

AFRICAN DEVELOPMENT BANK



PROGRAM: NIGERIA: COVID-19 RESPONSE SUPPORT PROGRAM (C19RSP)

COUNTRY: FEDERAL REPUBLIC OF NIGERIA (FRN)

APPRAISAL REPORT

Date: May 2020

Appraisal Team	<p>Task Manager: Kalayu Gebre-selassie, Chief Governance Officer, ECGF Co-Task Manager: Rosemond Offei-Awuku, Chief Development Economist, AHHD</p> <p>Team Members: Anthony Simpasa, Lead Economist, RDNG/ECCE Devinder Goyal, Chief Regional Financial Management Coordinator, RDNG Cynthia Kamikazi, Chief Outreach Partnership Legal Status & Property Rights Officer, AHGC1 Mbianyor Bakia, Chief E&S Coordinator, SNSC/RDNG Baba Imoru Abdulai, Regional Procurement Coordinator, RDNG Mamadou Diagne, Chief Regional Program Officer, RDNG Yakubu Rabiou Bako, Principal Disbursement Officer, RDNG Ometere Omoluabi-Davies, Regional Integration Coordinator, RDNG Linda Amadi, Principal Administration and Government Relations Coordinator, RDNG Greg Osubor, Social Sector Expert, RDNG Samuel Ijeh, Governance Operations and IFFs Consultant, ECGF Adwoa Ayisi-Salawou, Legal Consultant, PGCL Salma Idris Abdulkadir, Regional Medical Consultant, RDNG Innocent Onah, Climate & Green Growth Consultant, RDNG.</p> <p>Senior Director: Ebrima Faal, RDNG</p> <p>Sector Directors: Abdoulaye Coulibaly, ECGF Martha Phiri, AHHD</p> <p>Managers: Wilfrid Abiola, Acting Manager, ECGF Laté Lawson Zankli, Country Operations Manager, RDNG Babatunde Omilola, Manager, AHHD2 Tapera Muzira, Coordinator, Jobs for Youth in Africa, AHHD</p>
Peer Reviewers	Jacob Oduor (Chief Country Economist); Maimouna Diop-LY (Chief Health and Social Protection Officer); Peter Onyango (Principal Investment Officer); and Andre-Marie Taptue (Development Economist)

TABLE OF CONTENTS

Currency Equivalents	i
Weights and Measurement	i
Acronyms and Abbreviations	ii
Program and Loan Information	iii
Program Timeframe-Main Milestones	iii
I – INTRODUCTION: THE PROPOSAL	1
II – COUNTRY CONTEXT	1
2.1 Economic, Social and Governance Context	1
2.1.1 Recent Development	1
2.1.2 Economic Impact Analysis	1
2.1.3 Social Sector Impact Analysis	2
2.1.4 Governance	2
III – RATIONALE AND KEY DESIGN ELEMENTS	3
3.1 Rationale and Link with the Bank Strategy	3
3.2 Collaboration and Coordination with Other Partners	4
3.3 Meeting the Eligibility Criteria	4
3.4 Application of good practices principles on conditionality	4
IV – THE PROPOSED PROGRAM	4
4.1 Program Content	4
4.2 Program Components	4
4.3 Government’s COVID-19 Program Financing Needs and Arrangements	7
4.4 Program Beneficiaries	7
4.5 Prior Actions	7
4.6 Policy Dialogue	8
4.7 Impact on Gender, Poor and Vulnerable Groups	8
4.8 Environmental and Social Safeguards	8
V – IMPLEMENTATION AND LEGAL DOCUMENTS	8
5.1 Implementation, Monitoring and Evaluation	8
5.2 Financial Management, Disbursement and Procurement	9
5.3 Legal Documentation and Authority	10
5.4 Compliance with Bank’s Policies	10
5.5 Risk and Mitigation Measures	10
VI – RECOMMENDATION	10
Appendixes	
Appendix I: Letter of Development Policy	
Appendix II: Result Management Framework	
Appendix III: Meeting the Eligibility Criteria for Crisis Response Budget Support	
Appendix IV: Policy Matrix for C19RSP	
Appendix V: Application of Good Practice Principles on Conditionality	
Appendix VI: Country Relations with IMF	
Appendix VII: Map of the Republic of Angola	

Currency Equivalents

(As of April 2020)

1 UA	=	1 SDR
1 UA	=	492.299 Naira (NGN)
1 UA	=	1.3736 United States Dollars (USD)
1 UA	=	1.24571 Euros (EUR)

Nigeria Fiscal Year

1 January – 31 December

Weights and Measures

1 metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 meter (m)	=	3.28 feet (ft)
1 millimeter (mm)	=	0.03937 inch (“)
1 kilometer (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

