets delivery systems through increased integration and use of digital technologies at various stages of the delivery chain to deliver the CTs under Components 1 and 2 as well as future safety nets programs. This component also provides project management and M&E support.

Subcomponent 3.1. Expansion and strengthening of the safety nets delivery systems through increased integration and the use of digital technologies

59. An effective and efficient delivery system is crucial for the success of activities proposed under Components 1 and 2 as well as, more generally, for other safety nets programs. This subcomponent will support the expansion and strengthening of the safety nets delivery system with broad focus on improved integration and the use of scalable digital technologies. The following summarizes the key activities under the subcomponent.

60. **Expansion of the RRR.** Under the NASSP, the RRR platform has been launched in the 1,163 poorest urban wards. This component will support further expansion of the RRR into other urban wards so that poor and vulnerable beneficiaries can be registered into the RRR and provided support through Subcomponent 1.2. Furthermore, this component will support measures to improve the coverage, inclusion, and efficiency of the RRR to ensure that the intended beneficiaries are not excluded from the platform. Technical assistance will be provided to strengthen the processes and protocols to verify and validate, including detecting and correcting duplicated registrations at household and individual levels (including with the NSR where applicable).

61. **Support enrollment and registration of beneficiaries for Components 1 and 2.** In addition to the RRR expansion, the project will support the processes to enroll and register the beneficiaries (from the NSR and RRR) with the payment providers as well as the implementation of the associated outreach and communications plans related to the ESR-CTs.

62. **Strengthening the payment delivery mechanism.** The project will support a payment delivery mechanism that is digital and fit for purpose to ensure CTs are delivered to beneficiaries at full value, at predictable times, using channels that are conveniently accessible and preserve the dignity of beneficiaries. The project will build on and extend the work done under the NASSP, using delivery mechanisms that leverage PSPs, monetary frameworks and digital financial solutions as put forward by the financial sector regulator, and as provided by the financial sector stakeholders (financial institutions, Nigeria Interbank Settlement System, and so on). This subcomponent will support (a) design upgrades in the payment delivery mechanism to deliver CTs at scale through the digitization and bulk process of payment delivery chain as much as possible and feasible (see box 1), which can be leveraged for future social programs; (b) analytical work and technical assistance to identify areas with poor coverage of financial access points; (c) instituting of additional mechanisms to the current payment delivery modalities to improve inclusivity and coverage; (d) additional support services to improve financial literacy and use of payment products by the beneficiaries through incorporated capacity-building activities and in partnership with the financial inclusion secretariat of the CBN; (e) financing of the cost and fees associated with CTs; and (f) assessments and gap analysis on data protection, storage, management, and usage environment pertaining to the payment system and appropriate risk mitigation measures.

63. **Strengthening targeting of social assistance.** This subcomponent will also provide technical assistance to pilot using machine learning and 'big-data' methods on novel datasets such as granular satellite imageries and call detail records to identify potential beneficiaries and target social assistance programs in real time. Similarly, the subcomponent will provide technical assistance to update the current PMT formula based on the available new data (NLSS 2018/19) to reflect updated relationships between attributes and poverty and vulnerability status.

64. **Improve usage and integration of data and MIS.** This subcomponent will continue supporting further development and strengthening of the data and information systems that support the implementation of social protection program in Nigeria. The support will facilitate a decentralized delivery of safety net programs and a centralized monitoring and analysis of program implementation and bottlenecks. In particular, the project will (a) strengthen the interoperability between the MISs supporting the NSR, the RRR, and the National Beneficiary Registry (NBR) to ensure smooth flow of data and information updates among the three databases through application programming interfaces; (b) standardize data storage and management protocols across the NSR, the RRR, and the NBR as well as with the state-level registries feeding into these databases; (c) support de-duplication within and across registries and linking of the registries to other administrative databases and registries (such as the national ID system, civil registry, and vehicle and property registries) at the national and state levels, as relevant and feasible; (d) support better usage of the administrative databases and the MISs for better diagnostics, gap analysis, and fiscal planning; and (e) provide systemic enhancement of the M&E systems, including on regular and automatic generation of key project indicators, results, and implementation progress. Such improvements will be done with due consideration to protecting personal data and privacy and will follow national regulations and best practices on collecting, storing, sharing, and analyzing personal and sensitive information.

65. **Institutional strengthening.** This subcomponent will support the strengthening of the National Social Protection Platform based on a partnership between federal and state governments with clear roles and responsibilities. This includes partnership on strengthening the NSR and the RRR and the integration of various state-level registries with the national registry, targeting and enrollment approaches, and digitalized payment mechanisms.

66. **Impact evaluation.** This subcomponent will support the design and execution of impact evaluations of the innovative targeting approaches being used to identify beneficiaries as well as the impact of CT to help families cope with the shocks under Component 1. The impact evaluations may also explore other mechanisms to improve beneficiary targeting in addition to those currently being used by the project (such as the use of call detail records). The objective of the impact evaluations will be to generate knowledge to inform ways in which the targeting and delivery systems can be further strengthened.

67. **Cross-cutting issues.** The project will support the mainstreaming of cross-cutting issues into the system strengthening. Cross-cutting areas include gender and social inclusion, citizen engagement and social accountability, GRM, Environmental and Social Framework (ESF), and fiduciary management. In particular, citizen engagement and GRM will exploit the use and deployment of digital/information technology for increased efficacy.

Subcomponent 3.2. Project management support

68. This subcomponent will support the day-to-day project management to ensure smooth implementation of project activities. In this regard, FMHADMSD, NASSCO and the National Cash Transfer Office (NCTO) at the federal level and SOCUs and SCTUs at the state levels will be further strengthened and include further clarifying roles and responsibilities and effective utilization of human resources and logistics. Similarly, this subcomponent will support the state and LGA-level implementors for effective delivery and monitoring of the program on the ground. The details of program implementation will be outlined in the project operations manual. The project will also support the necessary capacity-building trainings to implement the project activities, audits and verification of the payment mechanisms, implementation of the GRM, and implementation of the activities outlined in the Environmental and Social Commitment Plan (ESCP) and Stakeholder Engagement Plan (SEP) according to the ESF.

Citizen Engagement and Social Accountability

69. **Citizen engagement and social accountability under the project build on the established systems developed during the implementation of the NASSP.** The project will conduct periodic public consultations in accordance with the SEP. Particular attention will be paid to the inclusion of women, the disabled, ethnic minorities, and other marginalized groups in project activities. The project will leverage the established processes under the NASSP for mainstreaming social accountability using communication, sensitization, and awareness activities that empower beneficiaries and other stakeholders. In addition to consultations, the GRM launched under the NASSP includes accessible uptake locations and transparent procedures to facilitate stakeholders' complaints submission and provide resolutions on time. The GRM intends to hold states, LGAs, and PSPs accountable for the delivery of benefits. It remains operational in all 36 states and the FCT. This will be further strengthened under the project through dedicated communication campaigns and engagement activities at various stages of program implementation. Digital technologies and platforms will be used to improve the accessibility and usage of the GRM system, including moving forward with the usage of a GRM App developed under the NASSP. Project-affected communities and individuals may submit their complaints through multiple channels including walk-ins, written letters, toll-free telephone calls, emails, or online. The recently proposed call sorting center will file, timestamp, and profile the received grievances and assign a trained officer to address the grievances within the specified time frame. Furthermore, the project will enhance social accountability through regular third-party monitoring and implementation of an Annual Results Scorecard produced by the third-party monitors. The scorecards and reports produced by the monitors will be released in the public domain. Tools such as quarterly third-party monitoring reports, scorecards, and the GRM monthly reports will feed into program implementation by informing if and how project design or activities need to be modified to accommodate pressing concerns at the local, state, or national levels. Citizen engagement will be monitored through (a) beneficiary satisfaction indicators for each component of the project; (b) an indicator on the percentage of grievances addressed within the time frame specified in the PIM; (c) an indicator on the number of states that operationalize the third-party monitoring; and (d) an indicator on the public release of the annual scorecard published by third-party monitors.

Gender and Social Inclusion

70. **The project seeks to address existing gender gaps on women's control of household finances and on financial inclusion.** First, as with the NASSP, Subcomponent 1.1 of the project will deliberately select a female household member as primary beneficiary to receive the CT. Following similar strategy,

women constitute 94 percent of the regular-CT beneficiaries under the NASSP. Similarly, female-headed households will be given priority to receive the CT under the subcomponent. This will be accomplished by including these requirements into the guidelines to select rural ESR-CT beneficiaries from the NSR.[49] Due to gaps in labor force participation and earned income, women have lower control over financial resources in the household. By making women as the primary recipient of the CT, the project will improve female agency in the control and usage of the transfers. Indeed, research across the world has shown that greater control of financial resources by women leads to improved female empowerment, improved psychological well-being, and positive outcomes for children in the household.[50] Progress on this will be measured by monitoring the share of women beneficiaries receiving the ESR-CTs under Component 1. Relatedly, preliminary analysis of the ongoing NASSP regular-CT program shows that agency and control of usage increases with the duration of support. Under Component 2 of the project, the project will continue the duration of support to its beneficiaries, 94 percent of whom are females, ensuring that they receive at least two years of support. While this is not measured directly, it is expected that the transfers will improve female agency and control of household resources as indicated by the broader literature.

Table 2. Gender Gaps Addressed by the Project Activities

Sl. No.	Gender Gap	Project Interventions to Address the Gap	Results Indicator to Measure Progress Covering the Gap
1	Low female agency on using household resources	Under Component 1.1, the project will select an adult female member as primary beneficiary among household members. Under Component 2, the project will increase the duration of support to female beneficiaries (constituting a large majority of 94 percent).	• Percentage of females receiving the shock responsive cash transfers[51] • Percentage of females among rural population identified from the NSR to receive shock responsive cash transfers • Percentage of female primary beneficiaries from the households receiving extended regular-CT support; Female primary beneficiaries that received a minimum of two years of support since being enrolled in the program
2	Low financial inclusion among women	Under Subcomponent 1.1 and 1.2, the project will encourage and facilitate female members to open a transactional account if the beneficiary household is currently unbanked.	Percentage of women among beneficiaries who receive the ESR-CT in a newly set up transactional account

[49] Because the beneficiaries will be selected from the existing NSR, explicit guidelines on the selection criteria will be sufficient to ensure that the intended individuals received the ESR-CT program.

[50] See, for examples (a) Armand, Alex Orazio Attanasio, Pedro Carneiro, and Valérie Lechene. 2020. "The Effect of Gender-Targeted Conditional Cash Transfers on Household Expenditures: Evidence from a Randomized Experiment," *The Economic Journal*, 130 (631): 1875–1897; (b) Haushofer J., and J. Shapiro . 2016. "The Short-Term Impact of Unconditional Cash Transfers to the Poor: Experimental Evidence from Kenya." *Quarterly Journal of Economics* 131 (4):, 1973–2042.

[51] The target for this indicator is lower than the 94 percent currently received under the NASSP to adjust for the faster pace of implementation and larger scale of the program. The NASSP reached 2 million beneficiary households over six years of program implementation. The current project intends to reach additional 8.2 million households in less than two years of implementation.

71. Second, Component 1 will encourage and facilitate female members to open a transactional account to receive the ESR–CT in case the household is currently unbanked. This will be done through extensive communication, outreach, and advocacy among female beneficiaries, training the local implementors to encourage women to open the transactional accounts and working with financial institutions to make the transactional accounts more attractive to women. Depending upon the penetration of financial institutions in the localities in rural areas, Subcomponent 1.1 will also help the selected female beneficiaries to open a transactional account. Since the transactional accounts can be used for cash withdrawals, deposits, balance transfers, and savings, the project directly improves financial inclusion among beneficiaries, particularly among women.[52] Table 2 summarizes the gender gaps addressed by the project activities and their monitoring through the results framework.

72. In addition, the project will improve the inclusion of women in project activities through improved and targeted outreach and communication campaigns that are tailored and adapted to local norms and contexts. Similar to gender-inclusive GRM, gender-based violence (GBV) GRM will allow for the safe and ethical handling of any GBV allegations in project-financed activities. A mapping of GVB service providers that is being conducted under the NASSP will increase the ability of the project to substantially address relevant grievances, particularly on sexual exploitation and abuse/sexual harassment (SEA/SH) issues. Similarly, the project will advance the social inclusion activities conducted within the NASSP to make it more inclusive to persons with disabilities, minorities, and marginalized groups.[53] This will include targeted outreach and communication campaigns to sensitize the community and encourage participation in project activities.

Climate Co-Benefits

73. **Interventions proposed under this project will have large and positive climate change adaptation impacts, especially on the poor and vulnerable.** Nigeria ranked in 2018 as one of the top ten countries in terms of climate vulnerability with one-quarter of the population living in areas with high climate vulnerability.[54] Poor households are more likely to have experienced a recent climate shock compared to non-poor households (28 percent for the poor, 22 percent for the vulnerable, compared to 13 percent for others in the NLSS 2018/19).[55] This is in part driven by the fact that the majority of poor Nigerian workers are primarily engaged in agriculture (60 percent of poor workers in NLSS 2018/19; 53 percent of the working age population in the NSR). This large sector of the economy is heavily exposed to climate shocks considering the high prevalence of rainfed crop production and sensitivity of livestock to the availability of water and forage. Poor urban areas of the country are also overly exposed to climate

[52] Since transactional accounts are interoperable in Nigeria, beneficiaries can use any financial intermediary agent closest to them to access the accounts.
[53] Described in more detail under the ESF sections of this document.
[54] Climate Risk Profile: Nigeria (2021): The World Bank Group.
[55] Estimates exclude Borno, source: 2018/19 NLSS and World Bank estimates.

hazards[56] such as urban floods[57] (see annex 5). The target populations of the proposed CTs typically suffer from the added volatility in income driven by climate shocks with impacts to food security, human capital, livelihoods, and welfare in the long run. Climate shocks can further lead to conflict and insecurity in food producing and pastoral areas,[58] reduce agricultural productivity, and increase food prices by reducing the supply and increasing demand for food.[59]

74. The proposed interventions under this project intend to build the resilience of Nigerian households to cope with the current crises (COVID-19 and inflation driven by food price hikes) and also prepare for and adapt to future shocks, including climate-change-induced ones. Throughout all components, the project focuses on strengthening the shock responsiveness of the system, whether through quick targeting and registration of the beneficiaries or through the distribution of CTs for a short (6 months) or longer period (more than two years).

75. **First, the targeting of beneficiaries is informed by climate-related vulnerability**. CT in both components 1 and 2 target the poor and vulnerable identified through the NSR and the RRR platforms, which prioritize areas vulnerable to climate shocks. Drought and flooding are the two main climate risks threatening Nigerians' livelihoods. [60] At the granular level of LGAs, the share of the populations in the NSR and in the poorest 1,163 urban wards (which overlaps significantly with the current expansion of the RRR) is disproportionately higher in areas highly exposed to flooding and drought. For instance, 41 percent of the NSR population reside in LGAs with high river flooding hazard; and 43 percent of the NSR resides in LGAs highly exposed to the risk of drought. Moreover, 14 percent of the population in the poorest 1,163 urban wards is found in LGAs exposed to high risks of urban flooding (a share higher than for the population as a whole). The same population is also highly exposed to river flooding and drought hazards, with levels similar to the NSR populations. Annex 5 provides further details on the indicators used for this analysis and granular analysis on the interlinkages between climate vulnerability, poverty, and beneficiary targeting for the project. In addition, 19 percent of the NSR population (18 percent of the population in the 1,163 poorest urban wards) resides in coastal states exposed to flooding due to sea-level rise; 57 percent of the NSR population resides in 15 northern states exposed to desertification (54 percent of the population in the 1,163 poorest urban wards); and 34 percent of the NSR population resides in seven states experiencing severe desertification (28 percent of the population in the 1,163 poorest urban wards).[61]

[56] Winsemius, Hessel C., Brenden Jongman, Ted I.E. Veldkamp, Stephane Hallegatte, Mook Bangalore, and Philip J. Ward. 2018. "Disaster Risk, Climate Change, and Poverty: Assessing the Global Exposure of Poor People to Floods and Droughts." *Environment and Development Economics* 23 (Special Issue 3: Poverty and Climate Change, June 2018): 328–348. https://doi.org/10.1017/S1355770X17000444.

[57] Notably, such high flooding events have led to significant damage on assets, housing, and infrastructures in urban settings. Over the past decade, major flood events in 2012, 2018, and 2019 led to the displacement of over 2 million Nigerians with combined estimated losses of over N2 trillion. See Global Flood Partnership Policy Brief (August 2020). https://gfp.jrc.ec.europa.eu/sites/default/files/2020-04/GFP_Policy_Brief.pdf. In 2012, the widespread flooding caused nearly US$17 billion in damages and losses in the 12 most affected states. See Climate Risk Profile: Nigeria (2021): The World Bank Group.

[58] A review of the evidence is presented in Burke, Hsiang and Miguel (2015). For a more explicit link to agriculture and pastoralism, see McGuirk and Nunn (2020).

[59] Cervigni, Valentini, and Santini 2013.

[60] Climate Risk Profile: Nigeria (2021): The World Bank Group.

[61] Granular (LGA level) data on these climate risks were not immediately available for analysis.

76. **Second, CTs, representing the bulk of the financing of this project, will promote the resilience of Nigerian households to shocks, including climate change induced ones and reduce climate hazardous behavior.** The main shock being addressed through Component 1 is the recent rise in food prices which is partly driven by conflict and insecurity (which may, in turn, be climate-driven). In addition, there are reports that high prices (of cooking gas) are already pushing individuals toward climate-hazardous behavior such as deforestation and increased usage of coal.[62] Component 1 will finance CTs to help vulnerable households cope with the crisis while avoiding human capital eroding and climate-hazardous coping strategies (between April/May 2020 and July 2020, about 70 percent of households hit by a health or economic shock reduced their food consumption as a coping mechanism[63]). The sustained CTs for a longer duration financed under Component 2 will allow households to become more resilient to climate-induced shocks through savings and human capital promotion[64] and avoid adverse climate impacts (such as deforestation, excessive land usage, and climate hazardous agriculture). Studies have found that CTs such as these support improvements in adaptive resilience outcomes.[65] In addition, the project will include climate-sensitive messaging as part of the grassroot communications strategy to improve climate awareness and reduce hazardous behaviors and coping strategies.

77. **Third, the financial inclusion and digital payments used by the project to deliver CTs help mitigate adverse climate impacts.** The project will open interoperable transactional accounts for the unbanked beneficiaries, providing them with a financial tool to save for future shocks and/or human capital investments even beyond the project duration. Furthermore, the CTs will be provided electronically and beneficiaries will be encouraged to use them electronically (for example, toward paying school fees, utilities, and telecom bills) which can be more climate friendly through reduced usage of banknotes and transportation arrangements related to distributing cash. In addition, as the transactional accounts are fully interoperable in Nigeria, beneficiaries can simply walk to the nearest payment point rather than taking vehicular transportation (for example, motorbike or public transport) to an automated teller machine (ATM) associated with their financial institution, thereby reducing carbon footprint.

78. **Fourth, the delivery system of social assistance developed and strengthened through this project under Component 3 will improve post-disaster adaptive response** and provide timely, efficient, and safe support to the households affected by climate shocks such as drought, flooding, and desertification. The implementation of the CT program will result in a roster of over 10.2 million poor and vulnerable beneficiary households (about one-fourth of the population) that are geotagged, have transactional accounts, and are linked with the safety nets payment system. These beneficiaries can be efficiently identified and promptly supported in the event of future climate-induced shocks. Furthermore, the delivery system and tools developed through this project—the expanded coverage of the registries, targeting tools, integrated data systems, and payment mechanism—can help the Government efficiently identify additional areas and beneficiaries affected by climate shocks and provide them with quick and timely CTs.

[62] Based on news reports including: https://independent.ng/nigerians-to-resort-to-firewood-charcoal-as-price-of-cooking-gas-hits-all-time-high/

[63] Nigeria COVID-19 NLPS, Round 3. https://microdata.worldbank.org/index.php/catalog/3712/download/49278

[64] Component 2 supports the same set of beneficiaries as under the regular CT program of the NASSP. The CT program under the NASSP explicitly encourages human capital investment. A subset of those beneficiaries is also receiving livelihood support activities that promotes diversification of livelihoods.

[65] Agrawal, A., N. Kaur, C. Shakya, and A. Norton. 2020. “Social Assistance Programs and Climate Resilience: Reducing Vulnerability through Cash Transfers.” *Current Opinion in Environmental Sustainability* 44: 113–123.

79. **Fifth, the project solidifies the intent of the Government to use social protection mechanisms as an adaptation priority against climate crisis, as reflected in the NDCs.** This will be further facilitated through the implementation of this project—the first large-scale shock responsive safety nets project in the country—and capacity-building activities that will increase the awareness and capacity of program implementors in delivering disaster/shock responsive social protection.

80. Furthermore, the proposed CT programs and the safety net delivery system can be a key element of energy sector reforms with climate mitigation in the near future.

Data Protection and Privacy

81. **There is currently no framework that broadly addresses protection of personal data or individual privacy rights in Nigeria.** There is also no institutional or governance body that is mandated to protect the personal data and privacy of citizens. The Data Protection Bill, 2018, was passed in May 2019 by the 8th National Assembly but was not assented to by the President; the drafting and enactment process must be restarted.

82. **The Nigeria ID for Development (ID4D) project, approved on February 18, 2020, and co-financed by the World Bank, the French Development Agency, and the European Investment Bank**, is supporting the strengthening of the broader legal and institutional framework for digital identity, which specifically includes support toward the amendment and enactment of the Data Protection bill and technical assistance to support institutional reform and capacity building toward the establishment of a data protection authority.

83. **Under the NASSP, standard operating procedures have been developed as a framework to guide the access to information by staff, contractors, and partners.** This framework protects the confidentiality and integrity and guides the availability of data and information assets and information systems, including the NSR, RRR, and the NBR. The NASSP-SU will assess and strengthen these data access and protection protocols following international best practices on collecting, storing, analyzing, sharing, and managing personally identifiable and sensitive information. The project will also work with the Nigeria ID4D project being implemented by the Federal Ministry of Digital Economy—overseeing the review, amendment, and enactment of the Data Protection bill—to ensure that reviewed protocols remain in line with the Data Protection policies presently applicable in Nigeria.

84. **The NASSP-SU will assess information systems used in program operations and strengthen them to mitigate identified potential cyber threats.** The improvements will adopt and leverage internationally recognized cyber risk management norms, including confidence-building measures and capacity building that enhance the robustness and resilience of the systems and the organizational processes. Conducting this assessment will be one of the disbursement conditions for CT in Financing Agreement (FA).

C. Project Beneficiaries

85. **The primary beneficiaries of the project will be the poor and vulnerable households of Nigeria.** This will include households that have been adversely affected by the recent shocks of COVID-19 and food price inflation. Many will be from areas continually exposed to climate risks of flooding, drought, and desertification. Overall, 3.2 million rural households and 5.0 million urban households will benefit from time-limited CTs under Component 1. Another 2.0 million households will benefit from continued support

through Component 2. Taken together, project beneficiaries will constitute one-quarter of all households in Nigeria. These households will be selected from the NSR and the RRR which, by the virtue of processes used (see annex 2), register the poor and vulnerable households.[66] All members—including women, children, and the disabled—of the beneficiary households will also benefit from the project. The project will disproportionately select adult women members as the primary beneficiary to receive the CTs.

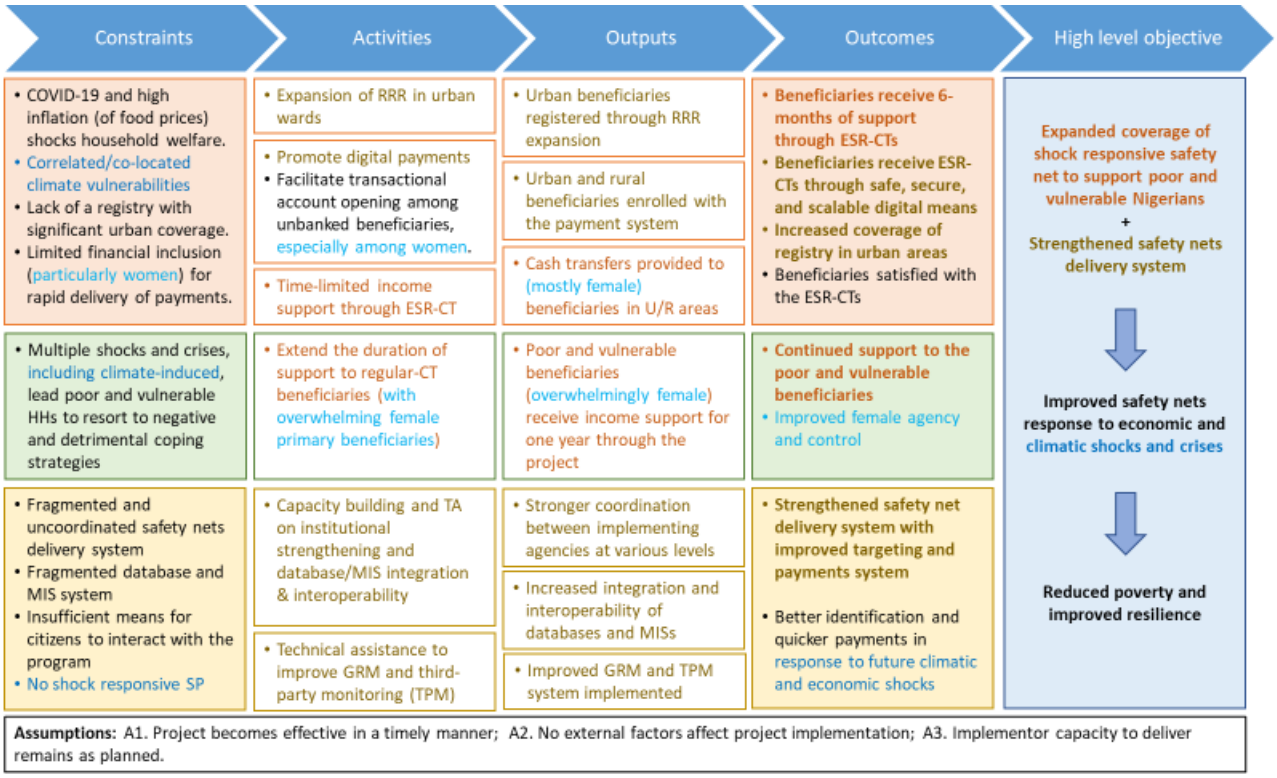
86. **In addition, the project will also benefit implementers of this and other social programs and policy makers.** The improved RRR and NSR provides an expanded beneficiary targeting tool for social programs being administered by the central government, state governments, or other nongovernmental entities presently or in the future. Stakeholders benefit from the improved GRM as it allows them the efficiently and effectively provide feedback. Program implementers at various levels benefit from the improved MIS and GRM, which allows them to use the information effectively toward identifying and resolving key issues and bottlenecks promptly. Policy makers at various levels benefit from the improved targeting and efficient delivery system that allows for scarce public resources to be utilized efficiently and effectively. Ultimately, this will benefit the current and future poor and vulnerable in Nigeria.