ADF	African Development Fund
ADB	African Development Bank
AfDB	African Development Bank Group
CBN	Central Bank of Nigeria
CFRA	Country Fiduciary Risk Assessment
CPIA	Country Policy and Institutional Assessment
COVID-19	Coronavirus Diseases
ECGF	Economic Governance and Financial Management Coordination Office
EUR	Euros
FGN	Federal Government of Nigeria
FRN	Federal Republic of Nigeria
FHH	Female Headed Household
GBS	General Budget Support
GDP	Gross Domestic Product
IMF	International Monetary Fund
MDA	Ministries, Departments and Agencies
MFBNP	Federal Ministry of Finance, Budget and National Planning
MOV	Means of verification
MSME	Micro, Small and Medium Size Enterprises
MTEF	Medium Term Expenditure Framework
MTEF	Medium Term Fiscal Framework
NA	Not Applicable
NCDC	Nigeria Center for Disease Control
NDP	National Development Plan
NGN	Naira
NGO	Non-governmental Organization
OAG	Office of the Auditor General
PBO	Program-Based Operations
PCR	Program Completion Report
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
RDNG	Nigeria Regional and Business Delivery Unit
RMCs	Regional Member Countries
IFMIS	Nigeria Financial Management Information System
SME	Small and Medium Enterprises
SWG	Sector Working Group
TSA	Treasury Single Account
TYS	Bank Group's Ten-Year Strategy
UA	Unit of Account
UN	United Nations
USD	United States of America Dollar
WB	World Bank

PROGRAMME INFORMATION

INSTRUMENT: COVID-19 CRISIS RESPONSE BUDGET SUPPORT

PBO DESIGN TYPE: Single operation

LOAN INFORMATION

Client's Information

BORROWER: Federal Republic of Nigeria

EXECUTING AGENCY: Federal Ministry of Finance, Budget and National Planning

Financing plan

Source	Amount	Instrument
ADB	USD 288.5 million	Loan
IMF	USD 3.4 billion	Loan
World Bank	USD 1.5 billion	Loan

ADB SOVEREIGN LOAN - FINANCING INFORMATION

Loan currency	United States Dollars (USD)
Currency feature	Option to change currency at anytime
Type of Loan	Fully Flexible Loan
Tenor	Up to 25 years inclusive of Grace Period
Grace Period	Up to 8 years
Interest rate features	Option to fix, unfix and re-fix for a fee at any time, cap and collar
Base Rate	Floating rate based on 6-month LIBOR with free option to fix the base rate
Funding Cost Margin	The Bank funding cost margin as determined each 1 st January and 1 st July and applied to the Base Rate each 1 st February, and 1 st August for USD, EUR and JPY, and each 1 February, 1 May 1 st August and 1 st November for ZAR
Lending rate	80 basis points (0.80%)
Maturity Premium	To be determined based on the Average Loan Maturity
Front-end fees	0.25% of the loan amount due at loan effectiveness and payable no later than 60 days from the date of entry into force or at first disbursement, whichever is earlier. Option to pay from own resources or deduction from loan at first disbursement.
Commitment fees	0.25% of the undisbursed amount. Commitment fees start accruing 60 days after signature of the loan agreement and are payable on payment dates including grace period
Option to convert the Base Rate**	In addition to the free option to fix the floating Base Rate, the borrower may reconvert the fixed rate to floating or re-fix it on part or the fully disbursed amount. Transaction fees are payable
Option to cap or collar the Base Rate	The borrower may cap or set both the cap and floor on the Base Rate to be applied in part or to the fully disbursed amount. Transaction fees are payable.
Option to convert loan currency	The borrower may convert the loan currency for both undisbursed and disbursed amounts in full or in part to another approved lending currency of the Bank. Transaction fees are payable. Any costs incurred by the Bank in adjusting or terminated the conversions are passed to the borrower.

Program Timeframe - Main Milestones (expected)

Program Appraisal	April 2020
Program approval	June 2020
Effectiveness	June 2020
Disbursement Closing Date	31 December 2020
Completion	30 June 2021

REPORT AND RECOMMENDATIONS OF THE MANAGEMENT TO THE BOARD OF DIRECTORS ON A PROPOSED LOAN TO THE FEDERAL REPUBLIC OF NIGERIA FOR NIGERIA'S COVID-19 RESPONSE SUPPORT PROGRAM (C19RSP)

I – THE PROPOSAL

1.1 Management submits the following Report and Recommendations on a proposed loan to the Federal Republic of Nigeria (FRN) in the amount of USD 288,500,000 (Two hundred eighty-eight million five hundred thousand United States Dollars) from the African Development Bank resources under the COVID-19 Rapid Response Facility (CRF) to finance the COVID-19 Response Support Program (C19RSP), designed as a Crisis Response Budget Support (CRBS) Operation. The program results from a request of the Federal Government of Nigeria (FGN) dated March 25, 2020. The design of the program took into account good practice principles on conditionality (Appendix V).

1.2 The purpose of the program is to support Nigeria's efforts at fighting the COVID-19 pandemic and mitigating its socioeconomic impact on its citizens and businesses. Its operational policy objective is to support the implementation of the Government's "Integrated Policy Framework" which has a two-pronged approach – addressing the immediate health crisis and mitigating the socioeconomic impact of the outbreak. It has the following expected outcomes: (i) improved health pandemic surveillance and response to COVID-19 emergencies; (ii) enabling micro, small and medium enterprises (MSMEs) to weather the COVID-19 crisis; and (iii) protecting vulnerable households' livelihoods from the adverse impact of the pandemic. The proposed operation is strongly coordinated with those of the World Bank (WB) and International Monetary Fund (IMF) (see paragraph 3.2).