D. Results Chain

87. **The project will address fundamental challenges in providing safety net support in response to shocks and economic crises.** The COVID-19 crisis and the related food price inflation have highlighted the need to provide prompt support to the affected, particularly to the poor and vulnerable, as well as the shortcomings of the current safety net delivery system in registering those in need of support and promptly providing CTs. Activities under Component 1 increase the ability of the households to cope with economic shocks through expansion of the registry system, enrollment to a payment delivery mechanism (digitized where possible), and provision of time-limited CTs. Activities under Component 2 provide the extremely poor and vulnerable households with continued CT to increase their ability to purchase basic necessities, cope with multiple crises to the economy, and accumulate savings to address particular constraints to improving their living standards. These changes are only possible when systems to deliver the programs are strong and inclusive. Activities under Component 3 improve the delivery systems to ensure that allocated resources are utilized efficiently, and that support reaches the right beneficiaries and in time before it is too late. Together, the components improve shock responsive safety nets system at scale and contribute toward lowering extreme poverty and building a resilient society in Nigeria.

[66] Furthermore, due to the novel nature of the RRR, the share of beneficiaries who are actually poor and vulnerable will be monitored as a part of the results indicator.

Figure 4. Project Results Chain



E. Rationale for World Bank Involvement and Role of Partners

88. Public sector financing is warranted due to the public nature of the interventions, large positive externalities associated with project activities, and the strengthening of the government service delivery systems to make them more efficient. First, the provision of social safety net programs is a public function that yield large societal returns. Second, CTs as well as related training and support services have large positive externalities. The CTs themselves have an economic multiplier effect through increased expenditures and investments, the groups and social networks formed during the delivery of economic inclusion support improve social cohesion, and exit grants incentivize positive human capital investment behaviors. Third, provision of payments through digital payment infrastructure improves financial inclusion of the poor and vulnerable in the long run. Fourth, social safety nets programs improve the trust of the public service delivery and the public sector in general. Fifth, the project interventions improve integration and coordination of fragmented government systems, making the system more efficient.

89. The World Bank has considerable experience in providing safety net support in Africa and in Nigeria through the YESSO, CSDP, CARES, and NASSP on which this project builds. Project activities under each of the components extend and build on the project activities under the NASSP to which the World Bank has been providing close implementation support as well as deep technical assistance. In addition, the World Bank brings global experience in the provision of targeted safety net and livelihoods support, including on rapid scale-up of safety net programs in response to crises. The global experience enables the World Bank to facilitate a number of South-South learning events to build knowledge and capacity on safety net delivery in Nigeria and for other countries to learn from Nigeria's experience. Furthermore, the World Bank can help convene donors, particularly through its expertise in the systematic approach to the

delivery of safety nets, and further strengthen donor coordination and collaboration around the NSR and the NASSP. The role of partners like Foreign, Commonwealth & Development Office, United Nations Children's Fund, and European Union in providing a trust fund to support research and evaluation of targeting, the CT project, and the development of social accountability materials and strategic behavior change communication in partnership with Government counterparts has been extremely useful. However, lessons from the implementation of the NASSP show that the Government counterpart through the Donor and Development Partners Group is able to attract support from other development partners to second staff and or finance the cost of technical specialists in areas like payment systems design, MIS, system strengthening, and stakeholder engagement.

F. Lessons Learned and Reflected in the Project Design

90. **The NASSP-SU is a follow-up project of the on-going project, NASSP, which is under implementation since 2016, and is based on extensive lessons and experiences over time.** It is expected that most of the intervention approaches, the delivery mechanisms, and systems developed through the NASSP will be used to facilitate quick scale-up and implementation of the NASSP-SU, primarily in response to food price shock. The proposed program will also draw lessons from other programs in Nigeria, such as CARES, and other countries with similar and relevant experience. Annex 4 provides more details on the growing evidence on the impacts of social safety nets on equity, resilience, and opportunities among the poor and vulnerable in Africa and Nigeria in particular. Some of the important lessons that are considered in the design of the NASSP-SU are detailed in the following paragraphs.

91. **It is important to align the interventions with the long-term vision and national priorities.** The NASSP was designed as one of the important Government programs initiated to contribute to the Government's vision to lift over 100 million poor and vulnerable Nigerians out of poverty over the medium to long term. The same vision and priorities remain relevant. The NASSP-SU is also anchored within the framework of the current Government priorities to respond to the current shocks in the short term and address poverty and vulnerability in the medium to long term.

92. **Scale is important to expand coverage and maximize impact.** Given the severity of poverty and the widespread impact of the shocks such as inflation and the COVID-19 crisis, it is important to consider a program at scale in terms of coverage and interventions to make a difference.

93. **Scalability and shock responsiveness.** By design, the existing program focuses on addressing chronic poverty and vulnerability with defined coverage to target specific categories of poor people and with the focus in rural areas. The experience from the recent scale-up of the NASSP in response to the COVID-19 crisis in urban areas, and the lessons from Sahel and shock-prone countries in East Africa, has brought into picture the importance of safety net programs in responding to shocks by expanding vertically and horizontally to address the needs of different vulnerable groups and establish foundational systems ex ante in anticipation of such shocks.

94. **Investment in building the national delivery system is crucial.** The NASSP has given strong attention to supporting the development of building blocks of the national social protection systems and delivery mechanisms. These include a comprehensive NSR; digital payment delivery mechanisms and financial inclusion mechanisms; and various citizen engagement, social accountability, and social inclusion mechanisms. These systems have now established a good platform for the delivery of different social programs implemented by various institutions in Nigeria. These include COVID-19 response CT

interventions implemented by United Nations agencies. The experiences and lessons have also been shared with other countries designing similar programs.

95. **Innovations and the use of technology to design and implement shock responsive safety net programs facilitate effective delivery and timely response at scale.** The NASSP has emphasized the use of technology in various aspects of its interventions including in targeting, digitized payment, GRM, M&E and reporting, and fiduciary management. The recent initiative of the program of adopting satellite imagery-based poverty maps and the use of cellphone technology to identify the poorest wards and the potential beneficiaries as well as further digitization of the payments delivery mechanism to scale up support in response to COVID-19 shocks in urban areas can be cited as good examples. This is also linked to the RRR, which will serve as a foundation for shock responsive social protection systems in Nigeria. The NASSP-SU will use the technology-based targeting and payment delivery approach developed under the current program.

96. **Urban context is different.** Experiences from Nigeria and other countries show that the urban context is different in the design and implementation of safety net programs. It is important to take into account the specific dynamics of urban areas in the design of intervention options and delivery mechanisms of the NASSP-SU for urban areas. The lessons from the NASSP related to the scale-up for COVID-19 in urban areas, which include building technology-based shock responsive RRR, will be used for targeting and delivery of CT support through the NASSP-SU in urban areas.

97. **The importance of promoting links with other programs.** Evidence from Nigeria and globally shows that CTs have an important impact in reducing poverty and vulnerability; smoothening consumption; improving access to social services such as education, health, and nutrition; and promoting engagement in productive activities and in access to labor market. To this effect, it is critical to ensure strong links and complementarity with other relevant sectoral programs and institutions (for example, agriculture sector and rural development programs that provide extension and livelihood services) to ensure sustainability and maximize human capital sustainable livelihood impact. Good lessons can be drawn from the NASSP experience in the implementation of conditional CTs to create incentives for families to send their children to school and access health services and the productive inclusion activities that support sustainable livelihoods for poor and vulnerable beneficiaries and exit from CT program.

98. **Institutional sustainability and strengthened capacity for effective delivery of the project is critical.** The NASSP was designed to support the Government's vision to establish and strengthen sustainable institutional structures and arrangements at all levels for the coordination and delivery of various social safety net programs. The existing institutions, such as NASSCO and the NCTO, at the national level and State Operations Coordinating Unit (SOCU) and SCTUs at the state level are expected to be fully institutionalized as a permanent structure in the concerned ministries, departments, and agencies (MDAs). Some states (for example, Lagos) have put this into action and others are in progress. Moreover, while the NASSP as a project is a federal program, it is important to further strengthen the role of states in the implementation and monitoring of the program and ensuring full ownership at the state leadership level. The experience from the current phase of formalizing such role through an MoU with each state is important and will be further promoted in the NASSP-SU.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

99. **Implementation arrangements for the NASSP-SU will be fully streamlined into the existing government structures at the federal, state, and local government levels.** The GoN created the FMHADMSD and decided to relocate the flagship NASSP to the ministry as part of having a more sustainable institutional home for all its social safety nets interventions. The relocation of the NASSP to the FMHADMSD means the institutional arrangement of the NASSP-SU will use the same structure. Within this broader framework, the NASSP-SU will be expected to maintain, by and large, the existing institutional arrangement. The institutional and coordination arrangements for the NASSP-SU include (a) establishment of the national- and state-level Steering Committees; (b) the NASSCO with the NSR; (c) the NCTO; (d) state-level coordination and implementation structures including SOCUs and SCTUs established in all 36 states and FCT, Abuja; and (e) implementation offices in LGAs led by local government desk officers (LGDOs). The formation of a National Steering Committee (NSC) and reconfirmation of the roles and responsibilities of NASSCO and NCTO for the project will be effectiveness conditions for the project and the establishment of the SOCUs and SCTUs and signing of the MoU with states will be disbursement conditions for the project.

100. **National Steering Committee (NSC).** A federal-level project Steering Committee will be formed and will be headed by the Minster of the FMHADMSD and will comprise ministers of the key sectoral ministries and heads of agencies (Ministry of Finance, Ministry of Education, Ministry of Health, Ministry of Women Affairs, Ministry of Agriculture, and Ministry of Water Resources) to provide oversight and policy guidance to the program. The terms of reference (ToR) for setting up the Steering Committee will be prepared by the FMHADMSD and will be cleared by the World Bank. It will be expected to adequately reflect that the NSC provides an important strategic oversight for the project, and it will define the future direction and sustainability of the program. This will include the broader social protection investments in relation to human capital development, social protection reform agenda, and pro-poor initiatives. The National Coordinator - National Social Investment Programs (NC-NSIP), through the Permanent Secretary, FMHADMSD, will serve as a secretariat for the NSC with the support from NASSCO and the NCTO national program managers (NPMs). The NSC will be expected to meet on a semiannual basis and will have periodic interface with the Governor's Forum at the national level to further strengthen the engagement of states.

101. **State Steering Committee (SSC).** At the state level, the Steering Committees will be chaired by the Commissioner (or the equivalent) responsible for planning and budget in the state and will comprise Commissioners and Permanent Secretaries of the key sectoral ministries and heads of agencies (Ministry of Finance, Ministry of Education, Ministry of Health, Ministry of Agriculture, Ministry of Water Resources [or its equivalent], and Ministry of Women Affairs [or its equivalent]) to provide oversight and policy guidance to the program. The ToR for setting up the Steering Committees will be prepared by the FMHADMSD in consultation with the Nigeria Governors' Forum and will be cleared by the World Bank. The SSCs will provide important strategic oversight for the project at the state level. This is part of defining the future direction and sustainability of the program and will include the broader social protection investments in relation to human capital development. The coordinators of SOCU in the 36 states and the FCT will serve as a secretariat for the SSCs. The SSCs will be expected to meet on a semiannual basis and will be having periodic interface with the various State Executive Councils to further strengthen program (NASSP-SU) engagement at the state level.

102. **Federal-level project management, coordination, and implementation arrangements.** At the federal level, NASSCO and the NCTO, will manage and coordinate implementation of the NASSP-SU under the general oversight of the NC-NSIP. While the actual implementation of the program will be the responsibility of states and LGAs, NASSCO and the NCTO will provide general oversight, technical support, supervision, M&E, resource management, and allocation for states. The PIM will include a clear delineation of the roles and responsibilities of NASSCO and the NCTO implementation units and offices. Also, the roles and responsibilities of the SOCUs and SCTUs as well as LGA desk officers will be spelt out.

103. **NASSCO will coordinate targeting-related design and implementation and other associated system agenda including maintaining NSR and RRR.** It also coordinates cross-cutting issues related to the development of the delivery system, M&E, fiduciary management, gender and social inclusion, citizens engagement and social accountability, and environmental and social safeguard issues. NASSCO will be headed by an NPM-NASSCO to be assigned by the FMHADMSD based on a ToR agreed with the World Bank. The NPM-NASSCO will report to the NC-NSIP who will report to the permanent secretary (FMHADMSD). The NPM-NASSCO will be fully responsible for the management and coordination of NASSCO activities including NSR and RRR. The role of NASSCO to coordinate and implement important social system agenda, including NSR and RRR, is highly tasking and requires technical skills for developing a robust delivery system. To play this role, NASSCO is required to attract high-level personnel from within and outside government. NASSCO will put in place high-level information technology (IT) infrastructure, systems, management, and technical specialists under it, as cleared by the World Bank.

104. **The NCTO will be responsible for the implementation management and coordination of CT and related delivery system of the NASSP-SU.** The NCTO will be led by a qualified NPM-NCTO who will be assigned by the FMHADMSD. The NPM-NCTO will report to the NC-NSIP who will in turn report to the Permanent Secretary (FMHADMSD). The NPM-NCTO will be fully responsible for the management and administration of the NCTO Unit and for the coordination of CT-related activities. These include effective transfer of cash to beneficiaries and development of digitized payment delivery mechanism, annual work plans, financial management (FM) and budget, training plans, Procurement Plans, M&E, grievances, technical support to states, engagement of stakeholders, and so on. The NPM-NCTO will be supported by a team of officers on a full-time basis but will also need short-term consultants as technical specialist who will provide necessary expertise around the relevant systems and technology for payments and reconciliation as needed. The ToR for the staff to be deployed to the unit will be reviewed and agreed with the World Bank.

105. **State-level project implementation and coordination arrangements.** The SOCUs and an SCTU are established in all 36 states and the FCT, Abuja. The SOCUs and SCTUs in each of the 36 states and the FCT will serve similar functions to that of NASSCO and the NCTO, at the state level. The NASSP-SU will be a federally financed and coordinated program, but implementation will be decentralized to the state level and the FCT, except for the activities that require direct implementation responsibility of federal units. NASSCO and the NCTO will provide guidance through standards provision to the state-level implementation bodies to ensure speedy implementation of project activities. This is building onto and fostering a continuation of the strong state-level institutions created by the flagship NASSP regular-CT program in Nigeria. The NASSP has facilitated the process of housing the SOCUs in the State Office of Budget and Planning, which is responsible for establishing and managing the State Social Registry (SSR). The NASSP-SU will ensure that the SOCUs will be further integrated into the state structures and report to the Permanent Secretary of the State Office of Budget and Planning. The SCTU will coordinate monitoring and reporting of CT payments at the LGAs, prepare lists of beneficiaries eligible for payment,

and facilitate implementation of productive and economic inclusion activities including coordination of behavior change communication trainings of the project. The ministry housing the SCTU may vary from state to state depending on the state's institutional set-up, but likely locations include Ministries of Social Development and Women's Affairs. In the LGAs, desk offices will be established to implement CBT, GRMs, and monitoring activities. States and LGAs will receive financial and technical support from NASSCO and the NCTO to carry out their responsibilities. Mirroring the federal structure, the role of SOCU in building the RRR and SCTU in payment delivery, monitoring, and reporting in relation to the LGAs will be clearly detailed in the PIM.

106. **The federal- and state-level implementation roles on the NASSP-SU intervention are distinctly separated.** The NASSP-SU is federally funded. But implementation lessons from the ongoing NASSP show that decentralized implementation will encourage state buy-in and provide strong support and delegated decision-making for the success of NASSP-SU. The NASSP-SU builds on the lessons from the NASSP flagship CT intervention, which clearly demonstrated that the project was designed and funded at the federal level but had strong state-level implementation structures. A key lesson going into the NASSP-SU is the need for an expanded role for state implementation units in the area of coordination and implementation of the project (implementation, monitoring and supervision, and specifically earmarking of resources both from the IDA fund and from the domestic resources to support operations). The contribution of the state government will inspire ownership and control of the project and help integrate the project into the state structure. The SOCUs and SCTUs will report directly to the appropriate state supervisory body. Also, all funds allocation and transfers between NASSCO and the SOCU and between the NCTO and SCTU shall be communicated to the supervisory body and the SSC. This is important for the sustainability and institutionalization of NASSCO and the NCTO, at the national level, and the SOCUs and SCTUs, at the state level. There is a need for the Government to plan to evolve the existing project coordination units (NASSCO, NCTO, SOCU, and SCTU) into more permanent structures under respective federal- and state-level institutions as units/departments coordinating and implementing social protection programs, beyond the NASSP-SU.

107. **The COVID-19 pandemic reignited conversation on the need to strengthen the shock responsive institutional arrangements and systems at the federal and state levels.** The need to strengthen the MoU between the Federal Government with all participating states describing in clear terms the roles and responsibilities at both the federal and state levels cannot be emphasized enough. The design of the NASSP-SU acknowledges that the participating states are still struggling under the fiscal crisis and challenges that are made worse by COVID-19. However, the minimum conditions for participation of states will include (a) long-term deployment and retention of the SOCU and SCTU staff from the state civil service; (b) institutionalizing and strengthening of the established SOCU and SCTU and provision of a clear budget line for annual running/operating cost; (c) undertaking of CBT and establishment of the Social Registry according to the agreed federal guidelines; and (d) revision and reinforcement of the signed/existing MoU with the Federal Government of Nigeria.

108. **The management and funding for the NASSP-SU program at the state level shall be Output-Based Disbursement (OBD) framework** and the funding disbursed directly to state accounts on an OBD basis to enable implementation by the state on operations in line with agreed work programs. The OBD will cover costs associated with (a) expansion of the RRR; and (b) enrollment of the beneficiaries to the payment system and the NBR. The unit costs for these activities will be established based on an updated costing of the processes and activities involved. These unit costs will be included in the PIM.

109. **The OBD framework will serve as a foundation to strengthen the outcome orientation of future operations.** Currently, the nascency of existing programs and systems, weak implementation capacity to deliver at scale, emergency need to deliver, together with lack of pre-financing ability of the Government, have led to the choice of Investment Project Financing (IPF) as financing mechanism for the emergency CTs. With the support of the proposed NASSP-SU, the existing mechanisms and system components would evolve into a broader national program. With improved systems and mechanisms to deliver at scale and with adequate implementation capacity, future CT programs could potentially be delivered through results-based financing, conditional on fiscal space.

B. Results Monitoring and Evaluation Arrangements

110. **This project will build on the large investments made by the Government in systematically monitoring the implementation of the NASSP.** The M&E system will use a combination of M&E processes of the identification of beneficiaries and delivery of benefits. This includes the use of independent third-party CSOs to report on results and ensure accountability. The NASSP-SU government team will strengthen the established M&E system to assess project progress toward set objectives while also responding to the realities of collecting regular monitoring data through a decentralized M&E system. A comprehensive M&E manual and M&E plan will be developed before the effectiveness of the program. The results will be integrated into a detailed project M&E plan that will ensure a systematic process to strengthen monitoring of results. The targeting, enrollment and payment mechanisms will be used as the M&E continuum and basis for monitoring and evaluating the project. The project will also incorporate an evaluation and research agenda that will help improve and refine the targeting mechanisms and quantify various outcomes of the project activities. In addition, specific process review and evaluation of the various delivery mechanisms will be conducted. The responsibility for M&E and assessment of progress of the indicators lies with the M&E units of NASSCO and the NCTO at the federal level, but the results will be generated from the states by the M&E officers at the state level. NASSCO and the NCTO will obtain information on the indicators from the SOCU/SCTU M&E Units and will also contract independent consultants or firms to support the assessment of the achievement of results for the NASSP. The M&E system will be fully integrated into the digital MIS established under the current NASSP.

C. Sustainability

111. **The project is firmly anchored in the Government system to provide social safety nets, ensuring the sustainability of project financed activities beyond the project closing date.** The NSR remains at the core of the Government's social safety net delivery system and has been supported by multiple World Bank-financed projects including the YESSO, NASSP, and CARES in addition to this project. The expansion of the RRR under this project will be integrated with the NSR. Several government- and nongovernment-financed social programs use this platform to deliver social assistance. The project will further strengthen the institutional arrangements of safety nets delivery, ensuring its sustainability beyond the project duration. In this regard, it is recognized that the project management and coordination units both at the federal and state levels are considered to be institutionalized into the regular government structures in the relevant ministries. In addition, the existence of large-scale safety nets, such as the one developed through this project, can facilitate broader reforms (such as in the energy sector) in the country, which further increases options for sustained financing of safety nets program. Likewise, the Government is also considering options to exit beneficiaries out of the safety nets system. The World Bank is also supporting the Government in this through its programmatic analytical and advisory support activities, in particular

on mapping the social protection landscape in the country and exploring options for increased financing for social protection through a fiscal space analysis.

112. The ongoing broader national policy level dialogue and the efforts to further reform the social protection sector will further ensure the sustainability of the gains and investments through the program and will facilitate the continuation of similar interventions in the long run. These efforts include (a) the revision of the lead NSPP framework; (b) the establishment of the lead institution to coordinate social protection policy and implementation; (c) various reforms currently under discussion to create more sustainable financing of the sector; and (d) the commitment to strengthen the system and capacity both at the national and state levels.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

113. **The technical design of the project is informed by global best practices in responding to shocks and recent technological advancements in the country**. Short-term CT has been the most common policy response to shocks, particularly over the past couple of years in response to the COVID-19 crisis.[67] CTs have been found to be effective in providing relief and improving outcomes even in the short term.[68] In line with international best practice, CT are especially effective when combined with systems strengthening to build resilience in longer term. In addition, recent expansion of the financial services and products, as well as the expansion of the network of payment agents in the country has made it possible to open transaction accounts in bulk and transfer payments directly to their accounts in an efficient and cost-effective manner. Likewise, the increase in prevalence of cellphones in urban areas and advancements in big-data availability and analysis have made it technically possible to rapidly expand the registry in urban areas (through RRR).

114. **The development impacts of the ESR-CT are expected to be large.** First, the ESR-CT provides immediate relief to beneficiaries against the high inflation on (food) price. The levels of food price inflation alone between June 2020 and June 2021 is expected to have pushed an additional 5.6 million Nigerians to poverty (annex 4, figure 4.3 panel B), equivalent to an increase of the poverty rate from 40.1 percent (NLSS 2018/19) to 42.8 percent (annex 4, figure 4.3 panel A).[69] The proposed transfer of N5,000 per month per household for six months under the ESR-CT (Component 1) of the project would compensate 54 percent of the average loss in per capita consumption stemming from food price inflation in the same period (annex 4, figure 4.2b). About two-thirds (65 percent) of the welfare loss would be compensated

[67] CTs constitute the majority of social assistance responses to COVID-19 (Gentilini et al. 2021).
Gentilini et al. 2021. 'Global Database on Social Protection and Jobs Responses to COVID-19'. Washington D.C.
[68] About 74 cents of every dollar transferred by seven cash transfer programs across Africa went toward increasing total consumption, while spending on food increased by 36 cents for nine cash programs. In Africa, Asfaw and Davis (2018) find unambiguous improvements in food security. Overall, most studies find some positive effects on measures of food security (Bastagli et al 2019; Alderman 2015).
Asfaw, S. and Davis, B. 2018. 'The impact of cash transfer programs in building resilience: Insight from African countries'. IFPRI, Washington DC.
Alderman, H. 2015. 'Leveraging social protection programs for improved nutrition: Summary of evidence prepared for the Global Forum on Nutrition-Sensitive Social Protection Programs, 2015.' IFPRI and World Bank. Washington, DC.
Bastagli, F., Hagen-Zanker, J., Harman, H., Barca, V., Sturge, G., Schmidt, T. and Pellerano, L. 2016. 'Cash transfers: What does the evidence say? A rigorous review of programme impact and of the role of design and implementation features'. ODI Report
[69] See annex 4 box 4.1 for a methodological note on these estimates.

for rural households versus 42 percent for urban ones (annex 4, figure 4.2b)—a difference arising due to higher absolute consumption in urban areas. Likewise, the transfers would compensate a larger share of the loss for poorer households: the transfer would more than compensate the welfare loss for the poorest decile, against less than half for the richest decile (annex 4, figure 4.2b). Similarly, the transfers would compensate 78 percent of the welfare loss for the bottom six deciles in rural areas and 52 percent in urban areas. Second, by targeting poor and vulnerable households, the ESR-CTs provide a safety net to those at risk of falling into poverty or resorting to negative coping strategies (such as reduced food consumption, sale of productive assets, and reduced investment in education and health) that can reduce their prospects of escaping poverty beyond the immediate crisis. This rationale further justifies public financing of CTs.

115. **The digitalized form of CTs through transactional accounts also has its benefits.** First, it can save significant amount of time and cost for the beneficiaries as they do not have to travel to receive the transfers. Second, increased use of digital payments can enhance transparency and security by increasing accountability and tracking and reducing errors and risks of fraud, which saves administrative costs and program leakage for the Government. Third, compared to the existing payment mechanism under the NASSP, the use of scalable straight-through processing of payments digitally to beneficiary accounts yields significant cost savings to the project. Furthermore, increased opening of transactional accounts also promotes financial inclusion particularly among the poor and vulnerable, women, and those with special needs or disabilities, further promoting inclusive growth.

116. **The development impacts of the extended regular CTs to the poor and vulnerable are expected to be large and numerous.** The regular-CTs will improve household welfare through an increased consumption of basic necessities, improved asset ownership, increased safety nets and a reduction in extreme coping behaviors, and potentially, increased investments in human capital. For instance, the regular-CT is expected to increase the consumption per capita of rural poor beneficiaries by 7 percent and reduce the poverty gap of the average rural poor beneficiary household by 13 percent.[70] There is also growing evidence on the impacts of social safety nets on equity, resilience, and opportunities among the poor and vulnerable in Africa.[71] More specifically, there is also recent evidence for rural CTs in Nigeria showing how the regular-CT proposed under Component 2 might have significant developmental impacts for both beneficiary and non-beneficiary households (annex 4, paragraph 10). Friedman et al. (forthcoming)[72] investigate a large unconditional CT in ultra-poor households in Northern Nigeria. The results suggest the CTs immediately spurred new business creation among women, improved households' food security, and increased livestock ownership. Importantly, one year after the cessation of the CTs, the authors observed a large positive local multiplier effect: CT payments benefit not only the immediate recipients but also non-beneficiary women in the community. Beyond economic outcomes, Carneiro et

[70] Simulations based on the NLSS 2018 and using transfers simulated accounting for inflation and temporal and regional deflator.

[71] See Beegle, Kathleen. G., Aline Coudouel, Montiel Monsalve, and Emma Mercedes. 2018. *Realizing the Full Potential of Social Safety Nets in Africa*. Washington, DC: World Bank Group. http://documents.worldbank.org/curated/en/657581531930611436/Realizing-the-Full-Potential-of-Social-Safety-Nets-in-Africa, Chapter 2 'Social Safety Nets Promote Poverty Reduction, Increase Resilience, and Expand Opportunities'.

[72] Friedman, Jed, Markus Goldstein, Paula Gonzalez, and Sreelakshmi Papineni. Forthcoming. 'Cash Is Queen: Local Economy Growth Effects of Unconditional Cash Transfers to Women in West Africa'. The cash transfers in this study were part of the Feed the Future Nigeria Livelihoods Project funded by the United States Agency for International Development and implemented by Catholic Relief Services, Nigeria.

al. (2021)[73] evaluate a CT program offered to pregnant women and mothers in households in extreme poverty in Zamfara and Jigawa states. The results suggest large and sustained improvements in children's anthropometric and health outcomes. Furthermore, the ongoing impact evaluations under the NASSP will also shed further light on the impacts of improved mechanisms to deliver additional livelihood support activities, which could be incorporated into how the program evolves moving forward. Early results suggest that sustained CTs significantly improve food security, household savings, productive investments, and recipient (primarily female) wellbeing and decision-making autonomy.

117. **Systemic improvements to the delivery system will improve the efficiency of resource usage by minimizing leakage and maximizing gains from the CTs.** Improved institutional coordination, integrated delivery systems, and integrated information will increase the efficiency of other safety programs within and beyond the current project as well. This includes the new innovative targeting approaches using satellite imagery-based poverty maps and the use of big data coupled with cell-phone technology which will facilitate effective targeting of the poor and vulnerable beneficiaries and quick roll-out of the project in the emergency context. The selected approaches for targeting and payment system will also ensure the readiness of the project to deliver the services immediately after effectiveness.

B. Fiduciary

(i) Financial Management

118. **The FM system for the project will be identical to that of the NASSP and will incorporate lessons from the most recent review of the FM system for the NASSP**. The responsibility for establishing and maintaining acceptable FM arrangements for the project will be handled by the existing Project Financial Management Unit (PFMU) in the 36 states and the FCT and the Federal Project Financial Management Department (FPFMD) at the federal level. The Federal Treasury Circular of March 2010 established the FPFMD in the Office of the Accountant General for the Federation to handle the FM responsibilities for funds provided to MDAs by donor partners. At the state level, the PFMUs in the Office of the Accountant General, as with the FPFMD, handle the FM responsibilities for funds provided by IDA.

119. **The PFMUs and FPFMD are multi-donor and multi-project FM platforms, established in all states and at the federal level, respectively, through the joint efforts of the Government and the World Bank**. These common FM platforms feature robust systems and controls. The PFMUs and FPFMD in the participating states are presently involved in the implementation of a number of World Bank-financed projects. The World Bank's recent review showed that these units have been performing satisfactorily. To strengthen the FM system in the PFMUs and FPFMD, implementation of some action plans is required. The inherent FM risk for this financing is assessed as Substantial and residual FM risk with mitigation measures is Moderate. Annex 1 provides additional information on FM.

120. The PFMUs and the FPFMD will designate, from the pool of professional accountants in the state- and federal-level Offices of the Accountant General, a project accountant, a project internal auditor, and other support accounting technicians that will make for appropriate segregation of duties. The PFMUs and FPFMD will support the project to prepare and submit annual audited financial statements and calendar semester unaudited interim financial reports (IFRs) in the format agreed with the World Bank

[73] Carneiro, Pedro, Lucy Kraftman, Giacomo Mason, Lucie Moore, Imran Rasul, and Molly Scott. 2021. "The Impacts of a Multifaceted Prenatal Intervention on Human Capital Accumulation in Early Life." *American Economic Review*, 111 (8): 2506-49.

within agreed timelines. A computerized accounting system will be used and shall be configured in line with the formats of the IFR and the annual financial statements. The project bank account at the federal level will be opened with the CBN, and at the state level the accounts will be opened with reputable commercial banks acceptable to IDA.

(ii) Procurement

121. The Procurement Capacity Assessment, conducted by the World Bank, finds that the procurement system, capacity, and performance of the NCTO and NASSCO can adequately provide reasonable assurance that the credit 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 inherent procurement risk is considered Substantial, while the residual risk after implementation of the recommended mitigation measures is assessed as Moderate. More details on procurement arrangement are provided in annex 1.

122. Procurement arrangements for the proposed project will be the same as in the NASSP. The NCTO and NASSCO will be responsible for procurement implementation. Procurement under the project will be in accordance with (a) the World Bank Procurement Regulations for IPF Borrowers, dated November 2020; (b) World Bank Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (Anti-Corruption Guidelines), dated October 15, 2006, and revised in January 2011 and as of July 1, 2016; and (c) provisions of the FA.

123. **Project Procurement Strategy for Development (PPSD).** With support from the World Bank, the Borrower has prepared and finalized a PPSD. The PPSD findings include the following: (a) none of the activities in the 18-month Procurement Plan prepared by the NCTO and NASSCO will require Accredited Procurement Manager's or Operational Procurement Review Committee's clearances; (b) the GoN is strengthening its public procurement institutions and systems through the development of e-procurement, institutionalization of academic tracks in procurement, and rolling out of procurement professional certification program; (c) the major procurement activities include PSPs, office equipment, consulting services—although the PSP market has expanded only marginally during the last four years, bidding for PSPs under the parent project attracted moderate competition; the market sounding revealed that many consulting firms are willing to express interest in activities to be funded under the NASSP-SU; (d) procurement capacities in the NCTO and NASSCO are adequate; relevant project staff will continue to be trained by the World Bank on the provisions of the Procurement Regulations—procurement implementation will be closely monitored and supported by the World Bank to ensure transparency, accountability, and value for money in the use of the NASSP-SU funds; and (e) adequate mitigation measures have been proposed in the PPSD to address the identified risks of political interference, volatile exchange rate and high inflation.

C. Legal Operational Policies

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

D. Environmental and Social

124. **The project is implemented under the World Bank ESF and is rated Substantial for social risks and Moderate for environmental risks.** Therefore, the overall environmental and social risk of the project is Substantial. The relevant Environmental and Social Standards (ESS) are ESS1 (Assessment and Management of Environmental and Social Risks and Impacts, ESS2 (Labor and Working Conditions), ESS3 (Resource Efficiency and Pollution Prevention and Management), ESS4 (Community Health and Safety), and ESS10 (Stakeholder Engagement and Information Disclosure).

125. **The project is expected to have positive impacts on the identified population as it will critically address the economic shocks created by the COVID-19 pandemic and inflation rates, correlated and collocated with exposure to climate vulnerabilities in Nigeria.** However, the project is anticipated to have environmental and social risks and impacts.

126. **Environmental risks.** The project is assessed as Moderate for Environmental risk. The project will not give rise to or implement any civil works. The environmental risk is due to concerns relating to getting infected with COVID-19 if the crowds of potential project beneficiaries are not properly managed during registration and enrollments and generation of e-waste from the likely procurement of computers and accessories for program management and for system development activities of the program especially at the national and state levels. Considering this risk, the project will mainstream attention to occupational and community health and safety by building on good industry international practice (especially the World Health Organization [WHO]) and ensure that enrollment points are available, in addition phasing out enrollment procedures according to the recipient ID number to reduce the risk of large gatherings in any one point. Communications about signages around enrollment points will also be used to reinforce social distancing and other behavior that supports prevention. The GoN will follow the WHO guidelines for social distancing and a proactive community outreach and expand on the use of bank accounts all over the country. The Client will prepare a generic Environmental Social Management Plan (ESMP) one month after effectiveness that will detail how the e-waste will be properly managed.

127. **Social risks.** Potential social risks include the following: (a) social exclusion of untargeted vulnerable groups such as persons with disabilities, persons living in slum communities, internally displaced persons (IDPs) living in camps located in urban areas, people who may be excluded due to incorrect capture in the RRR because of insufficient effort to reach them, or issues with network connectivity and bank account, and people unable to register due to lack of phones; (b) apathy due to delays caused by the previous Government program, including the NASSP (P151488), which may deter the credibility of the support among potential beneficiaries; (c) complaints and grievances due to selection process and service delivery; (d) risk of elite capture; (e) inadequate stakeholder consultation/engagement; (f) project-induced GBV risks, including SEA/SH risk; (g) the use of technology that may be costly to implement programs at scale; (h) potential for incorrectly identifying the poor in urban areas due to the use of spatial analysis besides irregular collection of detailed population data; (i) difficulty in access for the elderly, persons with disabilities, and remote groups; (j) difficulty for women with limited digital and financial literacy to understand and access virtual cash; and (k) the need to take public transportation, which may expose women to GBV. Although payments to beneficiaries will be electronic and directly deposited to their transactional accounts, in areas with low coverage of financial access points, the project will engage PSPs to provide the service of roaming access points on an ad hoc basis; this measure will remove the risk of potential security issues related to cash payment. There may also be issues on data protection.

128. **Risk of social exclusion of untargeted groups.** Some groups may likely be potentially excluded from support due to poor targeting. Such groups include persons with disabilities, persons living in slum communities, IDPs living in camps located in urban areas, people who may be excluded due to incorrect capture in the RRR as a result of insufficient effort to reach them or issues with network connectivity and bank account, and people unable to register due to lack of phones. In rural areas, no new targeting process would be used. The project will rely on data captured in the NSR. The issue of exclusion is relevant because there may be people who were not previously captured in the NSR, and there are no openings for new targeting. The project will employ lessons learned from the NASSP to address social exclusion issues: building strong communication campaigns/outreaches, ensuring common Nigerian languages are in use to expand communication reach to potential beneficiaries and stakeholders, and implementing specific outreach strategies to reach the poor and marginalized groups to include and engage them through project activities. Various means of communication would be employed to include radio jingles; announcements in churches and mosques; use of town criers (specifically in rural areas); print media; social media; and information, education, and communication materials. The project will also establish dedicated stalls in communities to support persons without mobile phones to assist them with registrations. Provisions will be made for people unable to register, such as persons with disabilities, despite the options provided. For such persons, the project will explore the possibility of home visits. The modalities to deter further exclusion will be explored further and steps documented in the PIM. Nonetheless, the issue of exclusion could persist despite measures provided.

129. **The existing social accountability mechanism, including GRM, third-party monitoring, community satisfaction survey, and other mechanisms under the NASSP, will continue to be used for the new project.** The GRM system will continue to ensure that all beneficiaries and non-beneficiaries make complaints about the management of the targeting process, timeliness, and completeness of transfers and any other perceived abuses of the NASSP. Multiple gender-sensitive entry points to launch appeals or complaints will be available both within and outside communities. The GRM system established under the NASSP is functional, taking in and promptly resolving complaints. The GRM will be reviewed annually to assess the functionality of the appeals and complaints system. Within six months after project effectiveness, a process evaluation (review) of the effectiveness of the different delivery approaches (targeting, payment, social accountability mechanism, gender, social inclusion, and so on) will be captured in the M&E plan of the program and will be conducted under Component 1 (urban locations) more specifically and to include Component 2, as necessary, to ensure that additional social and accountability risks are not created.

130. **The project does not anticipate the use of security personnel** because payment will be fully digitized for almost all targeted beneficiaries. For those beneficiaries where the digital payment system cannot be used, the project will engage PSPs to provide the services of roaming access points on an ad hoc basis in areas with low coverage of financial access points. This limits the issue of large gathering in one location for cash collection. A security procedure has been developed under the NASSP, which will be adopted in the NASSP-SU to address issues on security management. However, in situations where the use of security personnel becomes critical due to the impending insecurity situation in-country, the employment of the security personnel will be done by the client according to the provisions in ESS4 of the ESCP.

131. **Risk of COVID-19.** COVID-19 cases have been rising in-country, and with the new variant in transmission, there is a need to ensure that grounds for physical registrations, enrollments, and stakeholder awareness activities could be potential points of the spread of infection. To mitigate health

risks emanating from COVID-19 or other infectious diseases, the project will adopt Nigeria Center for Disease Control and WHO guidelines on crowd management issues and the World Bank technical note on organizing stakeholder engagement during the COVID-19 crisis. These guidelines will be provided in the generic ESMP, PIM, and SEP to be applied during each group mobilization activity. The measures shall aim at ensuring that direct and indirect workers and all stakeholders involved are safe.

132. **SEA/SH risk assessment.** The project was screened as moderate SEA/SH risks using the World Bank's Draft Human Development SEA/SH Risk Rating tool. The result from the assessment is attributed to the country context and project-specific information. The client is familiar with employing SEA/SH mitigation measures under the NASSP and currently implementing SEA/SH action recommendations. Under this project, a GBV (SEA/SH) Action Plan will also be developed within one month of project effectiveness. The GBV (SEA/SH) Action Plan will be costed and included as part of the PIM and generic ESMP. The plan will detail how the participating states and other partners will put the necessary protocols and mechanisms to address the SEA/SH risks and address any SEA/SH incidents that may arise. Further, the plan will indicate the resources required to implement risk mitigation measures. The project will adopt the GBV Mapping of Service Providers[74] exercise currently embarked on by NASSP Implementing Units. The exercise will provide the NASSP and NASSP-SU a database of GBV service providers across all 36 states and the FCT.

133. **Environmental and social risk management instruments**. The World Bank's due diligence assessment of the project's potential environmental and social risks and impacts is detailed in the Environment and Social Review Summary (ESRS), which has been prepared and disclosed in the World Bank website.

134. The implementing agency (IA) has prepared and disclosed an ESCP in-country and at the World Bank external website on November 4, 2021. The ESCP includes material measures and actions which the IA is committed to prepare and implement, other environmental and social plans or instruments that would be developed during project implementation, including the timeline. The implementation of any commitment included in the ESCP will be monitored and reported to the World Bank. The ESCP, which is itself legally binding, is a negotiated document. Other key applicable ESSs relevant to the project are listed in the paragraphs below.

135. **ESS2: Labor and Working Conditions.** The IA will prepare Labor Management Procedures (LMP) as an annex in the generic ESMP within a month after the project effectiveness date, which will detail how project workers, including project implementers, PSPs, and contracted workers will employ the requirement of ESS2 and relevant national requirements. The LMP will include terms and conditions of employment; non-discrimination and equal opportunity; the establishment of worker's organizations; and occupational health and safety measures regarding COVID-19, which will detail requirements of social distancing and use of face mask, handwashing, and hand sanitizing. The LMP will set out grievance arrangements for project workers and codes of conduct that also address SEA/SH. The NASSP-SU will

[74] GBV mapping of service providers will include medical care and care for survivors of Intimate Partner Violence, case management and psychosocial support services, safety and security, including the availability of safe accommodation arrangements for the temporary physical safety of survivors at risks of physical harm, protection, and legal services, informal resources (including services such as the existing community-based mechanisms, and actors such as community-based organizations and women's groups and trusted individuals such as people who have been champions to speak out about positive male norms, and the unacceptability of SEA/SH and other forms of GBV.

adopt the workers' GRM system operationalized under the NASSP. The GRM system established under the NASSP is fully operationalization, taking in and promptly resolving complaints.

136. **ESS3: Resource Efficiency and Pollution Prevention and Management.** Potential risk from the likely generation of e-waste from the procurement of computers and accessories for program management as well as for system development activities of the program especially at the national and state levels, to satisfy this requirement. The client will prepare a generic ESMP within a month after effectiveness that will detail how the e-waste will be properly managed.

137. **ESS4: Community Health and Safety.** Potential risks and impacts to the community may include exposure to COVID-19 during physical registration/enrollment processes, risks related to project induced SEA/SH issues, and in-country security risks. Guidelines in addressing these risks will be provided in the PIM and the generic ESMP. The project will rely as much as possible on digital platforms to ensure that security risks are minimized. The project does not anticipate the use of security. The project will also adopt the existing security procedures developed under the NASSP to address issues on security management. However, in a situation where the use of security becomes critical due to the impending insecurity situation in-country, the employment of the security personnel will be done in accordance with the provisions in ESS4 in the ESCP. The generic ESMP will also include measures to address the SEA/SH risks and risk of community exposure to COVID-19. For SEA/SH mitigation measures, the codes of conduct for relevant project contractors and workers will be included in the ESMP to address SEA/SH behavior and the sanctions in case of infraction. The generic ESMP will include provisions to reinforce preventive behavior and specific issues on GBV and SEA/SH. As established above, the GBV (SEA/SH) Action Plan will be developed under the NASSP-SU and included in the generic ESMP and PIM.

138. **ESS10: Stakeholder Engagement and Information Disclosure.** The IA prepared an SEP, which has been disclosed in-country and at the World Bank external website on November 4, 2021. The SEP will be implemented and updated as needed throughout the project lifecycle. The objective of the SEP is to establish a systematic approach for stakeholder engagement, maintain a constructive relationship with them, consider stakeholders' views, promote, and provide means for effective and inclusive engagement with stakeholders and beneficiaries throughout the project life cycle. The SEP will ensure that appropriate project information is disclosed to stakeholders in a timely, understandable, culturally accessible, and appropriate manner, free of manipulation, interference, coercion, discrimination, and intimidation. To ensure this, the IA would need to engage in meaningful consultations with all stakeholders. The SEP also mentions the need for outreach programs targeted at beneficiaries to avoid issues of exclusion. Given the COVID-19 crisis, measures will be put in place to prevent or minimize the spread of the infectious disease/COVID-19 in the community. Community consultations with women related to SEA/SH risk mitigation will be conducted in safe and enabling environments, such as sex-segregated groups and female facilitators. The project will need to identify and consult with relevant stakeholders who could promote increased recruitment and encourage retention of female workers and community workers to ensure a female-friendly environment for the project's beneficiaries.

139. **GRM.** The GRM system established under the NASSP is functional, taking in and promptly resolving complaints. The NASSP-SU will adopt the GRM system operationalized under the NASSP. The NASSP design incorporates citizen engagement and social accountability as part of project ownership's inclusive and participatory process. A GRM app has been developed to ease the complaint process for beneficiaries and non-beneficiaries alike. Most grievances are resolved at the state and federal levels, and the outcome is communicated to the beneficiaries through LGA-level grievance redress officers. The

implementation of GRM is also monitored through third-party monitoring by CSOs and spot-checks. Under the NASSP GRM shows the recruitment of 74 state GRM managers and 774 LG grievance redress officers across the 36 states and FCT. As indicated, the project will adopt the systems established in the NASSP. The project will also establish a GRM specifically for project workers (including direct works and contracted workers) to raise workplace concerns. Details of the project workers' GRM will be provided in the LMP section of the generic ESMP.

V. GRIEVANCE REDRESS SERVICES

140. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the World Bank'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 World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank 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 World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate 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.

VI. KEY RISKS

141. **The overall risk of the project is assessed as Substantial.** The ratings stem from substantial macroeconomic, political and governance, fiduciary, environmental and social, and technical design risks.

142. **Political and governance risk is rated Substantial.** While there is high political buy-in for the program at the current Government leadership level, the upcoming national election, planned to take place in 2023, may pose significant risk in the year preceding and potential risks contingent on the outcome of the elections. To mitigate such risk, strong communications strategy and citizens engagement around the CT programs will be implemented. Clearly communicating to various levels of stakeholders (national, stage, and grassroot) with clear messaging on the project objectives and the shock responsive CT programs will be crucial.

143. **Macroeconomic risk is rated Substantial** due to concerns related to fiscal and institutional sustainability of the program and low level of investment and coverage of social protection. The recent efforts of the Government to strengthen the social protection sector through revision of the policy framework and creation of a responsible ministry for the social protection sector will address concerns related to sustainability and potential increased financing of the sector.

144. **Fiduciary risk is rated Substantial** due to the highly decentralized delivery of the program involving the flow of the project funds at the lowest administrative levels with low capacity. While the program implementation is highly decentralized, CT themselves (especially for Component 1) are centralized as CT are done through direct transfers from the project account to beneficiary accounts.

Following the implementation experience gained under the ongoing NASSP, the identified risks have over time been adequately mitigated.

145. **Mitigating possible fiduciary risk associated with integrity issues.** The ongoing effort and support provided by the World Bank's fiduciary and operational team including regular in-depth review, additional technical assistance personnel, fully digitized payment of transfer to beneficiaries, automation of FM system, and monitoring and social accountability measures, among others, will be expected to reduce integrity-related risks. Furthermore**,** considering that this is a shock responsive short-term emergency support for the poor and vulnerable population affected by the current economic and COVID-19-related shocks, the bulk of IDA allocation (over 93 percent) will be a transfer payment to targeted beneficiaries directly into their transactional accounts through digital electronic transfer, which will be expected to significantly mitigate the risk of integrity and possible misappropriation of the funds for unintended purposes. In addition, there are no significant procurement activities in this program that will pose substantial fiduciary management risk to the program. The various monitoring and social accountability measures designed and implemented under the existing program will be further intensified including the annual financial audit, quarterly CT audit, third-party monitoring through independent CSO, MIS linked GRM, and strengthened communication for active citizens engagement.

146. **Technical design of project risk is rated Substantial** due to the innovative but novel nature of the RRR rollout and the risks associated with the payment system and data protection environment. The current pace of the RRR rollout under the NASSP has been slower than expected due to unanticipated technical challenges and time it has taken to address those challenges. However, with subsequent iterations of the rollout across multiple phases and waves, many challenges are being resolved and the system is becoming increasingly efficient.

147. The risks of the proposed payment system include the potential of duplication/double-dipping due to the minimal KYC requirements for Tier 1 accounts and, relatedly, the potential of fraud. The risk will be partially mitigated through project processes to ensure that only one beneficiary account is enrolled in the payment system per beneficiary household (selected from the NSR and RRR). Furthermore, independent third-party monitoring and random post-distribution monitoring help deter (and detect) any fraudulent activities. Communication and outreach will be strengthened to increase awareness among beneficiaries and encourage them to report wrongdoings through the GRM. Nevertheless, residual risks may remain as the Tier 1 transaction accounts are not robustly uniquely identified (through, for example, biometric identification). Furthermore, the project will promote opening of and promoting to higher tier accounts where possible.

148. Because the project will be collecting and using private data (for example, bank accounts), there could be risks related to data management and cybersecurity. The project will conduct assessments of the existing data management protocols and systems and adopt appropriate mitigation measures to strengthen data management protocols and increase protection against identified cybersecurity threats.