II – COUNTRY CONTEXT

2.1 Economic, Social, and Governance Context

2.1.1 Recent Developments: Nigeria is facing twin crises – a health and economic crisis caused by the COVID-19 pandemic, and an oil price plunge. The COVID-19 pandemic, which was initially concentrated in Lagos, has rapidly spread to other states, with the number of confirmed cases steadily increasing, and reaching 7,839 as at 25 May 2020. More than 226 deaths have been recorded while people recovering from the infection exceeded 2,263. The primary impact of the COVID-19 pandemic on the economy stems from the excess supply in global oil markets and disruptions in global supply chains which has stoked substantial fiscal and broader macroeconomic costs, potentially reversing any gains made in post-2016 recession¹. Furthermore, the widespread lockdowns and other restrictive measures imposed by the Government to contain further spread of the disease led to the shutdown in businesses, amplifying the economic costs.

2.1.2 Economic Impact Analysis: Following the recovery from the 2016 recession, the economy posted growth averaging 1.7% per annum from 2017 to 2019, with the highest growth rate of 2.3% recorded in 2019. In 2020, the economy was initially projected to grow by 2.9%, further expanding by 3.3% in 2021, prior to the outbreak of the COVID-19 pandemic. However, taking into account the impact of the COVID-19 pandemic, real GDP is now projected to contract by between -4.42% under a conservative baseline scenario and -7.2% should the pandemic persist to end-2020. Table 1 shows that the outbreak of the COVID-19 pandemic has induced a sharp decline in price of crude oil to below USD30 per barrel by end-April 2020 forcing the Federal Government of Nigeria (FGN) to revise the benchmark crude price downwards to USD30 per barrel for the COVID-19 revised budget, while average oil production was reduced to 1.7 million barrels per day (mbpd)

¹ Other impact channels include trade, volatility in financial markets and investment flows, and travel, all of which have been exacerbated by restrictions on domestic movements, with attendant effect on domestic businesses (see Technical Annex III).

from 2.18 mbpd for the initially approved by 2020 budget.² Nigeria depends on crude oil and gas for an estimated 90% of export earnings and more than 50% of Government fiscal revenues. Nigeria's heavy dependence on oil has implications on the fiscal and external account positions. As can be seen in Table 1, the cascading impact of the COVID-19 pandemic and resulting widespread restrictions and lockdowns, have tilted the outlook to growth and other indicators of macroeconomic stability (inflation, fiscal and current account balance) on the downside (Table 1). Thus, a purely health problem has morphed into a socio-economic crisis with far reaching implications on jobs and poverty and fragility. Complicating the situation is the fact that as the effects of COVID-19 escalate, the option for the country to raise resources in the capital markets has been impaired by the recent downgrade in its credit ratings by Fitch and Standard & Poors.

Table 1: Initial assessment of macroeconomic impact of the COVID-19 pandemic

Indicator	2018	2019(e)	Without COVID-19 scenarios (January 2020 projections)		COVID-19 shock scenarios (April 2020 revised projections)			
					With COVID-19 (Baseline)		With COVID-19 (Worst-Case)	
			2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Brent crude oil price (USD per barrel)			57	57	30 ^b	30 ^b	20 ^c	20 ^c
Real GDP growth (%)	1.9	2.3	2.9	3.3	-4.4	0.7	-7.2	0.1
Inflation (% per annum)	12.1	11.3	11.1	10.3	14.1	11.1	14.7	11.8
Consolidated level budget balance (+/-), % of GDP	-4.5	-5.1	-4.6	-4.5	-6.7	-5.7	-7.8	-7.0
Current account balance (+/-), % of GDP	1.3	-3.6	0.3	0.4	-3.9	-2.5	-4.9	-3.6
Exchange rate (NGN/USD) ^a	305	305	305	305	360	360	360	360

Source: AfDB Statistics Department
Common scenario assumptions:
1. Baseline scenario: Spread of COVID-19 tapers off in third quarter of 2020
2. Worst case scenario: Spread of COVID-19 tapers off in fourth quarter of 2020
Notes: a) Central Bank of Nigeria devalued the official rate from NGN307/USD to NGN360/USD; parallel market rate could average NGN400/USD in 2020. b) Projected oil price by the Federal Government of Nigeria used for the revised 2020 budget; c) projected oil price used to compute the worst-case scenario for real GDP growth.

2.1.3 Social Sector Impact Analysis: The evolving COVID-19 crisis poses significant risk to already fragile social conditions in Nigeria. Poverty rates are exceptionally high, aggravated by high unemployment, underemployment and income inequality. About 40.1% of Nigerians live below the poverty line of USD 1.90 per day. The general fall in household income during the pandemic will result in wealth deterioration for both the formal and informal sector workers. Women and youth, who are mostly engaged in the informal sector, and facing lockdowns, will be disproportionately impacted by the decline in income generating capacity during the crisis. In the health sector, the ratio of hospital beds is estimated at 0.9 per 1,000 people while 0.07 intensive-care beds per 100,000 people. The proportion of frontline healthcare providers - doctors, nurses and midwives – is gravely low at 20 per 100,000 inhabitants³ and about 80% of health facilities are at different levels of dysfunctionality. This reflects the low global health Security Index score for Nigeria recorded at 37.8 in 2019 and ranking the country at 96 out of 189 countries (Technical annex IV).

2.1.4 Governance: Nigeria's performance on key indicators for governance and transparency is improving but progress remains slow. The FGN has implemented some bold Public Financial Management (PFM) systems reforms to improve economic and financial governance, including the rolling out of the Treasury Single Account (TSA) and biometric-based Integrated Personnel and Payroll Information System, and implementation of a Zero-Based Budgeting and Fiscal Sustainability Plan adopted in 2016 to minimize fiscal risks. Some progress has also been made on the IIAG⁴ since 2013. Despite progress, weakness in governance and corruption pose serious risk. Consequently, the Government is committed to enhance transparency and accountability in the use of funds for the COVID-19 response through (a) establishing a

² The decrease in average oil production follows agreement by OPEC + members to trim country output quotas to shore up the price amidst falling demand.