149. **Environmental and social risks.** The overall project's environmental and social risk is rated Substantial. The project will not give rise to or implement any civil works nor acquire any land However, the risk of social exclusion from payment is likely to transpire through the RRR and the existing NSR for uncaptured potential beneficiaries. Nonetheless, the project will put in place specific support to ensure that specific vulnerable groups such as persons with disabilities, marginalized groups, and persons residing in IDP camps, and ethnic minorities are not excluded from the intervention by building strong

communication campaigns (in-person, through groups at churches and mosques, and marketplace), using media in Nigerian languages, and deliberately targeting vulnerable groups through specific approaches that promote social inclusion. The project would further mitigate other risks such as elite capture, inadequacy in consultation, and grievances/complaints due to service delivery by (a) implementing social accountability mechanisms to minimize the risk of elite capture and enhance transparency and accountability; (b) implement measures provided in the SEP to ensure robust and ongoing stakeholders' engagements throughout the project cycle; and (c) implementing responsive and efficient GRM and the respective Grievance Redress Committees at various levels. The NASSP established mechanisms (such as project-level GRM, GBV (SEA/SH) Action Plan, citizen engagement, communication approaches, and third-party monitoring) that will be adopted under this project to ensure that lessons learned and implementation experiences are appropriately incorporated. This would address the potential social risks and strengthen accountability. The project will, as much as possible, rely on digital platforms to ensure that such security risks are minimized. The project does not anticipate the use of security. However, in a situation where the use of security becomes critical due to the impending insecurity situation in-country, the employment of the security personnel will be done following the provisions of ESS4. Another impact could be the risk of getting infected with COVID-19 if crowds are not properly managed during the registration/enrollment processes. Considering this risk, the project will mainstream attention to occupational and community health and safety by building on good industry international practices (especially of the WHO) and ensuring that enrollment points are located countrywide and phasing out processes according to the recipient's ID number to reduce the risk of large gatherings at any one point at the same time. Communications about signages around enrollment points will also be used to reinforce social distancing and other behavior that supports prevention. The GoN will follow the WHO and Nigeria Centre for Disease Control guidelines for social distancing.

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY: Nigeria
National Social Safety Net Program-Scale Up

Project Development Objectives(s)

Expand coverage of shock responsive safety net support among the poor and vulnerable and strengthen the national safety net delivery system.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Expand coverage of shock responsive safety net support				
Beneficiaries of social safety net programs (CRI, Number)		15,000,000.00	56,000,000.00	56,000,000.00
Beneficiaries of social safety net programs - Female (CRI, Number)		7,500,000.00	27,500,000.00	27,500,000.00
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number) (CRI, Number)		15,000,000.00	56,000,000.00	56,000,000.00
Beneficiary households received shock responsive cash transfers (Number)		1,000,000.00	9,200,000.00	9,200,000.00
Of which female primary beneficiaries (Percentage)		35.00	45.00	45.00
Beneficiary households received extended regular-cash transfer support (Number)		0.00	2,000,000.00	2,000,000.00

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Of which female primary beneficiaries (Percentage)		0.00	94.00	94.00
Strengthen national safety net delivery system				
Urban wards covered through an efficient and scalable targeting and registration system (Number)		1,163.00	1,800.00	1,800.00
Beneficiary households received cash transfers through safe, secure, and scalable digital mechanism (Percentage)		16.00	70.00	70.00
Of which female primary beneficiaries (Percentage)		30.00	40.00	40.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Economic Shock Responsive Cash Transfer (ESR-CT)				
Urban beneficiary households targeted through satellite imagery and cell phone data based targeting approach and registered in the Rapid Response Register (RRR) (Number)		1,700,000.00	5,000,000.00	5,000,000.00
Of which female registrants (Percentage)		32.00	50.00	50.00
Rural households identified from National Social Register to receive the ESR-CTs (Number)		0.00	3,200,000.00	3,200,000.00
Of which female primary beneficiaries (Percentage)		0.00	60.00	60.00

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Amount of ESR-CT delivered per beneficiaries household (Amount(USD))		0.00	73.00	73.00
Beneficiary households received the ESR-CT in a newly setup transactional account (Number)		0.00	2,900,000.00	2,900,000.00
of which females primary beneficiaries (Percentage)		0.00		60.00
Beneficiaries satisfied with the delivery of shock responsive cash transfer program (Percentage)		0.00	80.00	80.00
of which female (Percentage)		0.00	80.00	80.00
of which Rural (Percentage)		0.00	80.00	80.00
of which Urban (Percentage)		0.00	80.00	80.00
Beneficiary households received cash transfers within 10 days of the payment schedule (Percentage)		0.00	80.00	80.00
Report on beneficiary profile produced and disseminated publicly (Number)		0.00	6.00	18.00
Beneficiary households are in the bottom 6 deciles (Percentage)		0.00	80.00	80.00
Extended Regular Cash Transfer (ER-CT) for the poor and the vulnerable				
Beneficiary households received a minimum of two years of support since being enrolled in the program (Number)		1,000,000.00	2,000,000.00	2,000,000.00
Female primary beneficiaries received a minimum of two years of support since being enrolled in the program (Percentage)		0.00	94.00	94.00
Beneficiaries satisfied with the regular CT program delivery (Percentage)		0.00	70.00	70.00
of which female beneficiaries (Percentage)		0.00	70.00	70.00
Strengthening delivery System and Program management				

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
Federal and State level staff trained in shock responsive safety net systems (Number)		0.00	500.00	1,000.00
Of which female staff (Percentage)		0.00	30.00	30.00
States where the Third Party Monitoring (TPM) implemented through CSO is functional (Number)		19.00	37.00	37.00
Annual Results Scorecard produced by the third-party monitors and released publicly (Number)		2.00	3.00	4.00
Local implementers and stakeholders agreed that project investments reflected the needs (Percentage)		0.00	50.00	80.00
Of which female (Percentage)		0.00	50.00	80.00
Project specific gender guidelines developed under NASSP operationalized in project activities (Yes/No)		No	Yes	Yes
Grievances addressed within the time specified in the project implementation manual (Percentage)		0.00	50.00	80.00
ESR-CT beneficiary households covered through random post-distribution monitoring (Number)		0.00	80,000.00	200,000.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Beneficiaries of social safety net programs		Quarterly	MIS	Regular monitoring	NASSCO/NCTO

Beneficiaries of social safety net programs - Female		Quarterly	MIS	Regular monitoring	NASSCO/NCTO
Beneficiaries of Safety Nets programs - Unconditional cash transfers (number)		Quarterly	MIS	Regular monitoring	NASSCO/NCTO
Beneficiary households received shock responsive cash transfers	This indicator counts the number of beneficiary households that received a shock responsive cash transfer through NASSP and/or NASSP-SU. The baseline number counts the number of beneficiary households that are expected to receive COVID-CT through the government by June 2022.	Quarterly	MIS	Regular monitoring	NASSCO/NCTO
Of which female primary beneficiaries	This indicator measures the percentage of female primary beneficiaries among beneficiary households that received the shock-responsive cash transfers. Baseline numbers based on the 49,000 beneficiary HHs of the COVID-CT implemented by the government as of October 15, 2021. The baseline number will be updated as the beneficiaries of the	Quarterly	MIS	Regular monitoring	NASSCO/NCTO

	COVID-CT expand (expected to reach 1 million). The target will correspondingly be set 10 percentage points higher than the baseline.				
Beneficiary households received extended regular-cash transfer support	This indicator counts the number of beneficiary households that received the extended regular-CT under component 1.2.	Quarterly	MIS	Regular monitoring	NASSCO/NCTO
Of which female primary beneficiaries	This indicator measures the percentage of female primary beneficiaries among total beneficiary households of the regular-CT program.	Quarterly	MIS	Regular monitoring	NASSCO/NCTO
Urban wards covered through an efficient and scalable targeting and registration system	The efficient and scalable targeting and registration system refers to the Rapid Response Registry (RRR) platform. The RRR uses geographic targeting (based on granular poverty maps produced by applying machine learning algorithm to granular satellite imageries) followed by self-targeted cellphone based enrollment process.	Quarterly	MIS	Regular monitoring	NASSCO
Beneficiary households received cash transfers through safe, secure, and scalable digital mechanism	This indicator counts the number of beneficiary households (across both components) that received	Quarterly	MIS	Regular monitoring	NASSCO/NCTO

	the cash transfers delivered directly to their transactional accounts, expressed as a percentage of total beneficiary households.				
Of which female primary beneficiaries	This indicator measures the percentage of female primary beneficiaries among beneficiaries that received cash transfers electronically into their transactional accounts.	Quarterly	MIS	Regular monitoring	NASSCO/NCTO

Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Urban beneficiary households targeted through satellite imagery and cell phone data based targeting approach and registered in the Rapid Response Register (RRR)	This indicator counts the number of successful registrants to the RRR.	Quarterly	MIS	Regular monitoring	NASSCO
Of which female registrants	This indicator measures the percentage of female registrants among the successful registrants to the RRR.	Quarterly	MIS	Regular monitoring	NASSCO
Rural households identified from National Social Register to receive the ESR-CTs	This indicator counts the number of households identified from the NSR for	Quarterly	MIS	Regular monitoring	NASSCO/NCTO

	support through the ESR-CTs. To be included, the beneficiary households must be enrolled with the payment system.				
Of which female primary beneficiaries	This indicator measures the percentage of female primary beneficiaries among ESR-CT beneficiary households enrolled into the payment system from the NSR	Quarterly	MIS	Regular monitoring	NASSCO/NCTO
Amount of ESR-CT delivered per beneficiaries household	This indicator measures the average amount (in USD) delivered to the beneficiaries of the ESR-CT. This indicator will only include beneficiaries that have received at least one transfer. The target is equivalent to N30,000 using the exchange rate at the time of approval.	Quarterly	MIS	Regular monitoring	NCTO
Beneficiary households received the ESR-CT in a newly setup transactional account	This indicator counts the beneficiary households that receive ESR-CT payments in their new transactional account set up for and supported by the project. Transactional accounts are multi-purpose accounts and allow savings, deposit,	Quarterly	MIS	Regular monitoring	NCTO

	transfer, and withdrawal facilities and can be opened with a streamlined KYC requirements as per the government regulations.				
of which females primary beneficiaries	This indicator measures the percentage of women among ESR-CT beneficiaries for whom the project supported opening of a new transactional account.	Quarterly	NSR / NBR and project M&E		
Beneficiaries satisfied with the delivery of shock responsive cash transfer program		Annual	Beneficiary satisfaction survey	Household survey	NASSCO/NCTO
of which female		Annual	Beneficiary satisfaction survery	Household survey	NASSCO/NCTO
of which Rural		Annual	Beneficiary satisfaction survey	Household survey	NASSCO/NCTO
of which Urban		Annual	Beneficiary satisfaction survey	Household survey	NASSCO/NCTO
Beneficiary households received cash transfers within 10 days of the payment schedule	This indicator measures the percentage of beneficiaries of the ESR-CT that received their payment tranches in their transaction account	Quarterly	MIS	Regular monitoring	NASSCO/NCTO

	according to the payment schedule specified in the project implementation manual. Timeliness is measures after the first tranche of payment is transferred.				
Report on beneficiary profile produced and disseminated publicly	This indicator counts the number of months in which a report on statistical profile of beneficiaries is produced and released publicly. The statistical profile includes characteristics collected during registration and enrollment including those on age, gender, education, and assets. Public release must include online publication in official website as well as released in social media.	Monthly	MIS	Regular Monitoring	NCTO/NASSCO
Beneficiary households are in the bottom 6 deciles	This indicator measures the percentage of beneficiaries that are in the bottom six deciles based on a proxy indicator of welfare calculated based on the data collected from the RRR and NSR. The formula for the proxy indicator will be generated from the latest	Monthly	MIS	Regular monitoring	NCTO/NASSCO

	Nigeria Living Standards Survey data.				
Beneficiary households received a minimum of two years of support since being enrolled in the program	This indicator counts the number of beneficiaries of the regular-CT that have received at least two years of cash transfer support through NASSP and NASSP-SU. Baseline numbers are based on projections based on current pace of cash transfers.	Quarterly	MIS	Regular monitoring	NCTO
Female primary beneficiaries received a minimum of two years of support since being enrolled in the program	This indicator measures the percentage of female beneficiaries among those who received the regular-CT for at least two years of cash transfer support through NASSP and NASSP-SU.	Quarterly	MIS	Regular reporting	NCTO
Beneficiaries satisfied with the regular CT program delivery		Annual	Beneficiary satisfaction survey	Household survey	NASSCO/NCTO
of which female beneficiaries		Annual	Beneficiary satisfaction survey	Household survey	NASSCO/NCTO
Federal and State level staff trained in shock responsive safety net systems		Annual	MIS/Training Plan	Regular monitoring	NASSCO/NCTO

Of which female staff		Annual	MIS/Training Plan	Regular monitoring	NASSCO/NCTO
States where the Third Party Monitoring (TPM) implemented through CSO is functional		Quarterly	MIS	Regular monitoring	NASSCO
Annual Results Scorecard produced by the third-party monitors and released publicly					
Local implementers and stakeholders agreed that project investments reflected the needs		Annual	Beneficiary satisfaction survey	Household survey	NASSCO/NCTO
Of which female		Annual	Beneficiary satisfaction survey	Household survey	NASSCO/NCTO
Project specific gender guidelines developed under NASSP operationalized in project activities	This indicator checks whether the gender guidelines developed during the implementation of NASSP has been operationalized in NASSP-SU project activities.				
Grievances addressed within the time specified in the project implementation manual					
ESR-CT beneficiary households covered through random post-distribution monitoring	This indicator counts the number of beneficiaries reached during the (random) cash-transfer audits which verify whether the intended beneficiaries	Quarterly	MIS	Post-distribution monitoring of a random sample of beneficiaries	NASSCO/NCTO

	received the cash transfers.				

ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Nigeria
National Social Safety Net Program – Scale Up

Implementation Arrangement

1. **Implementation arrangements for the NASSP-SU will be fully streamlined into the existing government structures at the federal, state, and local government levels**. The GoN created the FMHADMSD and decided to relocate the flagship NASSP to the ministry as part of having a more sustainable institutional home for all its social safety nets interventions. The relocation of the NASSP to the FMHADMSD means the institutional arrangement of the NASSP-SU will use the same structure. Within this broader framework, the NASSP-SU will be expected to maintain, by and large, the existing institutional arrangement. The institutional and coordination arrangements for the NASSP-SU include (a) establishment of national- and state-level SC; (b) NASSCO with the NSR; (c) the NCTO; (d) state-level coordination and implementation structures: SOCUs and SCTUs established in all 36 states and FCT-Abuja; and (e) implementation offices in LGAs led by LGDOs. The formation of an NSC and reconfirmation of the roles and responsibilities of NASSCO and NCTO for the project will be effectiveness conditions for the project and the establishment of the SOCUs and SCTUs and signing of the MoU with states will be disbursement conditions for the project.

2. **NSC.** A federal-level project SC will be formed and headed by the Minster of the FMHADMSD and will comprise ministers of the key sectoral ministries and heads of agencies (Ministry of Finance, Ministry of Education, Ministry of Health, Ministry of Women Affairs, Ministry of Agriculture, and Ministry of Water Resources) to provide oversight and policy guidance to the program. The ToR for setting up the SC will be prepared by the FMHADMSD and will be cleared by the World Bank. It will be expected to adequately reflect that the NSC provides an important strategic oversight for the project, and it will define the future direction and sustainability of the program. This will include the broader social protection investments in human capital development, social protection reform agenda, and pro-poor initiatives. The NC-NSIP, through the Permanent Secretary, FMHADMSD, will serve as the secretariat for the NSC with the support from NASSCO and NCTO NPMs. The NSC will be expected to meet on a semiannual basis and will be having periodic interface with the Governor's Forum at the national level to further strengthen the engagement of states.

3. **State Steering Committee (SSC).** At the state level, SSCs will be chaired by the commissioner (or the equivalent) responsible for planning and budget at the state and will comprise commissioners and permanent secretaries of the key sectoral ministries and heads of agencies (Ministry of Finance, Ministry of Education, Ministry of Health, Ministry of Agriculture, Ministry of Water Resources [or its equivalent], and Ministry of Women Affairs [or its equivalent]) to provide oversight and policy guidance to the program. The ToR for setting up the SSCs will be prepared by the FMHADMSD in consultation with the Nigeria Governors' Forum and will be cleared by the World Bank. The SSCs will provide an important strategic oversight for the project at the state level. This is part of defining the future direction and sustainability of the program and will include the broader social protection investments in human capital development. The coordinators—SOCU—in the 36 states and the FCT will serve as the secretariat for the SSCs. The SSCs will be expected to meet on a semiannual basis and will be having periodic interface with

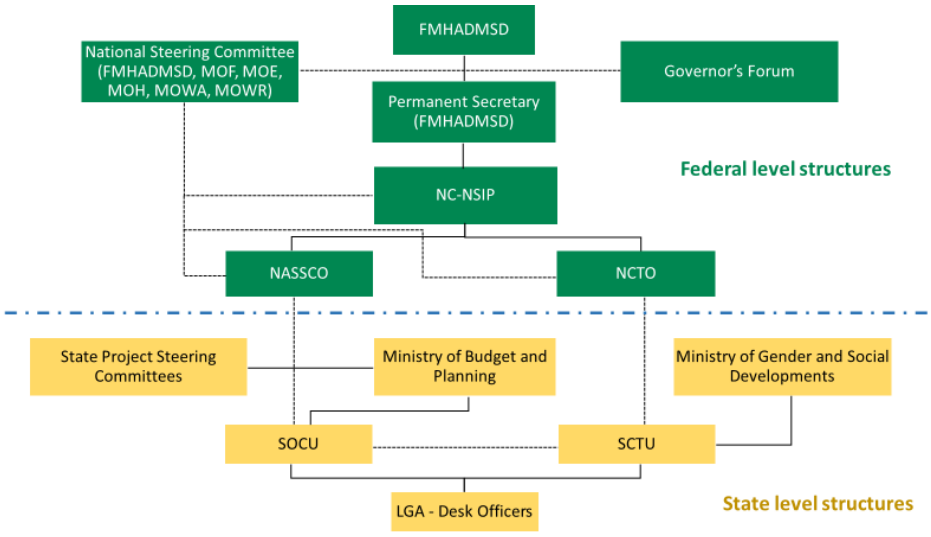
the various State Executive Councils at the state level to further strengthen program (NASSP-SU) engagement at the state level.

4. **Federal-level project management, coordination, and implementation arrangements.** At the federal level, NASSCO and the NCTO, will manage and coordinate the implementation of the NASSP-SU under the general oversight of the NC-NSIP. While the actual implementation of the program will be the responsibility of states and LGAs, NASSCO and the NCTO will provide general oversight, technical support, supervision, M&E, resource management, and allocation for states. The PIM will include a clear delineation of the roles and responsibilities of NASSCO and NCTO implementation units and offices. Also, the roles and responsibilities of SOCUs and SCTUs as well as LGDOs will be spelt out.

5. **NASSCO will coordinate targeting-related design and implementation and other associated system agenda including maintaining NSR and RRR.** It also coordinates cross-cutting issues related to the development of delivery system, M&E, fiduciary management, gender and social inclusion, citizens engagement and social accountability, and environment and social safeguard issues. NASSCO will be headed by a NPM-NASSCO to be assigned by the FMHADMSD based on a ToR agreed with the World Bank. The NPM-NASSCO will report to the NC-NSIP who will report to the permanent secretary (FMHADMSD). The NPM-NASSCO will be fully responsible for the management and coordination of NASSCO activities including NSR and RRR. The role of NASSCO to coordinate and implement important social system agenda including NSR and RRR is highly tasking and requires technical skills for developing a robust delivery system. To play this role, NASSCO is required to attract high-level personnel from within and outside the Government. NASSCO will put in place high-level IT infrastructure, systems, management, and technical specialists under it as cleared by World Bank.

6. **The NCTO will be responsible for the implementation, management, and coordination of CT and related delivery system of the NASSP-SU.** The NCTO will be led by a qualified NPM-NCTO who will be assigned by the FMHADMSD. The NPM-NCTO will report to the NC-NSIP who will in turn report to the permanent secretary (FMHADMSD). The NPM-NCTO will be fully responsible for the management and administration of the NCTO Unit and for the coordination of CT-related activities. These include effective transfer of cash to beneficiaries and development of digitized payment delivery mechanism, annual work plans, FM and budget, training plans, procurement plans, M&E, grievances, technical support to states, engagement of stakeholders, and so on. The NPM-NCTO will be supported by a team of officers on a full-time basis but it also needs short-term consultants as technical specialist who will provide necessary expertise around the relevant systems and technology for payments and reconciliation as needed. The ToR for the staff to be deployed to the unit will be reviewed and agreed with the World Bank.

Figure 1.1. Institutional Arrangement for the NASSP-SU



7. **State-level project implementation and coordination arrangements.** The SOCUs and the SCTUs are established in all 36 states and FCT-Abuja. The SOCUs and the SCTUs in each of the 36 states and the FCT will serve functions similar to that of NASSCO and the NCTO, at the state level. The NASSP-SU will be a federally financed and coordinated program, but implementation will be decentralized to the state level and the FCT, except for the activities that require direct implementation responsibility of federal units. NASSCO and the NCTO will provide guidance through standards provision to the state-level implementation bodies to ensure speedy implementation of project activities. This is building onto and fostering a continuation of the strong state-level institutions created by the flagship NASSP regular CT program in Nigeria. The NASSP has facilitated the process of housing the SOCUs into the State Offices for Budget and Planning that are responsible for establishing and managing the SSR. The NASSP-SU will ensure that the SOCUs will be further integrated into the state structures and report to the permanent secretary of the State Office of Budget and Planning. The SCTU will coordinate monitoring and reporting on CT payments at the LGAs; prepare lists of beneficiaries eligible for payment; and facilitate implementation of productive and economic inclusion activities including coordination of behavior change communication trainings of the project. The ministry housing the SCTU may vary from state to state depending on the state's institutional setup, but likely locations include Ministries of Social Development and Women's Affairs. In the LGAs, desk offices will be established to implement CBT, GRMs, and monitoring activities. States and LGAs will receive financial and technical support from NASSCO and the NCTO to carry out their responsibilities. Mirroring the federal structure, the role of the SOCU in building the RRR and that of the SCTU in payment delivery, monitoring, and reporting in relation to the LGAs will be clearly detailed in the PIM.

8. Below is the summary of roles and responsibilities at federal, state, and LGA levels.

Box 1.1. Roles of Federal, States, and LGAs

Federal

- Technical assistance and financing of targeted CTs
- OBDs made to state
- CT electronically/directly disbursed to beneficiaries by the NASSP-SU payment department
- Overall project management and coordination
- Stakeholder engagement including interface with Governor's Forum
- Dialogue, policy, and research data analysis as part of technical assistance
- Collation and management of the NSR and the NBR
- Program monitoring and impact evaluation
- Setting of standards for safety nets implementation, including for targeting processes, payments, GRM, review of eligibility/recertification/exit, and monitoring
- Links with other programs and relevant sectoral interventions.

States

- Implementation of targeting processes, SSR, and RRR
- GRM, feedback, and accountability mechanisms
- Deployment and funding of staff, office space, annual operating/running cost, and other in-kind support
- Reporting to federal-level PMU
- Links with other programs and relevant sectoral interventions at the state level.

LGAs

- Coordination by the LGDO
- CBT
- GRM, feedback, and accountability mechanisms
- Monitoring and reporting on compliance to states.

9. **The federal and state-level implementation roles on the NASSP-SU intervention are distinctly separated**. The NASSP-SU is federally funded. But implementation lessons from the ongoing NASSP show that decentralized implementation will encourage state buy-in and provide strong support and delegated decision-making for the success of the NASSP-SU. The NASSP-SU builds on the lessons from the NASSP flagship CT intervention which clearly demonstrated that the project was designed and funded at the federal level but had strong state-level implementation structures. A key lesson incorporated into the NASSP-SU is the need for an expanded role for state implementation units in the area of coordination and implementation of the project (implementation, monitoring and supervision, and specifically earmark resources both from IDA funds and domestic resources to support operations). The contribution of the state government will inspire ownership and control of the project and help integrate the project into the state structure. The SOCUs and SCTUs will report directly to the appropriate state supervisory body. Also, all funds allocation and transfers between NASSCO and the SOCU and between the NCTO and the SCTU shall be communicated to the supervisory body and the SSC. This is important for the sustainability and institutionalization of NASSCO and the NCTO at the national level and the SOCU and SCTU at the state level. There is a need for the Government to plan on evolving the existing project coordination units

(NASSCO, NCTO, SOCU, and SCTU) into more permanent structures under respective federal- and state-level institutions as units/departments coordinating and implementing social protection programs, beyond the NASSP-SU.

10. **The COVID-19 pandemic reignited conversation of the need to strengthen the shock responsive institutional arrangement and system at the federal and state levels**. The need to strengthen the MoU between the federal government and all participating states, describing in clear terms the roles and responsibilities at both federal and state levels cannot be emphasized enough. The design of the NASSP-SU acknowledges that the participating states are still struggling under the fiscal crisis and challenges that are made worse by COVID 19. However, the minimum conditions for the participation of states will include (a) long-term deployment and retention of SOCU and SCTU staff from state civil service; (b) institutionalizing and strengthening of the established SOCU and SCTU and provision of a clear budget line for annual running/operating cost; (c) CBT undertaken and SR established per the agreed federal guidelines; and (d) revision and reinforcement of the signed/existing MoU with the Federal Government of Nigeria.

11. **The management and funding for the NASSP-SU at the state level shall be OBD framework,** and the funding will be disbursed directly to state accounts on an OBD basis to enable implementation by the state on operations in line with agreed work programs. The OBD will cover costs associated with (a) expansion of the RRR and (b) enrollment of the beneficiaries to the payment system and the NBR. Unit costs for these activities will be established based on an updated costing of the processes and activities involved. These unit costs will be included in the PIM. The responsibility of delivery will rest on the shoulders of state implementing structures who will in turn leverage the local government structure coordinated by the LGDO. The states in collaboration with the LGA will be responsible for the NASSP-SU implementation and delivery. The delivery of results will be through technical facilitation led by NASSCO for the NSR and the NCTO for CT from the federal level to achieve the program objectives. The NASSP-SU will run for two years (December 2021–December 2023) and will be implemented using the strong and existing NASSP structures at the states (SOCU and SCTU).

12. FM assessment of the implementing entities in line with the Financial Management Manual (March 1, 2010) and the Africa technical team FM Assessment and Risk Rating Principles (October 2010) was conducted in September 2021. The objective of the assessment was to determine whether the implementing entities have in place acceptable FM arrangements that satisfy the World Bank's FM requirements under World Bank Policy and Directives for IPF, which will ensure (a) that all transactions and balances relating to the project are correctly and completely recorded; (b) the preparation of regular, timely, and reliable financial statements; (c) safeguarding of the entity's assets; and (d) existence of auditing arrangements acceptable to the World Bank.

13. **The overall initial FM risk for the project is assessed as Substantial at the preparation phase, and the residual FM risk is Moderate with the mitigation measures**. The FM risks will be reviewed during project implementation and updated as appropriate. The Substantial risk rating is mainly because of the inherent risks and the implementation arrangements which involve multiple implementation levels and agencies and not because of the control risks associated with the basic elements of the project FM arrangements. The inherent risks arise at country, entity and project levels. These risks include integrity risk within the sector and fraud in the selection of beneficiaries involving poor and vulnerable population spread across 774 LGAs in Nigeria. However, these inherent risks are well mitigated using the PFMUs and

FPFMD, which feature robust controls (internal and external). The mitigation measures include use of GRM in the 36 states and the FCT through walk-ins, written letters, toll-free telephone calls, emails and online, third-party monitoring, quarterly audit of list of beneficiaries and payment to beneficiaries by the Office of Auditor General for the Federation, computerized accounting systems, engagement of professionally qualified and experienced FM staff, and institutionalization of independent and effective internal audit that will adopt risk-based internal audit methodology. The Financial Procedures Manual (FPM) will detail adequate internal controls that will include an enhanced accountability framework over soft expenditures (travels, study tours, workshops, and so on), which shall be implemented in the project. Regular reporting arrangements and supervision plan will also ensure that the implementation of the project is closely monitored, and appropriate remedial actions are taken expeditiously. The FM risks will be reviewed during project implementation and updated as appropriate. The FM performance under the ongoing NASSP is assessed as Moderately Satisfactory.

Table 1.1. FM Risks and Mitigation Measures

Risks	Mitigating Measures	Initial Risk	Residual Risk after Mitigating Measures
A. Inherent risks			
Country level Funds may not be used in efficient, accountable, and transparent way	The National Economic Recovery and Growth Plan (ERGP) 2017–2020 was launched in 2017 by the federal government to restore macroeconomic stability in the short term. Governance is among the main pillars of the ERGP which commits to transparency and anti-corruption, public service reform, intergovernment coordination, and delivery. Reforms in PFM have been supported by the World Bank under State Employment and Expenditure for Results (P121455) Project, State and Local Governance Reform Project (P133045), and Public Sector Governance Reform and Development Project (P146147). Continuing support for PFM reforms is being provided under the ongoing State Fiscal Transparency, Accountability and Sustainability PforR (P162009) program involving participation of all the 36 states. Robust FM arrangements (FPFMD and PFMUs) have been established at federal and state levels designed to mitigate the country-level risk.	High	Substantial
Entity level Integrity risk issues in the sector	The implementing agencies—NASSCO, NCTO, SOCU, and SCTU—have experience implementing World Bank-financed project in the ongoing NASSP Arrangement for third-party monitoring Strengthened bid evaluation process will be implemented GRM established in the 36 states and the FCT and implementation of protocol for fraud and corruption.	Substantial	Moderate
Project level	Beneficiaries selected from the NSR and NBR.	Substantial	Moderate

Risks	Mitigating Measures	Initial Risk	Residual Risk after Mitigating Measures
Potential fraud in the selection of beneficiaries	Quarterly audit of list of beneficiaries, and payment to beneficiaries by the Office of Auditor General for the Federation Third-party monitors		
Overall inherent risk		**Substantial**	**Moderate**
B. Control risks			
Budgeting Failure to properly prepare comprehensive budget and effectively monitor performance of same	Budget execution to be monitored through calendar semester unaudited IFRs Computerized accounting system includes budget module	Substantial	Moderate
Accounting Unretired advances, failure to adequately account for project funds and provide full supporting documentation	Accounting and internal control procedures established and documented in project FPM Robust FM arrangements at NASSCO and the NCTO	Substantial	Moderate
Internal controls Inadequate documentation of transactions and failure of using funds for the intended purposes and with economy and efficiency	Internal control is strengthened by using the PFMU/FPFMD arrangement—the arrangement features strong controls Robust FPM and staff familiar with the FPM Independent and effective internal audit and risk management Implementation of enhanced project accountability framework	High	Substantial
Funds flow Delay in funds flow to beneficiaries	CTs delivered by leveraging and improving upon the payment mechanism for the regular CT program of the NASSP Qualified and experienced NCTO staff dedicated to handle funds flow to beneficiaries	Substantial	Moderate
Financial reporting Delayed submission of financial reports of acceptable quality	Project financial reporting guidelines included in the FPM Use of computerized accounting system to generate financial reports	Substantial	Moderate
Auditing Delay in submission of audit report and unacceptable audit report	Private sector audit firm selected from the list of acceptable firms hired as external auditors to carry out an independent audit of the project financial statements based on ToR acceptable to IDA	Moderate	Low
Overall control risk		**Substantial**	**Moderate**
Overall project FM risk		**Substantial**	**Moderate**

14. **The PFMUs and FPFMD are established in all states and federal level, respectively, through the joint efforts of the Government and the World Bank**. These units are presently supporting the implementation of a number of World Bank-financed projects, including the ongoing NASSP. The financial accountability framework in the PFMUs and FPFMD features, among other things, the following (a) all the

key elements of FM, including budgeting, funds flow, accounting, internal control, reporting, and audit; (b) computerized accounting system and robust FM procedures manual; (c) qualified staff that are well-trained in relevant World Bank procedures and requirements, including procurement; (d) robust segregation of functions/duties; (e) a strong control environment, which is required to mitigate fiduciary risks; (f) highly independent and well-trained internal auditors; and (g) full alignment with the Government's own FM system but with some important enhancements and controls.

15. **The World Bank's recent reviews showed that the PFMUs and FPFMD are performing satisfactorily**. The key issues noted within NASSCO and NCTO entities implementing the NASSP are unretired advances, unremitted tax deductions to the relevant tax authorities, and inadequate documentation for incurred eligible expenditures. Resolution of these issues is ongoing and has been progressive. There is no overdue audit and IFR. To mitigate the risks of unretired travel advances and provision of inappropriate documentation to acquit the travel advances and unjustifiable claims for travel not undertaken, the project will implement an enhanced accountability framework that aims at forestalling such occurrence through additional oversight measures. The details of the enhanced accountability framework will be elaborated in the FPM.

16. For enhanced efficiency in the delivery of FM function as a service to the NASSP-SU and optimize use of the available FM resources in NASSCO and the NCTO, the current separate FM functions in the NCTO and NASSCO will be merged. Details of the operational modalities including organogram will be in the FPM.

17. **Planning and budgeting.** On an annual basis, the project accountants at NASSCO and the NCTO working in consultation with key members of these implementing entities will prepare the budget for the fiscal year based on the approved work plan. The SOCUs and SCTUs will likewise prepare annual budget following the decentralization and expanded role for state implementation units in the area of coordination and implementation of the project (implementation, monitoring and supervision, and specifically earmark resources both from IDA fund and domestic resources to support operations). The budget will be submitted to the World Bank at least two months before the beginning of the project fiscal year. Detailed roles, timeline, and procedures for planning and budgeting will be documented in the FPM.

18. **Funds flow**. Project funding will consist of IDA credit. Disbursement for all categories of expenditure will follow standard World Bank procedure. IDA will disburse the credit through two DAs opened with the CBN which will be managed by NASSCO/FPFMD and NCTO/FPFMD. The specific banking arrangements are as follows:

(a) **NASSCO**

- One US dollar DA to which initial deposit and replenishments from IDA will be lodged.
- One current (drawdown) account in naira to which drawdowns from the DA for NASSCO will be credited for incurred eligible expenditures.

(b) **NCTO**

- One US dollar DA to which initial deposit and replenishments from IDA will be lodged.
- One current (drawdown) account in naira to which drawdowns from the NCTO DA will be credited in respect of incurred eligible expenditures.

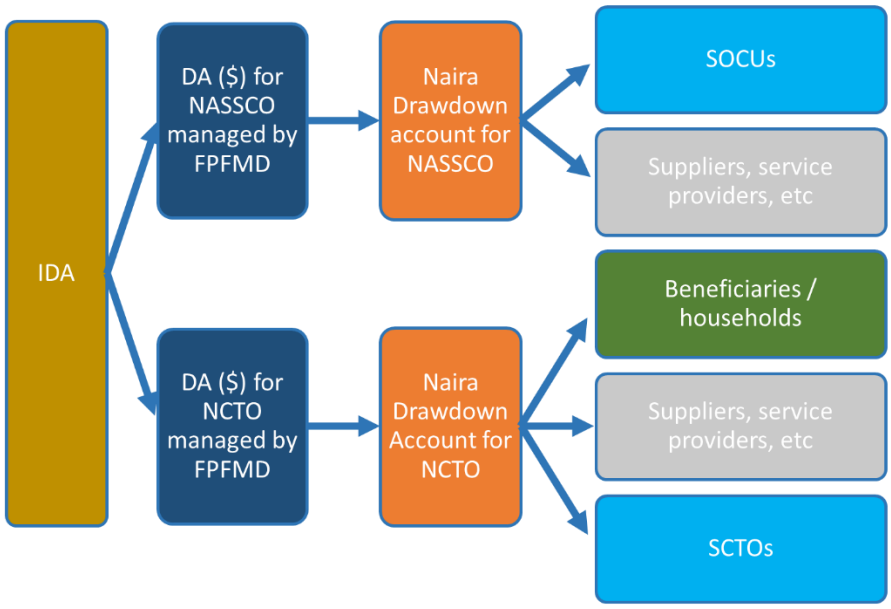
(c) **SOCU**

- One current (drawdown) account in naira to which disbursements from the NASSCO drawdown account will be credited for eligible expenditures including OBD.

(d) **SCTU**

- One current (drawdown) account in naira to which disbursements from the NCTO drawdown account will be credited for eligible expenditures including OBD.

Figure 1.2. Project Funds Flow



19. All bank account ledgers will be reconciled with bank statements monthly and expeditious investigation of identified differences will be conducted. Details of the bank reconciliation procedure will be documented in the FPM. NASSCO and the NCTO will be responsible for preparing and submitting withdrawal applications (WAs) to the World Bank. The WAs will be supported by bank statement and a reconciliation of the DA and such other support documents as may be required.

20. **Accounting**. IDA funds will be accounted for by the project on an accrual basis using International Public Sector Accounting Standards (IPSAS) in line with the Federal Government of Nigeria's adoption of IPSAS in 2016. Annual financial statements will be prepared in accordance with accrual basis IPSAS. A robust computerized accounting system will be used to incorporate a Chart of Accounts for the project which enables recording and reporting of expenditures separately for NASCO and the NCTO and consolidation of the same by categories, components, subcomponents, and activities. The NASSP uses the Pleny-E accounting software. All accounting and control procedures will be documented in the FPM, a living document that will be updated, as appropriate, regularly by the project and shared with the World Bank for review and clearance.

21. **Financial reporting**. Within NASSCO and the NCTO, the project coordinators will ensure that project accountants prepare relevant financial reports on a timely basis. In compliance with government

requirements, monthly returns will be made to the Accountant General of the Federation for incorporation in the government accounts. Consolidated calendar semester unaudited IFRs will be prepared by NASSCO and the NCTO and submitted to IDA within 45 days of the end of the relevant calendar semester. The formats of IFRs have been developed and agreed upon with the IA. Consolidated annual project financial statements will be prepared and submitted to IDA by NASSCO within six months of the end of the government fiscal year. Regular periodic returns will be made to the Office of the Accountant General for the Federation for consolidation in the government accounts.

22. **Internal control.** Adequate internal controls are in place at both the PFMUs and FPFMD but will be strengthened further. The control features at both the PFMUs and FPFMD include a framework FM procedures manual adapted for each project; qualified staff who are well trained in relevant World Bank procedures and requirements, including procurement; segregation of functions/duties; and highly independent and well-trained internal auditors. At the peak of the COVID-19 pandemic, these internal auditors at PFMUs were relied upon to support FM supervision for the World Bank-funded projects. The FM staff are nominated by each State Accountant General and the Accountant General for the Federation and subject to clearance by the World Bank.

23. **Internal audit**. The FPFMD and PFMUs have independent and effective Internal Audit Units. The work programs of the assigned internal auditors will include periodic reviews of the NASSP-SU activities. The internal auditors will use a risk-based internal audit methodology for which training will be provided by the project. This is to enable them to carry out the traditional compliance audit and the nonfinancial or operational internal audit but without adopting the prepayment audit system.

24. Consolidated annual accounts (comprising the NASSCO DA and NCTO DA) will be prepared. The annual financial statements will be audited by an independent external auditor appointed by the project on the basis of ToR acceptable to IDA. The auditor will express an opinion on the annual financial statements in compliance with International Standards on Auditing. In addition to the audit report, the external auditors will prepare a Management Letter. Copy of the audited financial statements along with the Management Letter will be submitted to IDA not later than six months after the end of each financial year.

25. **Disbursements**. The project will use the report-based disbursement method at effectiveness. A flexible ceiling will be applicable to each of the project DAs. The ceiling will be derived from the approved annual work plan and budget and will be equivalent to six month's expenditure forecasts. The six months expenditure forecasts which will include justification will be subjected to scrutiny by both FM and procurement for robustness of the forecast and will be approved by the World Bank. Details of the disbursement arrangement will be in the Disbursement and Financial Information Letter.

26. **Disbursement categories.** Table 1.2 sets out the eligible expenditure categories.

Table 1.2. Eligible Expenditure Categories

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Cash Transfers under Parts 1 and 2 of the project	527,848,875	100%
(2) Output-based financing of Part 3.1(a) (expansion of the RRR) based on Unit Costs	8,620,825	100% of the Unit Costs in accordance with amounts and baselines established in the PIM
(3) Output-based financing of Part 3.1 (b) (enrollment of rural ESR-CT only) based on Unit Costs	5,511,675	100% of the Unit Costs in accordance with amounts and baselines established in the PIM
(4) Goods, works, non-consulting services, consulting services and Operating Costs for NASSCO under Part 3 (other than Parts 3.1(a) and (b)) under the project	10,740,700	100%
(5) Goods, works, non-consulting services, consulting services and Operating Costs for NTCO under Part 3 (other than Parts 3.1(a) and (b)) under the project	12,577,925	100%
TOTAL AMOUNT	565,300,000	

27. **FM action plan.** Actions to be taken for the project to further strengthen its FM system are listed in table 1.3.

Table 1.3. Allocation of Credit Proceeds to be Financed for Eligible Expenditures in Each Component

No.	Action	Date Due By	Responsible
1	Agreement on format of IFR and external auditors' ToR	IFR format agreed upon; ToR completed before effectiveness.	FPFMD/NASSCO/NCTO
2	Train designated PFMU and FPFMD staff in World Bank FM procedures and disbursement guidelines	Before effectiveness	FPFMD/NASSCO/NCTO and SOCU/SCTU/PFMU
3	Appoint external auditor	Within 90 days after effectiveness	FPFMD/NASSCO/NCTO
4	Designate Project Accountant and Project Internal Auditor, and support accounting technicians	Signing of FA	FPFMD/NASSCO/NCTO and SOCU/SCTU/PFMU
5	Agreement on memorandum of financial services and service standards	Before effectiveness	FPFMD/NASSCO/NCTO and SOCU/SCTU/PFMU

6	Update Chart of Accounts in Installed computerized accounting system for NASSP-SU activities	Within 90 days after effectiveness	NASSCO/NCTO
7	Update PIM	Effectiveness	NASSCO/NCTO
8	Appoint Third Party Monitoring Agent	Within 90 days after effectiveness	NASSCO/NCTO

28. **FM implementation support plan.** FM implementation support will be consistent with a risk-based approach. Given the assessed Substantial risk rating and the significance of timely and sustained implementation of mitigation measures to achieve residual risk rating of Moderate, on-site implementation support will be carried out at least twice a year. On-site review will cover all aspects of FM, including internal control systems, overall fiduciary control environment, and tracing transactions from the bidding process to disbursements as well as SOE review. Additional implementation support activities will include desk review of calendar semester IFRs, quarterly internal audit reports, audited annual financial statements, management letters, timely follow-up of issues that arise, and updating of the Implementation Status and Results Report and the FM system. The World Bank will support in monitoring the timely implementation of the action plan. The risk will be assessed during implementation as performance is reviewed and the implementation support plan will be adjusted for any changes in the level of assessed risk.

29. **Conclusion**. The assessment conclusion is that, subject to the mitigation measures and the action plan being implemented as per agreed time frame, the project has met the minimum FM requirement in accordance with World Bank Policy and Directives for IPF. Further, this objective will be sustained by ensuring that strong and robust FM arrangements are maintained for the project throughout its duration. Detailed financial reviews will also be carried out regularly and the frequency will be adjusted based on actual performance and its impact on assessed risk, to provide reasonable assurance that project funds are being used for intended purposes.

Procurement Review

30. **Summary of findings**. The Procurement Capacity Assessment, conducted by the World Bank, finds that the procurement system, capacity, and performance of the NCTO and NASSCO can adequately provide reasonable assurance that the credit 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 inherent procurement risk is considered Substantial while the residual risk after implementation of the recommended mitigation measures is assessed as Moderate**.**

Procurement Arrangement

31. Procurement arrangements for the proposed project will be the same as in the NASSP. The NCTO and NASSCO will be responsible for procurement implementation. Procurement under the project will be in accordance with (a) the World Bank Procurement Regulations for IPF Borrowers, dated November 2020; (b) World Bank Anti-Corruption Guidelines, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016; and (c) provisions of the FA.

32. **Systematic Tracking and Exchanges in Procurement (STEP).** In accordance with paragraph 5.9 of the World Bank Procurement Regulations for IPF Borrowers (Procurement Regulations), the World Bank's

STEP system will be used under the NASSP-SU to prepare, clear, and update Procurement Plans and conduct all procurement transactions, including prior and post review activities, as in the parent project.

33. The World Bank Standard Procurement Documents will be used for all International Competitive Bidding procurements, while the National Standard Bidding Documents may be used for procurements that fall within the NCB thresholds but with a 'side letter' which shall be issued to require that in addition to the provisions of the underlisted sections of the National Bidding Documents, 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:

(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) of the Standard Request for Proposals for the Selection of Consulting Firms (Complex Time-based)

(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).

34. 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 RFQ.

35. **PPSD.** With support from the World Bank, the Borrower has prepared and finalized a PPSD. The PPSD findings include the following: (a) none of the activities in the 18-month procurement plan prepared by the NCTO and NASSCO will require accredited procurement manager's or operational procurement review committee's clearances; (b) the GoN is strengthening its public procurement institutions and systems through the development of e-procurement, institutionalization of academic tracks in procurement, and rolling out of procurement professional certification program; (c) the market sounding revealed that many consulting firms are willing to express interest in activities to be funded under the NASSP-SU; and (d) procurement capacities in the NCTO and NASSCO are adequate; and relevant project staff will continue to be trained by the World Bank on the provisions of the Procurement Regulations—procurement implementation will be closely monitored and supported by the World Bank to ensure transparency, accountability, and value for money in the use of the NASSP-SU funds. Specific risks identified and mitigation measures proposed are shown in table 1.4.

36. **Scope of the review.** The procurement risk assessment of the NASSP included an assessment of the capacity of the agency to carry out the different phases of the procurement cycle. The assessment focused on the organizational aspects; skills of the staff; quality; adequacy of supporting and control systems; and suitability of the laws, rules, and regulations applicable to the agencies.

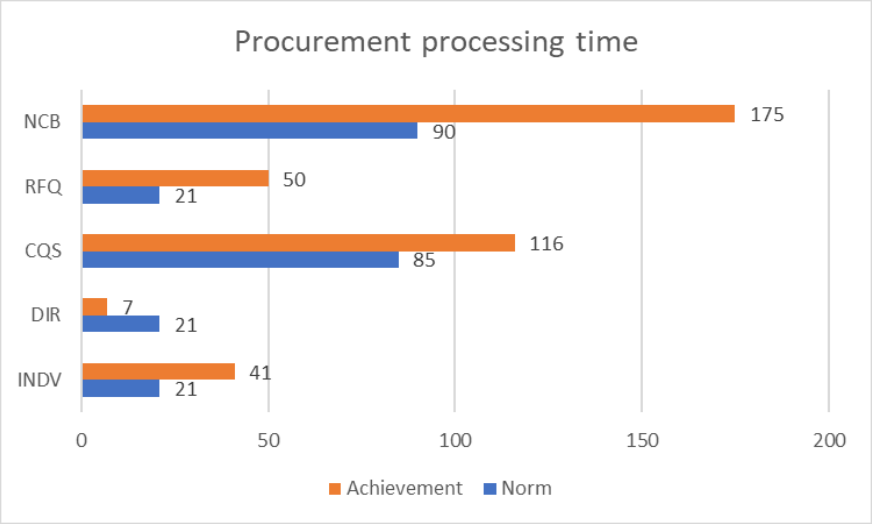
37. **Legal aspects.** Nigeria enacted the Public Procurement Act in 2007, which mirrors the United Nations Commission on International Trade Law Model Law. The Bureau of Public Procurement was established in 2008, and the country has since established the procurement professional cadre and deployed the national standard bidding documents and procurement manuals and regulations. The Public Procurement Act makes open competition the default method in public procurement. The NCTO and

NASSCO, which serve as the implementing agencies, are agencies of the FMHADMSD and apply the Public Procurement Act in the procurement of goods and services.

38. **Procurement cycle management.** Procurement planning in the NASSP is good. Actual contract price exceeded the budget in 69 contracts reviewed in 2020 by 19.29 percent. The variance can be attributed to changes in exchange rate and rising inflation. The bidding documents issued by the NCTO and NASSCO were found to be of good quality. Bid openings followed the provisions of the Public Procurement Act and the World Bank Procurement Regulations. The pre-disclosed evaluation criteria were not consistently followed in a few of the 69 contracts reviewed in 2020.

39. The procurement processing time in the NCTO and NASSCO is not considered efficient. In the 69 contracts reviewed in June 2020, the engagement of Individual Consultants exceeded the norm by 95 percent, Selection Based on the Consultants' Qualifications (CQS) by 36 percent, RFQ by 138 percent, and NCB by 94 percent (see figure 1.3). Poor contract management was observed in a few of the 69 contracts reviewed in 2020.

Figure 1.3. NASSP Procurement System Performance (June 2020)



Source: NCTO and NASSCO procurement files.

40. The outliers observed in the procurement cycle have been adequately mitigated in the action plan drawn up for the 2020 procurement in-depth review, which is being implemented by the NCTO and NASSCO and regularly monitored by the World Bank. For example, budgeting for procurement activities now takes cognizance of fiscal trends in the economy; evaluation criteria are religiously followed in the award of contracts; agreed timescales are followed in procurement implementation; and contract management follows the terms and conditions of contract.

41. **Organization and functions**. The NCTO and NASSCO have a procurement unit that reports directly to the project coordinators. Reporting relationship and decision-making authority in the two PIUs follow the project documents for the parent project, including the project operations manual.

42. **Support and control systems**. In June 2020 an in-depth review of procurement was carried out by the World Bank in the NCTO and NASSCO resulting in the adoption of an action plan aimed at strengthening procurement performance in the project. The transfer of NASSP from the Office of the Vice President of the Federation to the FMHADMSD has introduced a new layer of scrutiny of procurement activities and approval authority as the ministry tries to enforce due diligence in procurement management. The project staff involved in procurement management have subscribed to the civil service code of ethics. All public FM activities of the project are subject to oversight of the anti-corruption agencies in the countries (such as the Economic and Financial Crimes Commission, Independent Corruption Practices Commission, and Code of Conduct Bureau).

43. **Record-keeping**. In 56.5 percent of the 69 contracts reviewed in 2020, the documentations in the procurement files were incomplete. The NCTO maintains two files for each activity in line with civil service regulations: the 'policy file' contains policies and approvals and the other called the 'Contract payment file' contains evidence of contract, delivery, and payments. As part of the implementation of the action plan drawn on the 2020 procurement in-depth review, the NCTO and NASSCO are uploading procurement documentations in STEP as and when due.

44. **Staffing**. The Bureau of Public Procurement has assigned a Chief Procurement Officer and an Assistant Director of Procurement to the NCTO and NASSCO, respectively. Both procurement officers are sufficiently qualified, with requisite general and specific qualifications. Selection process for a procurement consultant is presently ongoing, which will further strengthen procurement capacity in the project. However, with the proposed scaling up of financing and consequent increase in procurement activities, there will be need for the Bureau of Public Procurement to increase the numerical strength of the procurement staff in each PIU.