³ Demographic and Health Survey Reports

⁴ Ibrahim Index of African Governance published by the Mo Ibrahim Foundation

budget lines in the Government Integrated Financial Management Information System for recording and reporting the budget allocation, funds released, and expenditure incurred against the pandemic response; (b) publishing reports in the Open Treasury Portal within 6 weeks of the end of each quarter; (c) publishing on the Bureau of Public Procurement website the procurement plans, procurement opportunities, and contract awards related to the COVID-19 pandemic response, and (d) conducting financial, compliance, and value – for money audits of the usage of funds for COVID-19 response related receipts/donations/aids and expenditure. The Bank will monitor the Government’s commitment and continue dialogue on the risk mitigation and reform measures during the implementation of the program.

III – RATIONALE AND KEY DESIGN ELEMENTS OF THE PROGRAM

3.1 Rationale and Link with the Bank Strategy:

3.1.1 Link with the High 5 – Improving the lives of the African people: The program is aligned with the recently approved COVID-19 Response Facility (CRF), and with the Bank’s Ten-Year Strategy (2013-2022), and the High 5 priorities, in particular, “Improve the quality of life for the people of Africa”. It is also consistent with the CSP (2020-2024) “Promoting Social Inclusion and Infrastructure Development”. The risks posed by COVID-19 pandemic require extraordinary fiscal stimulus measures to mitigate the shock to the economy and curb vulnerabilities, including job losses and loss of income for businesses and individuals, spurred by the prevailing economic and healthcare challenges. The proposed program will ensure that the fiscal position and the economy are sufficiently supported to weather the COVID-19 shocks, thereby limiting its potential adverse impact on the lives and livelihoods, and the economy more generally.

3.1.2 Government’s strategy and short-term reform priorities in response to COVID-19: A Presidential Task Force has been established to oversee the containment of the COVID-19, mainly focusing on short-term strategic response whilst ensuring that the medium - and long-term priorities are sustained to enhance resilience of supportive structures of the economy. The short-term strategy follows a two-pronged approach – measures to contain the COVID-19 outbreak, and measures to mitigate the adverse economic and social impacts of the pandemic. The measures to contain the COVID-19 outbreak include: (i) public health measures to identify, isolate and care for cases; (ii) coordination and consistency in communication; (iii) formulation and implementation of State-level Action Plans; and (iv) coordinated effort to ensure adequate facilities, equipment and personnel are available to respond to the outbreak.

3.1.3 Bank comparative advantage and added value: The Bank has demonstrated a track record in standing by and responding quickly to assist its Regional Member Countries (RMCs) in crises (economic and disease epidemic) situations. For instance, in 2014, the Bank supported Côte d’Ivoire, Guinea, Liberia and Sierra Leone during the Ebola crisis.⁵ The Bank also provided support to Nigeria, Malawi and Botswana during their respective economic crisis situations. By providing predictable and timely budget finance and engaging its RMCs in crisis situations, the Bank has proved itself as a “responsive”, and “trusted” partner. The Bank will draw on the experiences of previous crisis interventions in implementation of this operation in Nigeria. This operation also lays the policy foundation for the upcoming Bank’s investment operations which responds to gaps in critical health infrastructure to strengthen the health system surveillance and response to COVID-19 pandemic and future infectious disease outbreaks and pandemics.

3.2 Collaboration and Coordination with other Partners: The proposed operation has been developed in full and open consultations with the IMF and WB. The IMF has approved USD 3.4 billion in emergency financial assistance under its Rapid Financing Instrument to support Nigeria’s efforts in addressing the severe economic impact of the COVID-19 shock and the sharp fall in oil prices. The WB on its part is providing additional financing of USD 750 million for fiscal sustainability at the State’s level through a program for results operation. The WB also has

⁵ The Multinational – Ebola Sector Budget Support- Fight Back Program, ADB/BD/WP/2014/159

an on-going health sector operation for USD82 million, and additional financing (USD100 million) to contain the COVID-19 outbreak. Furthermore, the WB is preparing a budget support operation for USD 1.5 billion to help the country prepare for economic recovery and resilience. EU provided Euro 50 million through One UN COVID-19 Basket Fund. In preparing the C19RSP operation, the main components and policy actions, as enunciated in the policy matrix, were discussed with the WB. Coordination with the WB and national stakeholder will continue during program implementation, especially with regards to policy dialogue.

3.3 Meeting the Eligibility Criteria: Nigeria meets the eligibility criteria for PBO (Appendix III): (a) government commitment, in the specific case of COVID-19 crisis response, the availability of a short term plan to address the crisis; (b) sound macroeconomic framework; (c) political stability; (d) a satisfactory CFRA; and (e) harmonization with development partners.

3.4 Application of Good Practice Principles on Conditionality: The design of the C19RSP applies good practice principles on conditionality (Appendix V). Policy actions and conditionality are based on the Government priorities for addressing the COVID-19 pandemic and its socioeconomic impact, focusing on critical actions relevant and achievable within the program's time-frame. The proposed operation reinforces country ownership and will use an accountability framework to ensure transparency and accountability in the use of the COVID-19 resources. The Bank's engagement with the IMF and WB in preparing this operation ensured coordination and synergy.