45. **Complaints mechanism**. Para. 54 of the Public Procurement Act provides for aggrieved bidders to seek administrative review for any omission or breach by a procuring entity under the provisions of the act or any regulations or guidelines made under the act or the provisions of bidding documents. A complaint by a bidder against a procuring entity shall first be submitted in writing to the accounting officer who shall within 15 working days from the date the bidder first became aware of the circumstances giving rise to the complaint or should have become aware of the circumstances, whichever is earlier. The accounting officer is expected to decide within 15 working days what corrective measures are to be taken if any, including the suspension of the proceedings where it is deemed necessary. Where the accounting officer fails to make a decision within the stipulated time or where bidder is not satisfied with the decision of the accounting officer, the bidder may appeal to the Bureau of Public Procurement within 10 working days from the date of communication of the decision of the accounting officer. The bureau shall make its decision within 21 working days after receiving the complaint, stating the reasons for its decisions and remedies granted, if any. Where the bureau fails to render its decision within the stipulated time, or the bidder is not satisfied with decision of the bureau, the bidder may appeal to the Federal High Court within 30 days after the receipt of the decision of the bureau or expiration of the time stipulated for the bureau to deliver a decision.

46. **General procurement environment.** NCB-level and above-mentioned procurements are subjected to additional approval authority in the FMHADMSD, contrary to the provisions of the PIM. This has led to significant delays in award of contracts and in two cases, non-implementation and eventual cancellation of bid evaluation reports for the procurement of motor vehicles for which the World Bank

already issued no objection and android tablets. The additional layer of scrutiny introduced by the ministry is being discontinued.

47. There was evidence of collusion in bidding by bidders in 18.2 percent and 7 percent of the contracts reviewed in 2020 in NASSCO and the NCTO, respectively. To mitigate the incidence of collusion and any complementary biddings in the project, the database of service providers is being revised through wider consultations. Firm-issued RFQ are being drawn from different sources in a way that is transparent, with appropriate audit trail.

Risk Assessment

48. The overall procurement risk is rated **Substantial**, and the residual risk is rated **Moderate**.

Table 1.4. Risk Mitigation Procurement Action Plan

S. No.	Risk	Mitigation	Responsible Party	Completion Date
1	Use of old register of service providers and selection of service providers therefrom in a non-methodical manner.	Revise the register of service providers through wide consultations and selection of service providers from the revised register in a transparent, methodical manner.	Borrower	March 2022
2	Lack of due diligence on the qualification and post-qualification information furnished by bidders.	Adequate due diligence should be conducted on all qualification and post-qualification information of bidders to prevent collusive behavior and misrepresentation in bidding.	Borrower	Ongoing
3	Use of discretionary decisions in the award of contracts.	Only the pre-disclosed evaluation criteria should be used in the award of contract.	Borrower	Ongoing
4	Use of extraneous approval authority in procurement decisions.	Only the approval authorities specified in the PIM should be used in procurement decisions.	Borrower	Ongoing
5	Present procurement capacity will not be adequate for the NASSP-SU.	Strengthen the procurement capacity through secondment of one Procurement Officer each to the NCTO and NASSCO and engage a Procurement Consultant to strengthen procurement capacity in the project.	Borrower	March 2022
6	Delays may be experienced in payments for large contracts.	Use direct payment option in large contracts.	Borrower	Ongoing
7	Currency fluctuation and devaluation.	Allow international and local bidders to submit pricing for imported goods in three convertible currencies	Borrower	Ongoing
8	Political interference in contract award.	Carry out advocacy on the procurement procedures agreed in the Financing Agreement	Borrower	Ongoing

Implementation Support Plan: Strategy and Approach for Implementation Support

49. The implementation support plan of the NASSP-SU will be a continuation of the arrangement under the existing NASSP. However, considering this program is a shock responsive scale-up to reach a significantly higher number of beneficiaries both in urban and rural areas in a short duration, it is important to intensify the implementation support and technical support from the World Bank in all areas. This will include the involvement of multisectoral expertise from Social Protection and Jobs as well as teams from other relevant global practices of the World Bank. Implementation will involve intensive country-level dialogue, ongoing technical assistance, and early and sustained capacity- and systems-development investments. Extensive dialogues will be conducted with the FMHADMSD, NASSCO, NCTO, relevant MDAs, and states. Continuous engagement and implementation support to the states by joint World Bank and Government teams will be key to generating lessons and providing timely response on emerging implementation issues.

50. To achieve effective implementation support for the NASSP-SU, there will also be a continued need for a strong field presence on the ground as well as support from a multiskilled team with expertise. To this effect, strong World Bank Social Protection team is already established at the CO level including strong task team leader and co-task team leader supported by social protection specialist with country experience and core program components and associated delivery systems. A team of experts will also provide support from other global practices including Poverty, FCI, Social Development, Natural Resources, and Governance.

51. Project implementation support will be guided by ongoing learning and an adaptive implementation approach. Great effort will be directed at learning from implementation to positively influence necessary refinements. Implementation support and reviews will be structured flexibly to be able to identify and respond quickly to implementation challenges while also supporting mechanisms for close collaboration and dialogue. Six monthly reviews will be implemented but will also be complemented by just-in-time implementation support between missions. This includes more regular progress review meetings with federal- and state-level implementers and joint thematic technical working groups assessing the performance of different elements of the program and organizing join learning forums. The project will also seek to undertake special rapid response missions to respond to emerging issues and needs, technical reviews, spot-checks, and regular FM and procurement reviews. In addition, an MIS, as well as an analytical agenda constituting several analytical and advisory activities, including impact evaluation, will inform project management and decision-making.

Table 1.5. Forecast of the Main Focus for World Bank Implementation Support during the Economic Life of the Project

Time	Focus	Skill	Resource Estimate
First 12 months	Overall project management and technical support; ongoing country-level policy and technical dialogue; supporting functionality of institutional and coordination mechanisms; follow-up on the development and technical support in various delivery system related design	Senior SP specialist with focus on coordination, team leadership, and policy dialogue management Senior SP and information and ICT specialists with focus on systems development, safety nets, and CE	Bank Budget = US$300,000

Time	Focus	Skill	Resource Estimate
	including targeting processes, payment, and M&E; starting delivery of CTs; enhancing work on cross-cutting themes and social and environmental safeguards	Senior economist/specialist with focus on targeting effectiveness, M&E, and impact evaluations Gender and CE specialist	
12–48 months	Overall project management and technical support; ongoing country level policy and technical dialogue; supporting functionality of institutional and coordination mechanisms; follow-up on the development and technical support in various delivery system related design including targeting processes, payment, and M&E; start delivery of CTs; enhancing work on crosscutting themes and social and environmental safeguards	Senior SP specialist with focus on coordination, team leadership, and policy dialogue management Senior SP and ICT specialists with focus on systems development, safety nets, and senior economist/specialist with focus on targeting effectiveness, M&E, and impact evaluations Gender and CE specialist	Bank Budget = US$300,000

Note: CE = Citizen engagement; SP = Social protection.

Table 1.6. Skills Mix Required

Skill needed	Number of Staff Weeks Annually	Number of Trips Annually	Comments
Task team leadership and project management	60	Country office based	2 senior specialists/project management
SP specialists/Senior SP specialists	50	Country office Based	CT, delivery system, monitoring, cross-cutting issues, technical assistance
Economists/Senior economists	10	Country office /headquarters based 1–2 trips	2–3 experts: poverty, financial sector, evaluation
Social development specialist	3	Country office based	Technical support and monitoring of ESF plans
Environmental specialist	3	Country office based	Technical support and monitoring of ESF plans
Senior financial management specialist	3	Country office based	Follow-up on FM issues
Procurement specialist	3	Country office based	Follow-up on procurement issues

ANNEX 2: NSR and RRR Platforms under the NASSP

The National Social Registry

1. **The NSR evolved from a series of inclusive and consultative engagements at different levels using the community-driven development model**. The registry is an aggregation of the social registries of the states where the targeting processes and household registration are being carried out. Started in 2013, built on the elements of the registry process of the Osun Youth Empowerment Scheme,[75] and fine-tuned and expanded with the World Bank-financed project (YESSO), the social registry was conceived and developed as an inclusive and transparent system of identifying poor and vulnerable households and generating databases of the poor and vulnerable households across states. The databases at the states are then leveraged on for social assistance and other social protection programs. The development of the social registry started with 8 states: Bauchi, Ekiti, Cross River, Kogi, Kwara, Niger, Osun, and Oyo and later expanded to 15 states including all the 6 northeast states. In 2016, the NASSP took off with the aim of expanding the SSRs, aggregating the SSRs to an NSR, and expanding social assistance to poor and vulnerable households in all the states in Nigeria. The NASSP accelerated the expansion of the SSRs through several strategies: (a) increased number of field teams in each LGA; (b) transition from paper-based to computer-assisted personal interview (CAPI) for the household registration; and (c) transition from activities-based finance operation to output-based finance for the registry process.

2. **The social registry process is organized around three pillars**: (a) the geographical targeting; (b) the community-based identification of poor and vulnerable households; and (c) the households' registration survey and generation of PMT scores to indicate household welfare. The stages are managed at the states by the SOCUs) usually within the state ministry or agency of economic planning.

3. **Geographic targeting of LGAs and wards.** Starting at the state level, the geographical targeting is based on poverty and the stages are in two parts. The first stage involves profiling all the LGAs in each state according to poverty status. This is done using existing state-LGAs poverty map or adopting a national LGA poverty map provided by the NASSP. The principle requires that the NSR process starts from the poorest LGAs to the richest in each state. At the second stage, all the wards/communities are poverty profiled and ranked based on access to and levels of basic social and economic infrastructure and services. The ranking is done at the LGA by a committee comprising different stakeholders. The practice in each LGA is to start the targeting exercise from the poorest wards/communities to the richest based on the ranking.

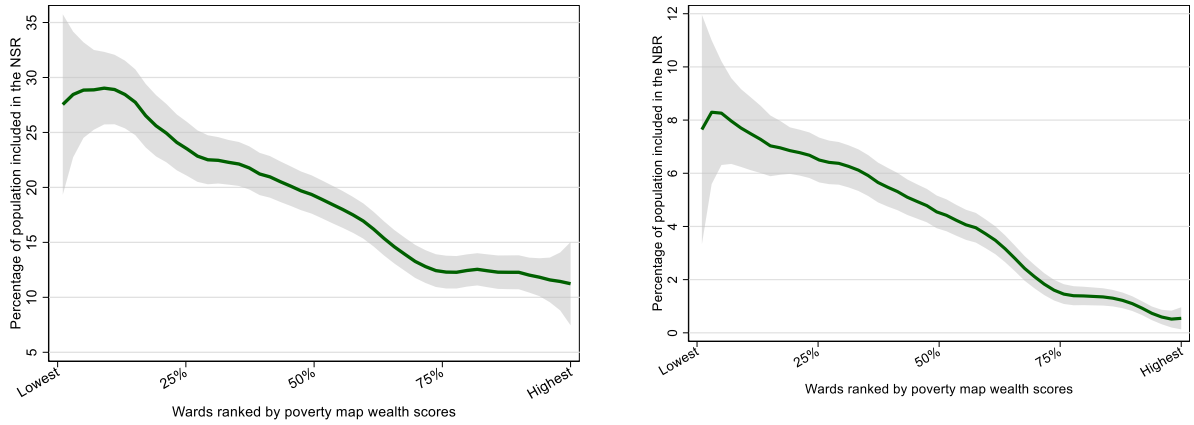
4. **Community-based identification of poor and vulnerable households.** The second pillar of the NSR process is the community entry—community-based identification. The CBI or CBT[76] is coordinated by the LGDO and led by one–three teams referred to as CBT teams. Each CBT team comprise of six LGA staff drawn from departments with functions related to community development. The CBT activities is carried out in three sequential stages: (a) pre-sensitization; (b) sensitization and mobilization; and (c) community engagement. The pre-sensitization entails visit to the communities to properly identify the communities' names, locations, and key groups. The sensitization and mobilization stage involves making contacts and visits to key members and groups of the communities and informing them about the NSR exercise and the

[75] See https://www.osunstate.gov.ng/empowerment/oyes/
[76] See https://nassp.gov.ng/wp-content/uploads/2020/04/NASSCO-CBT-PRINCIPLES-AND-PRACTICE.pdf

need to have community meetings on agreed date, time, and venue. This is closely followed by the next stage—community engagement. At the community engagement meeting, members of the community are gathered for a meeting where they will define deprivation in their community, identify households in their community that are poor and vulnerable, and identify members of the community that will serve as GRM focal persons. This is a critical and methodological stage, and it requires good understanding of the culture and good facilitation skills in handling focus group discussion and community culture. This process is documented in the CBT handbook.

5. **Registration and PMT.** The last pillar of the NSR process is household registration survey and generation of the PMT scores. The poor and vulnerable households identified during the community engagement are interviewed and information on contact address, household roster, housing, employment, and assets are collected. The registration is carried out by a team of interviewers with the questions programmed on CAPI software and administered on tablets. The data from the registration are then sent on the state data server for processing according to the data processing protocol.[77] From here, the PMT scores are calculated based on the PMT formula for each household in state registry.

Figure 2.1. Coverage of NSR and NBR is Higher in Poorer Areas



Source: World Bank estimates using administrative data on NSR and NBR, and ward level wealth estimates from Blumenstock et al. (2020).[78]
Note: The left plot shows the coverage of the NSR in the population by rank of the ward based on poverty map wealth score.

6. **Coverage of NSR is significant, and higher in poorer areas**. As of September 2021, the NSR covers about 9.7 million households (41 million individuals) across most wards in 36 states and the FCT. About 75 percent of the households in the NSR are from rural areas. Overall, the NSR covers about 20 percent of the national population (31 percent of rural population, 10 percent of urban population). Consistent with the expansion process for the NSR described earlier, figure 2.1 (left panel) shows that the coverage

[77] See http://nassp.gov.ng/wp-content/uploads/2021/07/SoP_NSR_-Dataflow_13042018.pdf.
[78] Blumenstock, Joshua, Jonathan Lain, Isabella Smythe and Tara Vishwanath "Using Big Data and machine learning to locate the poor in Nigeria" https://blogs.worldbank.org/opendata/using-big-data-and-machine-learning-locate-poor-nigeria
Smythe and Blumenstock (2021). "Geographic Micro-Targeting of Social Assistance with High-Resolution Poverty Maps." Working Paper.

of the NSR is higher for poorer states compared to richer ones. In addition, the NSR has a higher share and coverage in the rural areas and the northern areas of the country.

7. **However, despite the achievement recorded around coverage and targeting efficiency on the NSR, there is still big room for improvements**. Key directions of improvements are summarized below:

(a) At the community-based identification, community's trust and confidence in the targeting steps need to be sustained and improved upon. This can be achieved by strengthening accountability between the project and the communities, citizen engagement, and feedback mechanisms.

(b) The NSR uses an alphanumeric system of unique identification which is based on households' registration information. This system of identification is plagued with a chain of inconsistencies in data coding across the states and between the states and the federal coding systems.

8. The NSR is yet to be integrated with any national identity database and the integration with a biometric-based national identity database will improve the integrity of the NSR.

(a) Although the NSR has a standard operation protocol on data updates, the NSR is largely static with only infrequent and on-demand data updates.

(b) The PMT formula currently used to generate welfare scores for households is based on the 2010 General Household Survey. This needs to be updated based on the recent NLSS 2018/19 survey to reflect present economic and social conditions of the citizens.

9. **The NBR captures the beneficiaries of the regular CT program and keeps records of the payments provided to the beneficiaries.** There are three criteria for a household to be included in the NBR: (a) the households must be included in the NSR; (b) households must have a welfare score, proxied by the PMT score, below the sixth decile; and (c) the household designates the main beneficiary, typically a caregiver and preferably a woman. Consequently, about 94 percent of the program beneficiaries are women. Using these selection criteria, the NCTO receives data from the NSR and approaches the communities for household's enrollment into the NBR. Led by the SCTU and supervised by the NCTO, the field-level enrollment of household's caregivers is carried out using a CAPI-based enrollment form to verify the third selection criterion and collect additional information on payment details from the caregivers. Once linked to the payment mechanism, the beneficiaries start receiving CTs.

10. As of September 2021, there are 1.8 million households (9.1 million individuals) in the NBR, which represents about 18.5 percent of the NSR. About 87.3 percent of the beneficiaries are from rural areas and the remaining 13 percent are from urban areas. Females comprise an overwhelming majority (94 percent) of the beneficiaries designated as primary recipients or caregivers. Of the 1.8 million, 1.3 million households had received at least one transfer under the regular CT program of the NASSP, of which only 1.0 million had received payments for six months or more and only 0.7 million households had received payments for at least a year.

11. **Indeed, this process accurately selects the poor and vulnerable as beneficiaries**. As indicated in Figure 2.1 (right panel), the coverage of the NBR is much higher for poorer wards than for richer wards. Analysis based on the oversample of NBR households for the NLSS 2018/19 further validates the approach. The profile and characteristics of the beneficiaries in the oversample match closely with the bottom 60 percent of the national population in the NLSS. For instance, 75 percent of those in the NBR are in the

bottom 50 percent of the consumption distribution, 68 percent are poor, and 86 percent are either poor or vulnerable.[79] In rural areas, 70 percent of those in the NBR are poor and 87 percent are either poor or vulnerable. The PMT score for the beneficiaries also correlates with actual per capita consumption indicating its usefulness in predicting welfare. For instance, 96 percent of the people classified as being in the lowest decile by the PMT formula are poor or vulnerable. There is scope for better precision by updating the PMT formula as the recent one was based on the 2010 General Household Survey. This needs to be updated based on the recent NLSS 2018/19 survey to reflect present economic and social conditions of the citizens.

12. **The selection process of beneficiaries for the NASSP regular CT is facilitated by automated data exchange from the NSR to the NBR**. However, updating of the NSR based on the current household information during NBR enrollment process needs to be further improved. Because of a lack of full interoperability between the NSR and the NBR and unique identification challenges, information updates during enrollment cannot be integrated back into the NSR. This ties to a larger issue of interoperability between the two MISs and their hosting and management by NASSCO and the NCTO. The project will facilitate integration and seamless data exchange between the NSR and the NBR.

The Rapid Response Registry

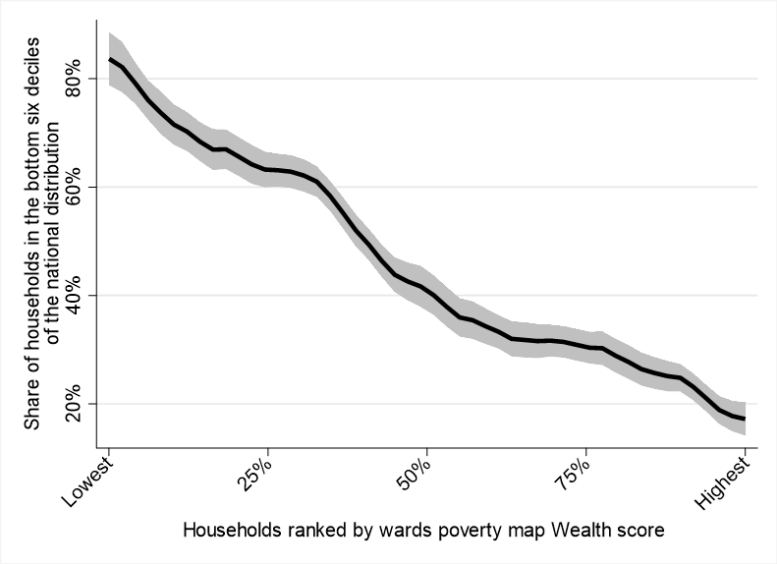
13. **The RRR emerged from the need to establish a registry with sufficiently high coverage in urban areas so that the Government could provide CT in response to COVID-19 (COVID-CT).** Given the widespread impacts of COVID-19, concentrated largely in urban areas, the coverage of the NSR was deemed insufficient to identify those adversely affected by the pandemic. Through the restructuring of the NASSP, the RRR established in urban areas in 2022 serves as a platform to identify beneficiaries and provide CTs through the COVID-CT program.

14. **The establishment of the RRR and the launch of the COVID-CT in urban areas required innovations on several fronts**. The social registry does not have sufficient coverage in urban and peri-urban areas, therefore the RRR is being developed through two key innovations: (a) geographic targeting based on poverty maps—1,163 poorest urban wards with a population of over 20 million people were selected based on the ward-level poverty maps produced by applying cutting-edge machine learning algorithms to granular satellite imagery data[80]; and (b) SMS-based self-registration—potential beneficiaries in the selected wards were invited to self-register through an USSD application via targeted and localized SMS blasts in the selected wards.

15. **Analysis shows that geographic targeting based on poverty maps performs well in urban areas**. The NLSS 2018/19 nationally representative sample provides empirical evidence on the potential performance of the proposed geographical targeting approach in urban wards. Correlating households' consumption levels with their ward poverty map wealth scores, figure 2.2 shows how the share of households in the bottom six deciles of the national consumption distribution goes from 80 percent for households with lowest scores down to 20 percent for those with highest scores. Based on this evidence, the proposed geographical targeting appears to perform adequately.

[79] Based on the comparison between the NBR oversample data and the nationally representative data of the NLSS 2018/19.
[80] See https://blogs.worldbank.org/opendata/using-big-data-and-machine-learning-locate-poor-nigeria and the references therein for more details on the methodology.

Figure 2.2. In Urban Wards, Geographical Targeting Based on the High-Resolution Poverty Map Provides a Reliable Way to Identify Poor and Vulnerable Households



Source: World Bank estimates using ward-level wealth estimates from Blumenstock et al. (2020) and NLSS 2018/19 urban sample.
Note: The figure shows the coverage of the NSR in the population by rank of the ward based on poverty map wealth score.

16. The USSD-based self-registration system provides a quick pathway to establish a registry in urban areas whereas the geographic targeting of wards ensures that most of the beneficiaries registered are poor and vulnerable. The USSD-based self-registration was launched in June 2021 and potential beneficiaries were given 10 days to self-register.[81] By August 2021, the system has received over 1.7 million successful registrations. The registration information provided by potential beneficiaries is currently being verified and validated by the local authorities. During verification and validation, bank account information will be collected from beneficiaries for direct transfer of COVID-CT benefits. For those without an existing bank account, the project has partnered with financial institutions to leverage their agent network to provide an adequate transactional account (either an e-wallet or a virtual account) for the beneficiaries, who can access and use the transfers through these accounts. The NASSP is expected to provide COVID-CT to two million households by December 2021 through this process.

17. **The innovative RRR system is undergoing continual improvement through on-the-ground learning**. Since the RRR is a novel approach in Nigeria and is being implemented at a large scale, the system is continually identifying key issues and improving them to make the system more efficient. Lessons from a small pilot in four wards in Lagos and Abuja informed the first wave of large-scale information blasts in all selected 1,163 wards in June 2021. Several technical and operational challenges were encountered in this process including network and connectivity issues, delayed participation of some of the large telco operators, short sessions allowed for a successful registration attempt, and uneven outreach and communication campaign across localities. Many of these challenges are being resolved and the NASSP is preparing for a second wave of SMS blasts in August/September. In the meantime, information on the

[81] For operational ease, the blasts were done in three batches with 12-13 states in each batch.

1.75 million successful registrants are being verified and validated. Proactive management from NASSCO and technical support by the World Bank will continually improve the RRR system, making it more efficient with each iteration.

18. **While an innovative approach, there are some potential shortcomings of the RRR platform and the COVID-CT**. For instance, though over 85 percent[82] of the urban population is in households that have someone with a mobile phone, not all may be able to use it to register. Similarly, only two-thirds of adults in urban areas are currently banked, which leaves a third without an existing bank account. The issue of phone ownership and requisite levels of usage as well as bank account ownership will be lagging particularly for the poor and vulnerable as well as for women. These issues need to be closely monitored and analyzed to ensure that the poor and vulnerable, the women, the ethnic minorities, and the disabled are not excluded from receiving the transfers. To alleviate these challenges and concerns, the NASSP is exploring special provisions to include those with limited access to phone and bank accounts and is strengthening communication and GRM processes to facilitate bilateral information flows between the Government and the beneficiaries.

[82] Data based on NLSS 2018/19. With increased cellphone penetration is recent years, the coverage is likely to be much higher now.

ANNEX 3: Payment delivery modalities for NASSP-SU

1. The annex presents the approach that will be used to deliver CTs under the ESR-CT. The principles that drive the approach are inclusivity, efficiency, flexibility, and reliability. The approach benefits from findings collated from several market surveys for beneficiaries, the analysis of existing key infrastructures, and the review of current NASSP payment processes. Moreover, the presentation of the approach is complemented with the high-level description of how the payment component is embedded within the enrollment/registration process and which systems and infrastructure are used.

Key Principles for Payment Delivery Approach for the Project

2. The following key principles have been informed by detailed data analysis captured from three different surveys that focused on aspects related to social protection benefits distribution channels in Nigeria and included in the NASSP:[83]

3. **Key Principle 1: The choice of multiple delivery channels to disburse support grants is reinforced by beneficiaries' account ownership levels and the preference for digital channels for targeted beneficiaries.** On the preference for payment services, nearly half of the surveyed population[84] already have a bank account or have expressed interest in receiving financial support via bank accounts. The remaining 50 percent do not have a bank account and would prefer receiving the income support via cash, although one needs to consider that this population do not have direct experience working with banks and that their perspective might change once they obtain such experience or once the impediments that prevented them from having a bank account are removed. This information will be used as the basis for structuring a modular approach for enrolling and distributing income support.