IV – THE PROPOSED PROGRAM

4.1 Program Goal and Purpose: The goal of the proposed program is to support Nigeria's efforts at fighting the COVID-19 pandemic and protecting its citizens and businesses from the socioeconomic impact of the pandemic. Consistent with the FGN program to address the crisis, the overall operational objective of the proposed operation is to support the implementation of the Government's "Integrated Policy Framework" comprising critical and complementary measures to attempt to forestall a decline into a prolonged recession to ensure that the country's healthcare system and social services, fiscal position and economy are sufficiently supported to respond to and weather the negative impacts of the COVID-19 pandemic. The proposed operation will lay the foundation for longer-term engagement in policy dialogue on economic recovery.

4.2 Program Component

4.2.1 The program consists of three mutually reinforcing components namely: (i) strengthening public healthcare response to COVID19; (ii) reducing the impact of COVID-19 on workers and businesses; and (iii) Strengthening the social protection system. The measures under components 1 and 3 are aimed at strengthening the healthcare and social protection system, will be bolstered by fiscal stimulus measures under component 2, which seek to stimulate the economy and prevent job losses and loss of income for businesses and individuals. Component 1 will strengthen the capacity of the health system to contain and respond to the pandemic, which is critical for facilitating normalization of life and business environment in Nigeria and limiting the catastrophic effect on the economy.

Component 1: Strengthening Public Healthcare response to COVID19

4.2.2 Challenges and constraints: Currently (as at 18 May 2020), the country has 15 functional accredited testing laboratories in 12 states (32%), with a capacity to conduct a minimum of 2,500 tests per day which is extremely low. At this same date, total testing was 35,345, with 6,175 recorded cases (17% positivity), 1644 recoveries and 191 fatalities. The low testing capacity or tracking of the disease could imply unchecked virus transmission and underreporting. The current total capacity for isolation and treatment is currently at 2,860 and available in few states. As the epidemic intensifies, there is the need to scale up testing in all the 36 states as this is critically important to contain the COVID-19 pandemic by isolating positive cases and managing them

effectively. Based on epidemiology projections, the government aims to test about 4 million people which represents 2% of the total population.

4.2.3 Government Actions: The Federal Government has recently developed its *National Strategy to Scale Up Access to Coronavirus Disease Testing* and identifies testing as one of the key strategic response to the pandemic. To contain the outbreak, the Federal Government plans to rapidly scale up diagnostic testing to cover all 36 States and the FCT. Additionally, the House of Representatives has passed a bill that suspends import duties on medical equipment, medicines and) Personal Protective Equipment (PPE) required for the treatment and management of COVID-19 for three months (starting March). To date a total of 7,000 front line health care workers have been trained, and the Government has also procured insurance cover for 5000 frontline health workers with the aim to improve the welfare of health workers.

4.2.4 Program Activities: Activities under this component include:

(i) Increase laboratory diagnostic testing for COVID-19 from current 2500 test/per day to 7,000 tests per day through the expansion of the existing NCDC laboratory network for molecular RT PCR from 9 to 15 laboratories; leveraging capacity within high-throughput HIV molecular testing laboratories; and deploying tuberculosis testing machines for COVID-19 testing.

(ii) strengthen the COVID-19 case isolation and treatment and the capacity of frontline workforce which will entail operationalization of the N500 billion COVID-19 Crisis Intervention Fund.

(iii) incentivize frontline healthcare workers through a Memorandum of Understanding on provision of hazard allowances and other incentives with health professional associations. The fund is expected to among others scale up capacity at the state level for critical healthcare COVID-19 expenditure (e.g. isolation and treatment centers, test kits, protective supplies, surveillance mechanisms etc.). The capacity building will cover additional healthcare personnel and surveillance officers who are at the frontline delivering services in facilities and COVID-19 isolation and treatment centers.

Component 2: Reducing the impact of the COVID-19 on Workers and Businesses

4.2.5 Challenges and Constraints: The Nigerian private sector is broad, including large formal sector enterprises and a plethora of MSMEs which are predominantly informal. A survey conducted in 2017 by the Nigerian Bureau of Statistics (NBS) and the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) found that there were 41.5 million MSMEs in Nigeria, 99.8% of them micro in size. The MSMEs account for about 49.8% of GDP⁶ and 86.1% of the national workforce, which is predominantly employing women and the youth. While no segment of the Nigerian private sector has been spared from the fall-out from COVID-19 outbreak, the tourism, airline industry, hoteliers, and the MSMEs have taken the hardest hit from the COVID-19 pandemic.

4.2.6 Recent Government Actions: The Government is reviewing its 2020 budget and, given the expected large fall in oil revenues, announced plans to cut/delay non-essential capital spending by N1.5 trillion (close to 1 percent of GDP). The Central Bank of Nigeria (CBN) maintained its current monetary policy rate of March but introduced additional measures, including: (i) reducing interest rates on all applicable CBN interventions from 9 to 5 percent and introducing a one year moratorium on CBN intervention facilities; (ii) creating a N50 billion (\$139 million) targeted credit facility; and (iii) liquidity injection of 3.6 trillion (2.4 percent of GDP) into the banking system. The CBN is also coordinating a private sector special intervention initiative targeting N120 billion (\$333 million) to fight COVID-19. Significant tax relief had earlier been given to the MSMEs in the Finance Act 2019 with the reduction of corporate tax rates for SMEs from 30% to 20%, and complete exemption from corporate taxation for MSMEs. The Finance Act 2019 has

also expanded the VAT Exemption List for essential food, medical supplies and other basic items that are critical in the efforts to address the COVID-19 pandemic.

4.2.7 Program Activities: The Bank's proposed operation will support the Government's strategy and short-term reform priorities in response to impact of COVID-19 pandemic. In particular, the operation will complement measures being taken by Government to mitigate the adverse economic and social impacts of the pandemic on businesses, jobs and incomes. Activities under this component include: (i) operationalizing the NGN 1.00 trillion manufacturing sector loan facility by issuing the relevant guidelines for its implementation; (ii) operationalization of the Central Bank of Nigeria (CBN) NGN50 billion (USD138.89 million) credit facility to affected households and small and medium enterprises; (iii) introduce short-term tax reliefs and/or rebate for affected sectors and small business; and (iv) development and implementation of COVID-19 preparedness and response plans in five (5) states. These measures will provide relief to businesses and protect employments.

Component 3: Strengthening the Social Protection System

4.2.8 Challenges and Constraints: The COVID-19 pandemic and its associated economic shocks come with adverse impact on the poor and vulnerable (see paragraph 2.1.3). Young Nigerians already facing higher rates of unemployment and underemployment, are more vulnerable to falling labor demand as economic activities dwindle. Similarly, many workers in the informal sector, particularly women, will be adversely affected disproportionately, as they mostly lack conventional social protection mechanisms and other forms of income smoothing. Meanwhile, coverage of safety net programs is very low. The evolving COVID 19 pandemic is a risk to food security due to its disruptions in global supply chains including agriculture with consequences to increased vulnerability.

4.2.9 Recent Government Actions: The Federal Government has initiated some notable social protection measures since March 2020 to curb the vulnerabilities arising from COVID 19. The ongoing Social Investment Program is being expanded to increase the current social register from 2.6 million households to 3.6 million vulnerable households. The Government has further announced food distribution, cash transfers and loan repayment waivers to ease the effects of restrictive policies and announced the expansion of the pro-poor public works program.

4.2.10 Program Activities: Activities under this component include:

(i) **Public Works Program for job creation:** The Government announced in April, the extension of the Special Public Works Program to be scaled up from eight to cover all 36 States and the FCT from October 2020 to December 2020⁷. This measure will thus, entail the issuance of a Presidential Directive for the extension of the Special Public Works Program to cover all 36 States and the FCT from October 2020 to December 2020 (Prior Action). The program to be implemented by the National Directorate of Employment, will result in the employment of about 774,000 Nigerians (that is, 1,000 people per each Local Government).

(ii) **Scaling up of the National safety nets and cash transfer program** by increasing the current social register from 2.6 million households to 3.6 million vulnerable households. The action will ensure the improvement of effectiveness and targeting of the distributive mechanisms of the social protection program vulnerable households.

4.2.11 The expected outcomes of the program: (i) improved health pandemic surveillance and response to COVID-19 emergencies; (ii) enabling micro, small and medium enterprises (MSMEs) to weather the COVID-19 crisis; and (iii) protecting vulnerable households' livelihoods from the adverse impact of the pandemic.

4.3 Financing Needs and Arrangements: The cost of the Government's COVID-19 short- to medium-term plan to address the COVID-19 pandemic and the accompanying adverse

⁷ The selected timeframe is to ensure that the Program is implemented after the planting season is over.

socioeconomic impact is estimated at USD 5.8 billion. The Government will finance the cost mainly through its own resources and with support from donors including the Bank. To this effect, the Government has established a NGN500 billion COVID-19 Crisis Intervention Fund to mobilize domestic resources as well as external financial support from international financial institutions including the World Bank, the IMF and the African Development Bank (Table 4).

	COVID-19 Crisis Intervention Fund	Enhanced financial support to the States for Critical Healthcare Expenditure	Direct interventions in the healthcare sector	Credit Facility to Households and SMEs	Credit Facility to the Manufacturing Sector	Total
Total Amount Government Program	1.39	0.25	0.6	2.7	0.93	5.87
External Financing						
					Support from AfDB	0.288
					Support from WB	1.50
					Support from IMF	3.40
					Total External Financing	5.188

4.4 Program Beneficiaries: The direct beneficiaries from the program are state governments, private sector (especially the MSME, including those that are women led and women employed) and financial sector and the people of Nigeria who will benefit from improved healthcare services delivery particularly as regard containment, prevention and treatment of the COVID-19, as well as the poor and vulnerable who will benefit from the enhanced fiscal space for provision of social safety nets, cash transfers and improved basic service delivery.

4.5 Prior Actions: Before the proposed operation is presented to the Board for approval, the prior actions presented in Table 5 below would have been met by the authorities and the required documentary evidence submitted to the Bank. All prior actions have been agreed with the authorities in accordance with good practice principles of conditionality.