4. **Key Principle 2: The availability of access points is the main concern in preventing people from opening a bank account, which can be addressed by scaling up mobile banking services.** Transaction cost is not considered among major challenges for demand for DFS.[85] In fact, among the population that do not have financial accounts, many are facing challenges to physically reach their financial institutions. For example, around 29 percent of the respondents to the EFInA 2020 survey consider that the travel cost to the access point as the main reason for not having a financial account (reason I). Meanwhile, 22 percent of respondents cited not having a regular income or job as the main reason (reason II). About 15 percent of the respondents indicated that they either lack trust in the banks, cannot read or write, or think that there are too many documentations or procedures involved with account opening (reason III). About 14 percent of the respondents did not indicate a specific reason for not having a bank account (reason IV). The implementation of financial support distribution model with DFS that are widely supported by mobile banking services would address concerns related to distance and cost to the access point (reason I). For segment of the population who cited reason II, the income support would provide the needed regular cash flow to maintain a transaction account. For population mentioning reason III, combining financial

[83] NASSP COVID high frequency survey: August–October 2020 (2,012 respondents, 26 states), EFINA: June 2021 (29,407 respondents), and NASSP IE baseline survey: August–November 2019 (8,035 respondents, 6 states).
[84] NNASSP COVID-19 survey 2020.
[85] Please see EFINA 2020 Financial Access Survey.

literacy with hand-holding activities from financial institutions could help change their perceptions and make—at least—a considerable segment of them more prone to open transaction accounts.

5. **Key Principle 3: The enrollment and the authentication processes for payments and cash out could leverage both growing level of mobile ownership and the use of biometric authentication methods, easing the DFS accessibility pain point.** Whereas account ownership is around 50 percent, mobile ownership is high (approximately 95 percent among banked population) and accounts for approximately 70 percent among the unbanked [86] population. This would entail the availability of a direct channel for the vast majority of the beneficiaries[87] as mobile ownership allows to enable DFS and allows mobile phones to act as a usage channel and an authentication mechanism. Given that enrollment and subsequent authentication are key elements for the disbursement of the income support, the biometric identification and authentication offered through the National Identification Number (NIN) or Bank Verification Number (BVN) system—following a dedicated enrollment process—can enable access to the financial services for the remaining 31 percent of the population that has no phones where an access point is available. This is possible through the adoption of NIN or BVN biometric authentication technology that is currently functional in Nigeria and enables bank branches and ATMs to safely interact with account holders.[88]

6. **Key Principle 4: The promotion of selected use cases for the fund usage, including for example electronic bill payments, allows beneficiaries to conveniently use funds without cash out.** According to the EFInA 2020 survey, approximately 30 percent of CT support beneficiaries use the funds for bill payments[89] and 63 percent of them pay their bills in cash. Examples of bill payment use cases presented in Nigeria include payments related to government taxes, service and utilities companies, and religious and education enterprises. Given that bill payments merchants are able to accept digital payments, enabling DFS would allow beneficiaries to direct the digitally distributed CTs to address expenses within the DFS ecosystem, thus meeting expenses that would have nevertheless incurred and reducing transportation and cash-in-cash out costs.

7. **Key Principle 5: The proposed process promotes scalability in payments delivery.** Leveraging interoperability will enable the use of new PSPs and payment instruments with ease. The proposed payment process for the NASSP-SU provides foundation that enables the reuse of the process for other social benefit transfer programs and more broadly other G2P payments.

8. **In view of the aforementioned principles, the NASSP-SU is an excellent opportunity to promote financial inclusion through opening transactional accounts for beneficiaries who will be better positioned to fulfill their financial needs for savings and payments for consumptions purposes**. Despite the nature of the emergency support, the NASSP-SU is the appropriate occasion to demonstrate the efficiency and effectiveness of using DFS to direct income support. The research[90] showed that approximately 62 percent of the surveyed target group are interested in saving and sending money

[86] NASSP COVID survey 2020.
[87] The same data are confirmed from the BASELINE NLSS survey: 65 percent of households have a mobile phone and 3.6 percent only have a smartphone.
[88] The BVN system registers and authenticates users' biometric information. The system is available across market players as it uses a standardized interface.
[89] Please see EFINA database, June 2021.
[90] BASELINE NLSS Survey, 2020.

through DFS. DFS could make regular and timely payments to beneficiaries, reaching the targeted beneficiaries. It ensures comprehensive coverage of targeted population to prevent funds leakages and duplication of payments. It streamlines the cumbersome government procedures for processing CTs to beneficiaries. It can leave a tangible trace for funds flow that strengthens transparency and accountability of CT programs. Leveraging DFS in income support could potentially prevent further economic fallout and strengthen recovery and financial stability.

Key Design Aspects of NASSP-SU Payments Delivery

9. The development of the NASSP-SU payment delivery process intends to design different elements to craft enrollment and disbursement processes that are fast, convenient, and efficient in terms speed and cost. The following are key payment delivery mechanism design aspects of the NASSP-SU.

10. **Inclusive and flexible**. The program registration process shall support the account opening by collecting data and providing information to beneficiaries. The program design is meant to be flexible to offer beneficiaries the most convenient payment delivery mechanism. As of October 2021, the data flows specification between the NCTO and PSPs remains to be defined. A mechanism should be in place to share account information with the beneficiaries before grants disbursement. This should be included in the project operations manual ahead of project implementation. Moreover, detailed processes should be established to exchange information and structure information reconciliation and reporting between the NCTOs and PSPs.

(a) The payment process will be defined across the program components, and the specific geographical conditions per state will be considered as customizations of the process flow, depending on needs.

(b) The process will be inclusive by addressing different beneficiary types using available infrastructures efficiently and supporting the fulfillment of their needs in terms of payment delivery.

(c) The process creation will be flexible by adapting to the peculiarities of the context. Three categories of beneficiaries are identified based on their current level of inclusion in the financial sector and their mobile connectivity:

  (i) Type 1: the beneficiaries do not have an account and reside in an area with no mobile data coverage.

  (ii) Type 2: the beneficiaries do not have an account and reside in an area with mobile data coverage.

  (iii) Type 3: the beneficiaries have an account that is not restricted in use and likely reside in an area with mobile data coverage.

11. A residual type of beneficiaries with special needs, for example, people with disabilities, will be handled through dedicated processes. The presence of financial system access points at a convenient distance from beneficiaries' communities will be analyzed in cooperation with financial system stakeholders. Following this analysis, in cooperation with the GoN, PIU, and selected partner PSPs, a

process will be defined to provide areas currently underserved with additional financial services access points.

12. **Efficient and reliable.** The creation of efficient payment processes for the delivery of the NASSP-SU income support will be based on the use of several existing infrastructures that have proven reliable in terms of scalability of their operations. The infrastructures leveraged are the identity systems, the national payment infrastructure, and the MIS of the NCTO. In addition, the project will make use of the IT systems of PSPs and the financial industry access points, both as agents and ATMs and branches.

13. **Key systems within the national digital infrastructure that can be leveraged to operationalize the proposed payments modalities under the NASSP-SU include the following:**

- National Foundational and Functional Identity Systems
    - **National Identification Number (NIN).** NIN is a set of numbers assigned to an individual upon successful enrollment. Enrollment consists of the recording of an individual's demographic data and capture of the 10 fingerprints, head-to-shoulder facial picture, and digital signature, which are all used to cross-check existing data in the national identity database to confirm that there is no previous entry of the same data. NIN card issuance and a digital profile are created during registration. Over 60 million unique NIN records are registered.
    - **Bank Verification Number (BVN).** BVN is a biometric identification system for the financial sector with 49 million people enrolled. A unique ID number is issued to every customer at enrollment and linked to every account. Account opening and bundling with BVN is mandatory for accounts opened with KYC levels higher than the simplified due diligence. It supports accounts' customer onboarding and serves the customer authentication using biometric attributes (10 fingerprints, facial image).
- **National Payments Infrastructure.** The payment infrastructure backbone is operated with high processing capacity and multiple access channels based on modern/innovative technology from the Nigeria Inter-Bank Settlement System. The payment market infrastructure allows instant payments and interoperability across financial institutions. Interoperability is granted through multiple payment switches and the central switch. Payment collection services with interoperability across PSPs and agent networks are also enabled by the switching services.
- **PSPs systems.** These are systems that several service providers use to identify customers, create transactional accounts, generate data exchanges, and manage payments and financial products for beneficiaries and merchants. The CBN supervises these entities and applies relevant framework to ensure stability. The proprietary system is made available to agent networks for managing services at the access points. These systems have to develop integration capabilities with NCTO's MIS.
- **Access points.** A clear view of the geographical footprint of the financial system is required and should include access points network, comprising agents, ATM, Point of Sale (POS), and branches. This is key to define how beneficiaries can reach the funds made available. The available beneficiaries' authentication modalities at access points are a vital component in the process

definition. To support interoperability and financial inclusion, the banking sector has created a wide agent network interoperability framework named Shared Agent Network Expansion Facility that allows agents to act as access points of the financial sector that can expand to engage in financial literacy activities for users of financial services.

Design Elements: Process in Determining the Payment Method Per Beneficiary

14. The NASSP-SU payment delivery process definition will be adapted based on beneficiary situation and preferences. Due to the scale of the program, and the inherent operational challenges related to disbursing funds in a limited amount of time to a large audience, electronic payments to accounts will be the favored delivery mechanism. The advantages related to electronic payment processing encompass a reduced amount of time necessary for completing the transfer of funds, safe store of deposit, ubiquitous availability across enabled cash-out points, and direct spend opportunity for enabled merchants and billers that have performed the necessary integration.

15. A high-level view would suggest that the program is divided into three main phases as described below.

- **Data collection, verification, and registration**. The prospective beneficiaries are contacted in person through the NCTO; they share information related to their identity and financial account (if available) with the PIU. The forthcoming beneficiaries' information is verified and safely stored in compliance with Nigeria's data management and data protection related regulations and standards.
    - **Type 3 beneficiaries** have the most rapid enrollment. Their account information data is added to their record within the PIU's MIS.
    - **Type 2 beneficiaries** are prompted to open a transaction account following **Tier1/Tier 2** level KYC standards. The PIU will set up the process and steps required to inform beneficiaries about details of their transaction account in the project operations manual.
        - If the beneficiaries agree, once the account opening process is completed, they become Type 3 beneficiaries and they communicate account information to the program management unit.
        - If the Type 2 beneficiaries do not agree to open an account, the process used for Type 1 beneficiaries is then followed.
    - **Type 1 beneficiaries** are prompted to open an interoperable transaction account with minimal due diligence requirements in accordance with the CBN Tier 1 level KYC requirements as decided by the Government. The beneficiaries' data collection information for the account opening is managed through the NCTO staff in the field, as is currently done under NASSP. Thus, the NCTO staff verifies the identity of the target beneficiaries and collects key information (name, surname, date of birth, and so on), the information collected during this phase is sufficient to comply with the KYC requirements set by the CBN for opening transactional accounts. The NCTO staff collate the data and share the information

of the beneficiaries without a transactional account with partner PSPs. The PSPs receive the beneficiaries' data, create interoperable transactional accounts following the necessary validation, and return to NCTO the account number for each beneficiary. Validation procedures are agreed upon between NCTO and PSPs and are in line with the CBN requirements. The PSPs and the NCTO agree on the modalities for the communication of the account credentials to the beneficiaries and clearly reflect this in the projects operation manual. The NCTO keeps track of the accounts that have been created and for which the credentials have been delivered to the beneficiaries. The distribution of credentials presents a practical challenge for non-mobile holders, the account credentials (for example, account number and PIN) need to be communicated to the applicants. However, these are not issued at the moment of registration. Therefore, the NCTO or the PSP will need to reach the applicants to communicate them at a different point in time versus the registration moment. The PSPs open accounts with Tier 1 level KYC or Tier 2 level KYC where possible. The uniqueness of the link between the account holder and the account number is promoted via the registration of the beneficiaries within the BVN system, the BVN registration or issuing of a NIN is strongly encouraged and promoted by the NCTO staff in the field, nevertheless, it remains optional. Beneficiaries with special needs, for example, people with disabilities, may appoint a representative person to open the account on their behalf, or the project will establish a dedicated process for in cash home delivery.

  - While Tier 1 level KYC accounts provide flexibility for opening accounts and support straight-through processing, it provides limited space for verification of account holders given the relaxed requirements for account verification as per CBN's relevant regulation.[91] The use of Tier 1 level KYC might increase fraud risks due to the absence of a strong identity binding between the account and the account holder (one example can be disbursement to the same beneficiary holding multiple Tier 1 level accounts with unverified identities). However, the use of Tier 2 level KYC account together with the BVN represents a significant filter for verifying account holders given the prerequired capture of biometric credentials. The binding financial sector-related identification with the account number through the BVN facilitates verification of account holders and additional authentication at some financial access points.

- **Payment delivery at electronic stage**. The NCTO instructs individual payment orders directed to beneficiaries' accounts. The payment order will be processed by the NCTO-PSP through the payment infrastructure. Funds are disbursed with settlement finality through the financial market infrastructure, thus meaning that the transfer is irrevocable once the funds reached the beneficiary's account and that the beneficiary does not have a specific timeline to use the funds.

- **Fund's usage or collection.** Once deposited on the accounts all beneficiaries can use the funds for cash out, electronic payment purchases, electronic transfers, or bill payments. The limits set by the KYC status related to the account will apply. For Type 1 beneficiaries, that will be generally located in selected remote areas, PSPs are tasked to prepare regular cash-out events, where the

[91] Please see CBN's circular FPR/DIR/CIR/GEN/02/001 available at https://www.cbn.gov.ng/out/2013/ccd/3%20tiered%20kyc%20requirements.pdf and https://www.cbn.gov.ng/out/2014/fprd/aml%20act%202013.pdf

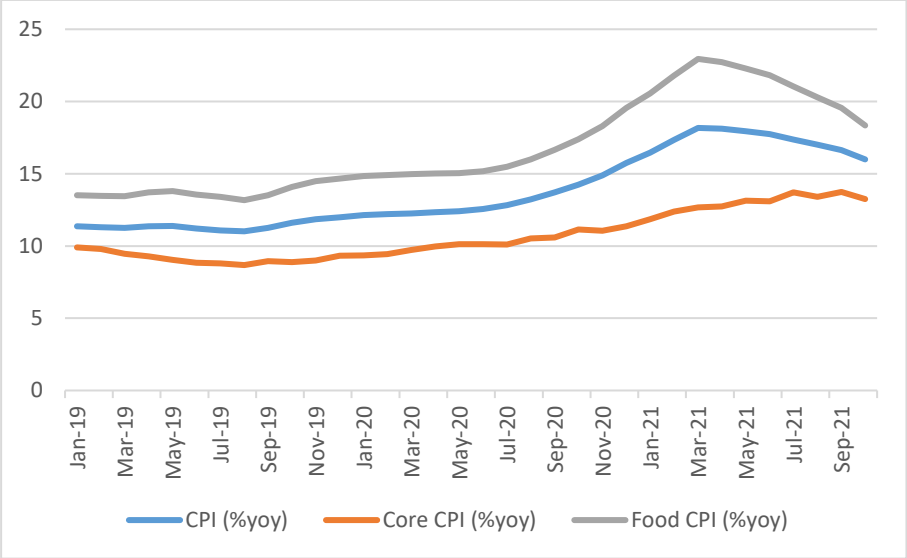
PSPs' staff can disburse in cash the accrued benefits. During these events, to reduce the cash turnover, the PSPs may encourage the customer to spend the funds on digital payment use cases.

ANNEX 4: Detailed technical and financial analysis

Inflation Shock Incidence and Adequacy of Benefits

1. Since the COVID-19 outbreak in Nigeria in March 2020, the rate of inflation has risen steadily. Year-on-year inflation reached a four-year high of 18.2 percent in March 2021 and remains above 16 percent as of October 2021 (figure 4.1). Some states have faced even higher inflation, for example, in Kogi, Bauchi, and Kaduna, year-on-year inflation exceeded 20 percent in July 2021.[92] This inflation dynamic has been driven mainly by surging food prices, which accounted for 63 percent of the rise in inflation in 2020.[93]

Figure 4.1. Year-on-Year Inflation Rates Have Been Increasing and High in the Recent Years



Source: World Bank estimates using National Bureau of Statistics (NBS) data.

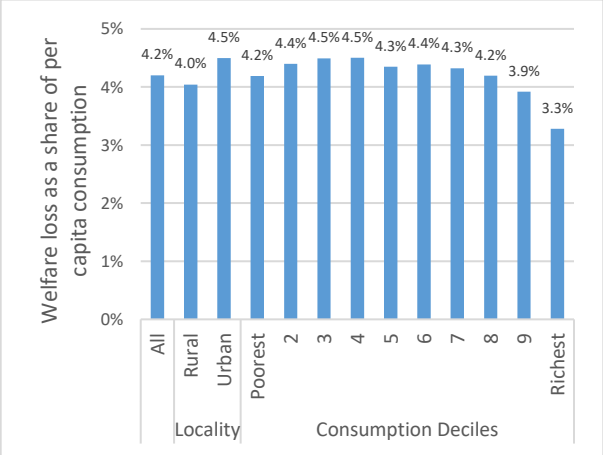
2. Based on NLSS 2018/19 data, the increase in food prices from June 2020 to June 2021 could have led to a 4.2 percent drop in average per capita consumption (figure 4.2a).[94] In relative terms, urban households would have experienced higher losses than rural ones (4.5 percent of consumption versus 4.0 percent). Moreover, the bottom 40 percent of the consumption distribution—which roughly corresponds to the pre-pandemic poor in Nigeria—would have been relatively more exposed than the top 60 percent. Expanding this analysis to other purchased nonfood items (such as fuel prices) would lead to a higher estimated impact.

3. The proposed transfer of N5,000 per month for six months would compensate 54 percent of the average loss in per capita consumption stemming from food price inflation between June 2020 and June 2021 (figure 4.2b). About two-thirds of the welfare loss would be compensated for rural households

[92] National Bureau of Statistics CPI and Inflation Report, July 2021.
[93] World Bank. 2021. *Nigeria Development Update, June 2021: Resilience through Reforms*. Washington, DC: World Bank. https://openknowledge.worldbank.org/handle/10986/35786.
[94] See box 4.1 for a description of the assumptions and method used in this annex.

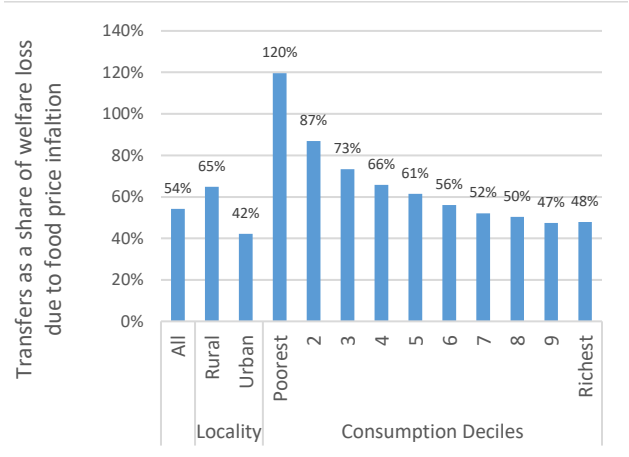
versus 42 percent for urban ones: this difference arises primarily because absolute consumption levels are higher in urban areas. Similarly, the transfers would compensate a larger share of the loss for poorer households, given their lower levels of absolute consumption: the bottom decile would be more than fully compensated while less than half of the losses experienced by the top decile would be compensated.

Figure 4.2a. Welfare Losses Due to Food Inflation Are Significant Across the Distribution, but Higher for Poor and Vulnerable



Source: World Bank estimates using NBS Consumer Price Index (CPI) and Inflation Report in July 2021 and NLSS 2018/19 data (Borno state excluded).

Figure 4.2b. Project Transfer Amounts Would Compensate for More Than Half of the Welfare Loss Due to Food Price Hike for Average Nigerian Household

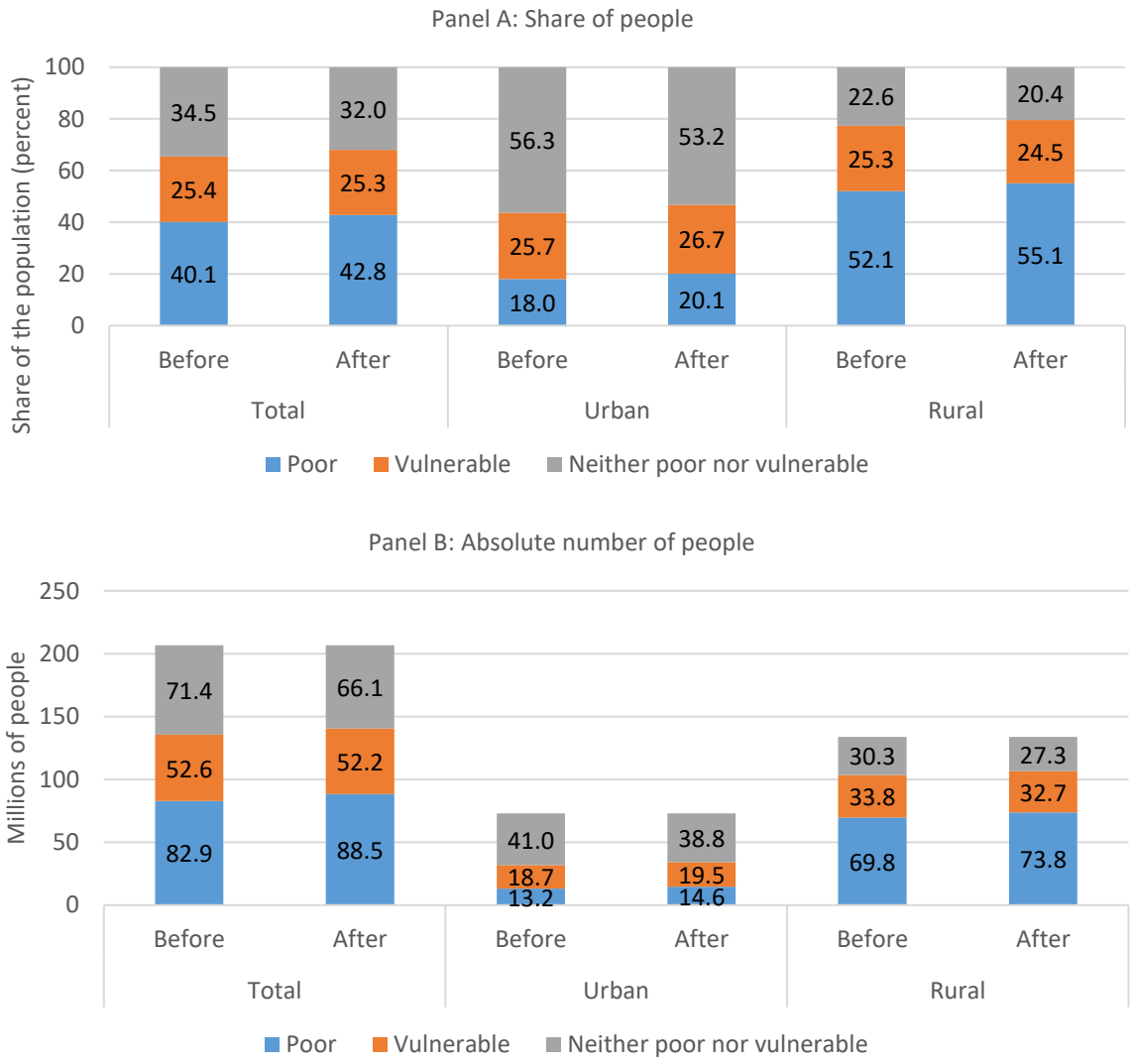


Source: World Bank estimates using NBS CPI and Inflation Report in July 2021 and NLSS 2018/19 data (Borno state excluded).

4. The welfare losses resulting from rising food price inflation would cause the share of Nigerians living below—or near to—the poverty line to increase. This potential increase in poverty can be simulated applying the decile-level welfare losses calculated above the national consumption distribution. This exercise suggests that the share of Nigerians living below the national poverty line could have increased from 40.1 percent to 42.8 percent, due to the food price inflation witnessed between June 2020 and June 2021 (figure 4.3). This means about 5.6 million additional Nigerians would be living in poverty. However, the share of people living between the poverty line and the vulnerability line would have remained about the same.

5. While food price inflation would decrease purchasing power and raise poverty across Nigeria, it appears that urban areas could be disproportionately affected. In 2018/19, about 15.9 percent of poor Nigerians were urban dwellers. Yet among those who would be newly impoverished by the increase in food prices between June 2020 and June 2021, around 26.8 percent would be from urban areas. Nevertheless, poverty in Nigeria is set to remain a primarily rural phenomenon, with or without rising food prices.

Figure 4.3. Rising Prices Could Push Around 5.6 Million Additional Nigerians Into Poverty



Source: World Bank estimates using NLSS 2018/19.
Note: Estimates excluded Borno. Poverty calculated using Nigeria's national poverty line of N137,430 per person per day. The vulnerability line corresponds to 1.5 times the poverty line.

Box 4.1. Methodological Note on Analysis of Inflation Incidence and Impacts of CTs

As prices rise, the cost of buying the key goods that Nigerians consume increases, reducing purchasing power and, in turn, welfare. One way to understand the extent of these welfare losses is to calculate the money needed to maintain households' per capita consumption at the same level even as prices rise, known as the 'compensating variation'. Households' exposure to price shocks depends on the share of overall expenditures they devote to each purchased good, which is captured by the 2018/19 NLSS. Calculating the compensating variation then hinges on mapping the item-level price data published by the Nigerian NBS into the consumption basket from the 2018/19 NLSS. The analysis here focuses only on consumption of purchased items when calculating the compensating variation, as these are the items that would be directly affected by increasing prices. The price shocks are not applied to non-purchased items.[95]

This approach shows that overall per capita consumption for the average Nigerian household would need to rise by 4.2 percent to maintain the same level of welfare when faced with the food price rises witnessed between July 2020 and June 2021. Expressing these shares in 2021 naira terms and multiplying by the number of households in the national population and in the bottom six deciles of the consumption distribution, we find that the total aggregated losses would amount to N2,150 billion for the population as a whole and to N818 billion for the bottom six deciles.