Agreed Actions	Required Evidence
1. Operationalization of the NGN 500 billion COVID-19 Funds through publishing the framework for management of COVID-19 funds under the Treasury Single Account by the Office of the Accountant-General of the Federation.	1. Letter from the Minister of Finance submitting a copy of the framework for the Management of COVID-19 Funds under the Treasury Single Account.
2. Operationalization of NGN50 billion (USD138.89 million) credit facility to affected households and small and medium enterprises by issuing the relevant guidelines on the implementation modality of the facility	2. Letter from the Minister of Finance submitting a copy of relevant guidelines on the implementation modality of the facility
3. Presidential Approval of the extension of the Special Public Works Program to cover all 36 States and the FCT from October 2020 to December 2020	3. Copy of the Presidential Approval extending the Special Public Works Program to cover all 36 States and the FCT
4. Commitment to enhance transparency and accountability through (a) establishing a budget lines in the Government Integrated Financial Management Information System for recording and reporting the budget allocation, funds released, and expenditure incurred against the pandemic response; (b) publishing reports in the Open Treasury Portal within 6 weeks of the end of each quarter; (c) publishing on the Bureau of Public Procurement website the procurement plans, procurement opportunities, and contract awards related to the COVID-19 pandemic response, and (d) conducting financial, compliance, and value – for money audits of the usage of funds for COVID-19 response related receipts and expenditure.	4. Letter from the Minister of Finance confirming Government commitment to implement the stated measures aimed at enhancing transparency and accountability of the COVID-19 resources

4.6 Policy Dialogue: The program log-frame and the Government policy matrix will form the basis of policy dialogue around the achievement of the expected outcomes of the three main components of the program. Policy dialogue will focus on the following, among other issues: (i) social protection focusing on the need to continue to protect the poor, particularly women and vulnerable households, after the COVID-19 pandemic is over, through well-targeted conditional cash transfer and safety net program and carefully designed social protection measures; and (ii) medium term structural reforms needs for economic recovery and diversification of the economy away from over-dependence on the oil sector and domestic resource mobilization. As indicated in

paragraph 2.1.4, a major concern for the implementation of the program is weakness in governance and corruption. The Bank will maintain dialogue to ensure that the accountability framework put in place for prudent management of COVID-19 resources, including independent audit of the COVID-19 response expenditures is adhered to.

4.7 Impact on Gender, Poor and Vulnerable Groups: The COVID-19 outbreak's unequal and long-term impact on women and girls, and the importance of supporting their essential role in responding to COVID-19, requires a coordinated response that addresses the gender dimensions of the outbreak. These gender dimensions include economic issues such as women in MSMEs and in informal businesses; losses of jobs/unemployment (Technical Annex 5). As a **Category II project** on the Gender Marker System, the measures and actions supported by this program, including social protection mechanisms and economic stimulus packages which are specifically targeted at the poor and vulnerable, including women, would help stem the spread and mitigate the impact of COVID-19 as well as protect their lives and livelihoods.

4.8 Environmental and Social Safeguards (E&S): This COVID-19 budget support operation is classified as category 3 in accordance with the national legislation and integrated Safeguards System (ISS). Whilst no ESA documentation is required from the proponent before Board approval, increased laboratory diagnostic testing, the setting up isolation and treatment centers, including intensive care units and the procurement of test kits and personal protective equipment needs to be managed to mitigate the potential location-specific E&S impacts and concerns pertaining to the siting of facilities in close proximity to local communities; waste generation, containment, storage, transportation and disposal; occupational health and safety. In general, the Government will ensure that appropriate E&S measures are taken whenever required, and in accordance with the national legislations applicable, international conventions and international best practices. An E&S report should be shared with the Bank at the end of the implementation of this project. Environmental and Social Compliance Note is attached in Technical Annex IX.

4.9 Climate screening: the project is classified as a category 3 in line with Bank's Climate Safeguards System (CSS). This means that the project is not vulnerable to physical climate risks. However, the use of solar energy to power ICUs and energy efficient lighting systems are encouraged to be used to build resilience and mitigate greenhouse gas emissions.

V – IMPLEMENTATION AND LEGAL DOCUMENTS

5.1 Implementation, Monitoring and Evaluation

5.1.1 Institutional Arrangements for C19RSP Implementation: The Federal Ministry of Finance, Budget and National Planning (MFBNP) is the executing agency and will coordinate with sector Ministries, including the Ministry of Health and the Ministry of Humanitarian Affairs, for effective implementation of the program. The National Economic Council (MEC) Ad-Hoc Committee on COVID-19 chaired by the Vice-President will be responsible for policy guidance and strategic oversight, supported by Technical Working Group for effective coordination and management.

5.1.2 Monitoring and Evaluation Arrangements: MFBNP will be responsible for collecting and sharing data and coordinating monitoring and evaluation. The Bank will carry out rigorous monitoring and supervision missions in line with the Government M&E system designed to help in generating and reporting reliable and accurate data required to report on performance and effectiveness of measures aimed at strengthening the health system, economic resilience against COVID-19 shocks, and the social protection system. The Bank will use the quantitative and qualitative indicators in the Program Results Based Logical Framework and Operations Policy Matrix (Appendix II and IV) to monitor program performance. Additional governance related measures outlined in section 2.1.4 of the report will also be monitored. The Nigeria Country Department (RDNG) will play a lead role in country dialogue and coordination with other

development partners. A Program Completion Report will be prepared to evaluate progress against result indicators and draw lessons for future operations in Nigeria.