While these calculations make clear the severe welfare effects of inflation, they carry many caveats, underlining the need for more data. First, the NBS data on which the analysis is based comprise just 43 selected food items for which prices are made public, covering less than a quarter of the average Nigerian consumption expenditures basket. Prices were likely increasing for other items in the basket, which would deepen the effects on purchasing power, welfare, and poverty. Second, households may purchase less expensive items to cope with the rising prices which could reduce some of the measured impacts: this type of substitution between goods is not captured by the analysis. Third, the analysis focuses only on consumption and does not consider the effects of price rises on the earnings of households that are net producers. For example, households selling the goods for which prices are rising may enjoy increased profits. As such, improved data on prices and incomes could dramatically improve this assessment of the welfare effects of inflation.

The resulting share of people living below the national poverty line—and the 'vulnerability' line of 1.5 times the poverty line[96]—due to food price inflation is estimated using the decile-level welfare losses reported above.[97] These losses can be applied to the existing consumption distribution to generate a new post-inflation consumption distribution. Based on this post-inflation consumption distribution, the new share of people living below the poverty line and the vulnerability line can then be calculated for the population as a whole and for rural and urban dwellers.

Summary of Targeting Approaches for Component 1 (ESR-CTs)

6. **Urban areas.** The emergency CTs in urban and peri-urban areas will target 5.0 million households by expanding the RRR platform to selected urban wards. These wards, which include urban and peri-urban communities generally not covered by the existing NSR, will be selected through geographical targeting.

[95] This differs from the analysis presented in the June 2021 Nigeria Development Update (World Bank. 2021. *Nigeria Development Update, June 2021: Resilience through Reforms*. Washington, DC: World Bank. https://openknowledge.worldbank.org/handle/10986/35786).

This, in turn, will be based on a high-resolution 'poverty map'—derived from satellite imagery and processed with state-of-the-art machine learning techniques—which ranks the wealth of every ward in Nigeria.[98] In the selected wards, localized SMS blasts will be sent to all active cellphones in the area inviting interested individuals to register (see annex 2 for more details on the RRR process). Close monitoring and analysis of the current the RRR rollout for the COVID-CT under the NASSP will be crucial for the understanding—and prevention—of exclusion and inclusion errors related to SMS blasts coverage and constraints affecting registration.[99]

7. **Rural areas.** The localized SMS blasts used to boost registration in urban areas will not be possible in rural areas where network coverage is weaker and cell phone ownership is less prevalent. However, the existence of the NSR developed under the current NASSP regular CT can be leveraged to target poor and vulnerable households in rural settings. The emergency CTs will target 3.2 million beneficiary households among those not currently supported by the regular CT under the NASSP.[100] The selection of beneficiaries among these registered households would ease implementation and allow for a speedy rollout of CTs. This approach could also be consistent with the PDOs, considering that households were registered in the NSR after being identified as poor and vulnerable by communities (see annex 2 for more details on the NSR). Further analysis of the NSR data, examining the characteristic of the currently unsupported households in the NSR in conjunction with other data sources (such as the ward-level poverty maps and the NLSS 2018/19 data), will inform the specific approach to the selection of households for the ESR-CT in rural areas.

Expected Impacts of the CT Programs

ESR-CT under Component 1

8. A main development objective of the emergency CT is to compensate poor and vulnerable households for welfare losses stemming from recent inflation shocks; it is therefore helpful to quantify how much of the total loss in welfare could be compensated by the ESR-CT. The share of the aggregate losses from inflation that will be compensated by the proposed transfers depends on (a) the adequacy of the benefits (described earlier) and (b) the coverage of the program, in terms of how many households

[96] In the 2016 Nigeria World Bank Poverty Assessment, two vulnerability lines were used at 1.4 and 1.8 times the poverty line. Panel data from other countries have shown that households between 1 and 1.5 times the poverty line are vulnerable in the sense that they have at least a 10 percent chance of falling back into poverty each year (see, for example, World Bank. 2019. *Aspiring Indonesia - Expanding the Middle Class.*). Additionally, the World Bank's 'moderate' poverty line of US$3.20 PPP per day is around 1.7 times the World Bank's 'extreme' poverty line of US$1.90 PPP per day.

[97] The decile-level estimates of compensating variation are used for these calculations rather than household-level estimates of compensating variation, as the former should smooth out any household-level idiosyncrasies in consumption patterns, which could distort the analysis. Expressing the compensating variation in percentage terms rather than absolute naira terms should limit any loss in precision.

[98] Validation exercises find a strong correlation between the welfare estimates from the machine learning approach and those of the 2018/19 NLSS. See Blumenstock, Joshua, Jonathan Lain, Isabella Smythe, and Tara Vishwanath. 2021. "Using Big Data and machine learning to locate the poor in Nigeria." https://blogs.worldbank.org/opendata/using-big-data-and-machine-learning-locate-poor-nigeria and Smythe, and Blumenstock. 2021. "Geographic Micro-Targeting of Social Assistance with High-Resolution Poverty Maps." Working Paper.

[99] Recent work by Innovations for Poverty Action on understanding the challenges Nigerian consumers face with digital finance points to such constraints https://www.poverty-action.org/sites/default/files/Nigeria-Consumer-Survey-Report.pdf

[100] Based on the 2018/19 NLSS, three million rural households correspond to about 20 percent of the number of rural households in the bottom six deciles of the national consumption distribution.

receive transfers and where they are in the national consumption distribution (as the adequacy of benefits varies along the consumption distribution, see figure 4.2b).

9. There are about 19 million households in the bottom six deciles of the national consumption distribution:[101] assuming that 8.2 million households (5.0 million urban and 3.2 million rural households) will be targeted by the emergency CTs implies that, at best, 43 percent of poor and vulnerable households would be covered. The total transfers proposed will amount to ₦246 billion for 8.2 million households. This corresponds to 11 percent of the aggregated welfare loss estimated for the population as a whole (₦2,150 billion) and about 30 percent of the aggregated loss for the bottom six deciles (₦818 billion).

Extended Regular CT

10. There is growing evidence on the impacts of social safety nets on equity, resilience, and opportunities among the poor and vulnerable in Africa.[102] More specifically, there is also recent evidence for rural CTs in Nigeria showing how the regular CT proposed under Component 2 might have significant development impacts for both beneficiary and non-beneficiary households. Friedman et al. (forthcoming) investigate a large unconditional CT in ultra-poor households in Northern Nigeria. The results suggest that CTs immediately spurred new business creation among women, improved households' food security, and increased livestock ownership. Importantly, one year after the cessation of the CTs, the authors observe a large positive local multiplier effect: CT payments not only benefit the immediate recipients but also non-beneficiary women in the community. Beyond economic outcomes, Carneiro et al. (2021) evaluate a CT program offered to pregnant women and mothers of households in extreme poverty in Zamfara and Jigawa states. The results suggest large and sustained improvements in children's anthropometric and health outcomes. Furthermore, the ongoing impact evaluations under the NASSP will also shed light on the impacts of improved mechanisms to deliver additional livelihood support activities, which could be incorporated into how the program evolves moving forward.

Financial Benefits of the Proposed Payment Mechanism

11. The proposed payment mechanism leverages and modernizes the payment mechanism currently under the NASSP along few key dimensions: (a) the use of transactional accounts for all beneficiaries for CTs; (b) bulk opening of transactional accounts; (c) straight-through processing of electronic payments directly to beneficiary accounts; and (d) hiring of PSPs only in areas of low financial penetration to provide mobile agent service. The proposed payment mechanism has several benefits. First, increased opening of transactional accounts promotes financial inclusion particularly among the poor and vulnerable, women, and those with special needs, further promoting inclusive growth. This further increases the resilience of households to cope with future shocks. Second, increased use of digital payments can enhance transparency and security by increasing accountability and tracking and reducing errors and risks of fraud, which saves administrative costs and program leakage for the Government. Third, it can save significant amount of time and cost for the beneficiaries as they do not have to travel to receive the transfers. They can use the transfers electronically to pay for services such as utilities, school fees, and mobile phone bills.

[101] World Bank estimates based on NLSS 2018/19, excludes Borno state.
[102] See Beegle, Kathleen. G., Aline Coudouel, Montiel Monsalve, and Emma Mercedes. 2018. *Realizing the Full Potential of Social Safety Nets in Africa*. Washington, DC: World Bank Group. http://documents.worldbank.org/curated/en/657581531930611436/Realizing-the-Full-Potential-of-Social-Safety-Nets-in-Africa Chapter 2 'Social Safety Nets Promote Poverty Reduction, Increase Resilience, and Expand Opportunities'.

Even when they travel, they can travel to the nearest agent of any payment provider instead of traveling to the payment access point of the same financial institution with the beneficiary account.

12. Additional cost saving arises from the lower cost of procuring services under the proposed payment mechanism due to the scale and volume of the transfers. Under the current payment mechanism under the NASSP, the project is paying an average of 3 percent of the CTs in fees to the PSPs for all payment-related services. Under the proposed mechanism for the project, the fees for straight-through processing will be much lower (below 1 percent).[103] Nevertheless, the project will have to procure additional money agent services for a sizable share of the beneficiaries (about 20 percent) who live in areas with low access to payment access points. The additional cost for the 20 percent would be another 3 percent of the CT value. Together, the average cost under the proposed payment mechanism of the project is expected to be around 1.6 percent, 47 percent lower than the current average cost. With US$600 million allocated for the CTs under Component 1, the proposed payment mechanism will save the project US$8.5 million or about 16 percent of the allocation for Component 3.

[103] These calculations are based on the information on fees and cost structure available at the time of project preparation and may differ from the actual costs incurred during implementation.

ANNEX 5: Climate change and the proposed cash transfers

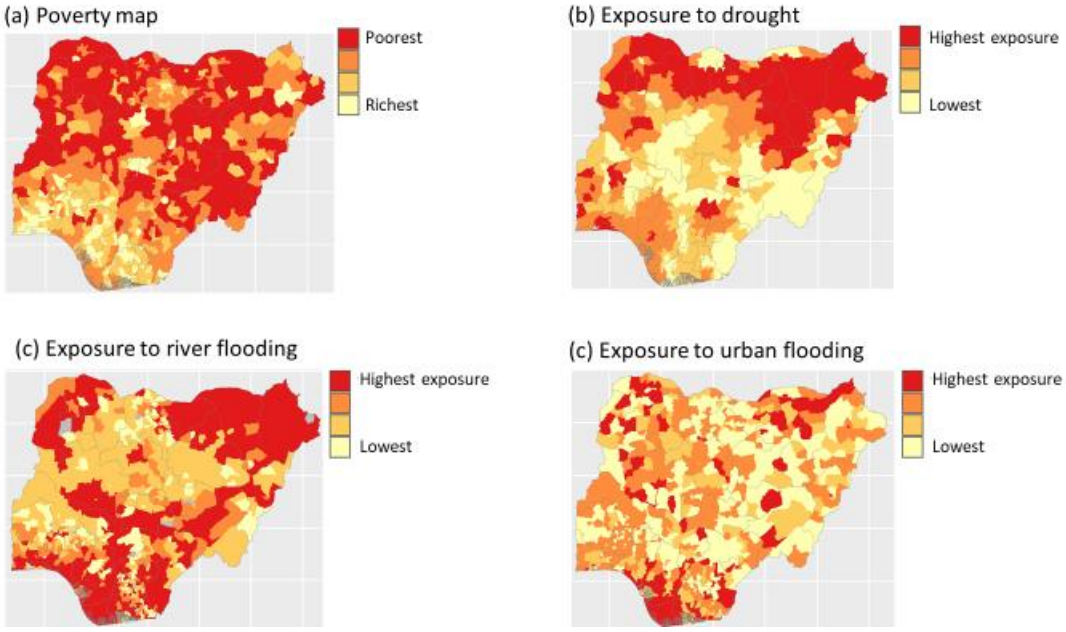
1. **The proposed objective of the CTs is to make poor and vulnerable households more resilient to shocks.** Nigerians currently experience various economic shocks, such as inflation and income losses due to the COVID-19 pandemic. Concurrently, a large segment of households in Nigeria experiences a host of climate hazards, such as droughts in the northeast and widespread flooding.[104] Without sufficient social protection from shocks, many households rely on negative coping strategies. Between April/May 2020 and July 2020, about 70 percent of households hit by a health or economic shock reduced their food consumption as a coping mechanism.[105] The proposed CTs are thus extremely important in making poor and vulnerable households more resilient.

2. **While protecting households against economic shocks, the proposed emergency CT will also make poor and vulnerable populations better able to adapt to climate change related hazards, which affect them disproportionately**[106]. The country has recently experienced a double shock of severe drought and widespread flooding.[107] The majority of poor Nigerian workers is primarily engaged in agriculture (60 percent of poor workers in 2018/19 NLSS). This large sector of the economy is heavily exposed to climate shocks considering the high prevalence of rainfed crop production and sensitivity of livestock to the availability of water and forage.[108] As such, the poor and vulnerable typically suffer from the added volatility in income driven by climate shocks with impacts to food security, human capital, livelihoods, and welfare in the long run.[109] This is reflected in figure 5.1, where the poorest LGAs on the poverty map (figure 5.1a) overlap with areas highly exposed to droughts (figure 5.1b) and flooding (figures 5.1c and 5.1d). Figures 5.1c and 5.1d illustrate a range of exposure to expected river and urban floods, from no events within 10,000 years (lowest) to an event returning within 10 years (highest).[110] Additionally, the map shown in figure 5.1b reflects the time needed to recover the deficit of rainfall of a 1 in 50 years drought event. This measure from the PCRaster Global Water Balance (PCR-GLOBWB) hydrological model estimates water storage and water exchange considering climate information including rainfall and evapotranspiration. Based on the overlap of these maps, poor and vulnerable

[104] World Bank Group. 2021. *Climate Risk Profile: Nigeria*.
[105] Nigeria COVID-19 NLPS, Round 3.
[106] World Bank Group. 2021. *Climate Risk Profile: Nigeria*.
Winsemius, Hessel C., Brenden Jongman, Ted I.E. Veldkamp ,Stephane Hallegatte, Mook Bangalore, and Philip J. Ward. 2018. "Disaster Risk, Climate Change, and Poverty: Assessing the Global Exposure of Poor People to Floods and Droughts." *Environment and Development Economics* 23 (3): 328–348. doi: 10.1017/S1355770X17000444
[107] World Bank Group. 2021. *Climate Risk Profile: Nigeria*.
[108] The agriculture, forestry, and fishing sectors corresponded to 24.1 percent of Nigeria's GDP in 2020 (World Bank. Agriculture, forestry, and fishing, value added [percent of GDP]).
[109] 28 percent, 22 percent, and 13 percent, respectively, of poor, vulnerable, and neither poor nor vulnerable households report to be hit by a climate shock in 2018/19 NLSS (estimates exclude Borno. *Source:* 2018/19 NLSS and World Bank estimates).
[110] Source: Categorical data reported on the ThinkHazard! Platform, which are based on the output of the UF-GLOBAL-FATHOM Global flood model. Urban areas are identified for the definition of urban flood using a combination of two remotely sensed datasets indicating urban activity: the Global Urban Footprint and the 2013 NOAA DMSP 'stable lights' (NTLD) datasets. For more information, see https://gfdrr.github.io/thinkhazardmethods/#hazard-specific-classification-methods .
Notably, such high flooding events have led to significant damage on assets, housing, and infrastructures in urban settings. Over the past decade, major flood events in 2012, 2018, and 2019 led to the displacement of over two million Nigerians with combined estimated losses of over N2 trillion. See Global Flood Partnership Policy Brief (August 2020). https://gfp.jrc.ec.europa.eu/sites/default/files/2020-04/GFP_Policy_Brief.pdf. In 2012, the widespread flooding caused nearly US$17 billion in damages and losses in the 12 most affected states. See World Bank Group. 2021. *Climate Risk Profile: Nigeria*.

populations in Nigeria are also overly exposed to drought and flooding. Expanding coverage of shock responsive safety net support is crucial for preventing negative coping strategies from climate shocks.[111]

Figure 5.1. Poverty and Risks of Drought, River Flooding, and Urban Flooding in Nigeria at LGA Levels



Source: (a) Chi et al. (2021) for wealth estimates and 2018 DHS; (b) Veldkamp et al. (2015) for the PCRGLOB-WB model applied to the WATCH Forcing Data (Weedon 2011); (c) and (d) ThinkHazard! Database (https://thinkhazard.org/en/report/182-nigeria/UF), based on the output of the UF-GLOBAL-FATHOM Global flood model.[112]

Note: (a) Colors in the map correspond to the high-resolution poverty map (see description in annex 3). (b) The drought hazard is measured by the output of the PCR-GLOBWB hydrological model, which considers water storage and water exchange, such as rainfall and evapotranspiration, and reflects the time needed to recover the deficit of rainfall from an estimated drought intensity of a 1 in 50 year event. (c) Exposure to urban flooding is measured by the expectation of a flood event with water depth above 0.5 m returning before 10 years (highest exposure) to more than 10,000 years longer (low), as reported in the ThinkHazard! Database (https://thinkhazard.org/en/report/182-nigeria/UF), which is based on the UF-GLOBAL-FATHOM Global flood model.

[111] Around one-third of Nigerians who lived in a household that experienced any type of shock in the three years before the 2018/19 NLSS reduced their food consumption as a coping mechanism (estimates exclude Borno. *Source:* 2018/19 NLSS and World Bank estimates).

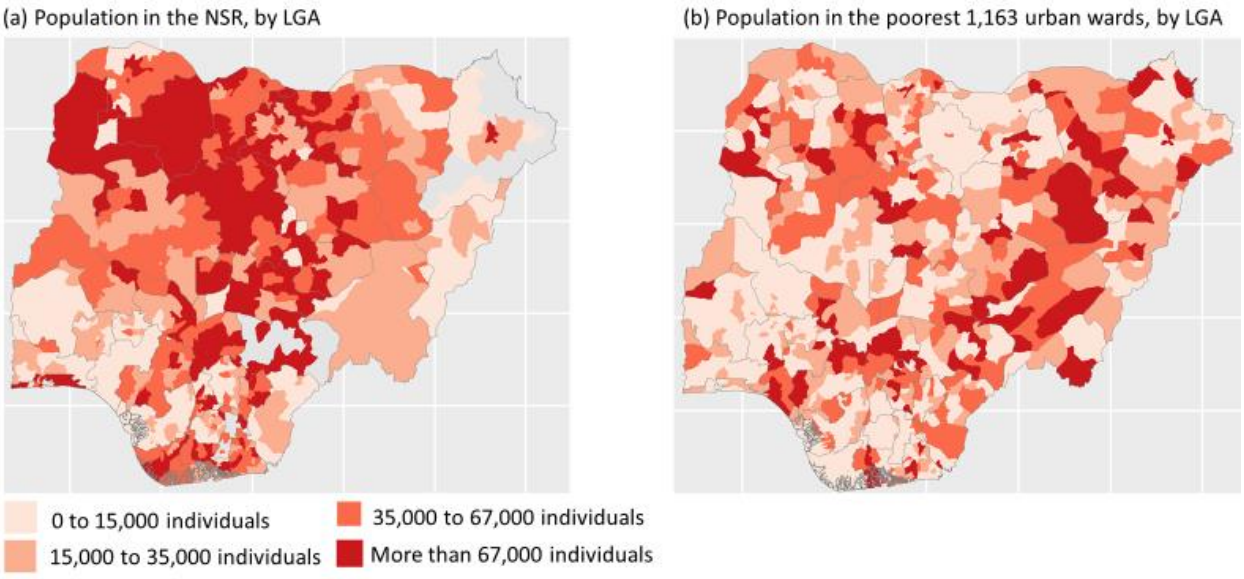
[112] Source references include Chi, G., H. Fang, S. Chatterjee, and J. E. Blumenstock. 2021. "Micro-Estimates of Wealth for all Low-and Middle-Income Countries"; Veldkamp, T. I., Y. Wada, H. de Moel, M. Kummu, S. Eisner, J. C. Aerts, and P. J. Ward. 2015. "Changing Mechanism of Global Water Scarcity Events: Impacts of Socioeconomic Changes and Inter-annual Hydro-climatic Variability." *Global Environmental Change* 32:18-29; Weedon, G. P., S. Gomes, P. Viterbo, W. J. Shuttleworth, E. Blyth, H. Österle, and M. Best. 2011. "Creation of the WATCH Forcing Data and Its Use to Assess Global and Regional Reference Crop Evaporation Over Land during the Twentieth Century." *Journal of Hydrometeorology* 12 (5): 823–848.

3. **The target populations of the proposed CTs are overexposed to climate hazards in Nigeria.**[113] Figure 5.2 shows the distribution of the NSR population (figure 5.2a) and population residing in poorest 1,163 urban wards (figure 5.2b) which overlap significantly with the areas of expansion of the RRR. This overlap is quantified in table 5.1 showing the distribution of the populations in the NSR and the poorest urban wards, by their LGA-level exposure to drought and flooding:

(a) **Drought.** Populations in the NSR and in urban wards targeted for the RRR expansion reside more often in LGAs highly exposed to drought hazards. About 43 percent of the NSR populations is located in highly exposed LGAs.[114] About 40 percent of the population in the poorest 1,163 urban wards show a similar level of high exposure. These levels of exposures are higher than for the population as a whole and for the rest of the urban population.

(b) **Flooding.** The NSR and RRR populations are also found more often in LGAs that are highly exposed to flooding. About 14 percent of the population in the poorest 1,163 urban wards reside in LGAs exposed to high risks of urban flooding, while also showing similar exposure to river flooding.

Figure 5.2. NSR and Poorest 1,163 Urban Wards Population, by LGA



[113] Comparing the exposure to droughts and floods between the poorest household quintile and the rest of the population in Nigeria, Winsemius et al. (2018) estimate that the poor are significantly more prone to be hit by these shocks. Consistently, poor and vulnerable households more often report climate shocks than non-poor or vulnerable households in 2018/19 NLSS: 28 percent, 22 percent, and 13 percent, respectively, of poor, vulnerable, and neither poor nor vulnerable households report to be hit by a climate shock in 2018/19 NLSS (estimates exclude Borno. Poverty status assigned using the national poverty line. The vulnerable are those with consumption levels between 1 and 1.5 times the poverty line. *Source:* 2018/19 NLSS and World Bank estimates).

[114] High exposure to drought is defined here by the average time needed to recover the deficit of rainfall (from an estimated drought intensity as a 1 in 50 years event) exceeding 1.2 month. 1.2 month is in the range of the high exposure thresholds considered by Winsemius et al. (2018). It is also the average across LGAs considered in this analysis (weighted by population estimates).

Source: (a) NASSCO NSR aggregates, sum by LGA based on World Bank estimates; (b) Population data estimates from the high-resolution poverty map (see description in annex 3), sum by LGA based on World Bank estimates.
Note: (a) The sum of the NSR population by the LGA is based on NSR population estimates provided by NASSCO. Gray cells correspond to LGAs with missing information on these population aggregates. (b) The sum of population residing in 1,163 poorest urban wards is based on population estimates from the high-resolution poverty map (see description in annex 3).

4. The proposed CTs will play a crucial role in increasing the adaptive capacity of poor and vulnerable households when hit by economic shocks. While not considering all climate change impacts, the above analysis shows that the targeted populations also overlap with those overexposed to droughts and urban and river floods hazards in Nigeria. As such, the proposed CTs are expected to generate substantial adaptation climate co-benefits. They will contribute to improving livelihood conditions and building the resilience of poor and vulnerable households to climate-related shocks by facilitating a diversification of livelihoods, building savings, and avoiding negative coping strategies.[115] The availability of CTs can also produce longer-term mitigation climate co-benefits through the support of reforms reducing regressive energy subsidies.

Table 5.1. NSR and Poorest Urban Wards by Exposure to Drought and Flooding (%)

			Urban Wards Population by Exposure	
LGAs Exposure	**NSR Population by Exposure**	**Total Population Map by Exposure**	**Poorest 1,163 Urban Wards**	**Urban Wards**
(a) Drought				
High exposure	43	35	40	27
Low exposed	57	65	60	73
(b) River flood				
High exposure	41	38	40	32
Lower exposed	59	62	61	69
(c) Urban flood				
High exposure	12	13	14	10
Lower exposure	88	87	86	90

Source: World Bank estimates and ThinkHazard! Database methodology (https://thinkhazard.org/en/report/182-nigeria/UF*),* which is based on the output of the UF-GLOBAL-FATHOM Global flood model.
Note: (a) High exposure to drought is defined here as the average time needed to recover the deficit of rainfall from an estimated drought intensity as a 1 in 50 year event above 1 month, in the output of the PCR-GLOBWB hydrological model, which considers water storage and water exchange, such as rainfall and evapotranspiration and reflects the time (this is one of the high exposure thresholds) considered by Winsemius et al. (2018); (c) and (d) high exposure to river and urban flooding is measured by the expectation of a flood event with water depth above 0.5 m returning before 10 years (high exposure level), consistent with the ThinkHazard! Database methodology (https://thinkhazard.org/en/report/182-nigeria/UF), which is based on the output of the UF-GLOBAL-FATHOM Global flood model.

[115] Premand, Patrick, and Stoeffler Quentin. 2020. "Do Cash Transfers Foster Resilience? Evidence from Rural Niger." Policy Research Working Paper 9473, World Bank, Washington, DC. https://openknowledge.worldbank.org/handle/10986/34774