5.2 Financial Management, Disbursement and Procurement

5.2.1 Financial Management: The latest Bank's Country Fiduciary Risk Assessment for the Federal level Public Financial Management (PFM) in Nigeria updated in 2019 rates the overall risk as Substantial, with key weaknesses related to the uneven legislative oversight over audit reports produced by the Auditor General of the Federation, inconsistent monitoring of the implementation of audit recommendations, and manual control over initiation of. Strategies are however beginning to be developed to improve legislative oversight role, with a new Audit Bill. The continued efforts by the Government of Nigeria over the years in reforming its PFM systems continue to yield gradual benefits. The Government shall ensure that all COVID-19 related activities under the Program are budgeted for under the national budget and that any subsequent revisions to the budget are undertaken in compliance with the Fiscal Responsibility Act (2007).

5.2.2 Disbursement and Funds Flow: The disbursement method that will be applicable for this intervention is the Special Account Method taking into consideration that this is a CRBS. Funds will be disbursed in one tranche to meet the emergency context of the budget support, which is based upon fulfilment of agreed prior conditions for single tranche disbursement. The funds flow from the Bank to the Federal Government of Nigeria, will be through a dedicated Special Foreign Currency Account to be opened in the Central Bank of Nigeria. Funds will be converted to Naira and transferred to the Consolidated Revenue Account of the Federal Government within two working days. Within 30 days of disbursement of the loan by the Bank, the Accountant General of the Federation shall also provide a written confirmation to the Bank, certifying the receipt of the transfer of the funds by the CBN into the Consolidated Revenue Account of the Federal Government held with the CBN.

5.2.3 Audit Arrangements: The national external audit of the Government budget, the Office of the Auditor General of the Federation will carry out financial, compliance, and value for money audits of the usage of funds for COVID-19 response related receipts/donations/aids and expenditure including procurement audit. In addition, an audit of the Flow of Funds shall be carried out and the audit report together with the auditor's management letter shall be submitted to the Bank within six (6) months of the end of the fiscal year during which disbursement occurs.

5.2.4 Procurement: In line with the Bank's PBO Policy, the procurement arrangement for the proposed operation will be undertaken using the country procurement systems as defined by national laws including the Public Procurement Act, 2007 at the federal level and state public procurement laws in 28 States. The Assessment, using the Methodology for Assessment Procurement Systems (MAPS II) is planned in 2020 and will provide an in-depth analysis of Nigeria's procurement systems. The Assessment will cover the Federal and 6 States (out of 36 States will identify gaps in the public procurement systems at the federal and subnational levels and propose action plan to improve them for better performance and enhanced value for money in public expenditure. Further, the Government will publish procurement plans, and contract awards related to the COVID-19 response.

5.3 Legal Documentation and Authority

5.3.1 Legal Documentation: the legal instrument will be a loan agreement to be signed between the African Development Bank and the Federal Republic of Nigeria.

5.3.2 Conditions associated with the Bank's intervention: before the proposed operation is presented to the Board, the Government shall have provided evidence, satisfactory in form and substance to the Bank, that the Prior Actions outlined in Table 5 have been fulfilled.

5.3.3 Conditions precedent to entry into force: The entry into force of the Loan Agreement shall be subject to the fulfilment by the Borrower of the provisions of Section 12.01 of the General

Conditions Applicable to African Development Bank Loan Agreements and Guarantee Agreements (Sovereign Entities) dated February 2009, as amended from time to time.

5.3.4 Conditions precedent to disbursement of the funds of Covid-19 CRBS: In addition to the provisions of Section 5.3.2 (Prior Actions) and Section 5.3.3 (*Conditions Precedent to Entry into Force*), the obligations of the Bank to make the disbursement of the single tranche of the Loan shall be subject to the satisfaction of the following condition by the Borrower: Submission of evidence of the opening of a foreign currency special account (the “Special Account”) in the Central Bank of Nigeria for the deposit of the proceeds of the Loan, in form and substance satisfactory to the Bank.

5.4 Compliance with Bank Group Policies: The C19RSP is in conformity with the provisions of the Bank Group’s applicable policies including the COVID-19 Rapid Response Facility (CRF), the Bank Group Policy on Program-Based Operations (PBOs), and the Operational Guidelines on the Programming, Design and Management of Program-Based Operations.

5.5 Risks Management: The risks and mitigation measures are presented in table 6 below:

Table 6 - Risks and Mitigation Measures	
Risk	Mitigation measures
Macroeconomic risk	Government continued commitment to maintain macroeconomic stability and investor confidence which the Government has been implementing a range of a fiscal consolidation measures geared towards safeguarding revenue (oil and non-oil), rationalization of recurrent spending, and improved debt management. This will be supported by policy dialogue and advisory services from development partners including the African Development Bank.
Fiduciary and corruption risks	A dedicated audit of the expenditures and procurement undertaken with the COVID-19 resources has been included as part of the fiduciary safeguard for this operation. Further, Government is committed to enhance transparency and accountability in the use of funds for the COVID-19 response (see Table 5)
Risk of Data management weaknesses	The Bank will develop a straightforward and user-friendly COVID-19 reporting system and train the national bureau of statistic staff remotely

VI – RECOMMENDATION

Management recommends that the Board of Directors of the Bank approve an ADB loan of USD 288,500,000 million to the Federal Republic of Nigeria for the purposes, and subject to the terms and conditions, stipulated in this report.

APPENDIX I: LETTER OF DEVELOPMENT POLICY



FEDERAL MINISTRY OF FINANCE, BUDGET AND NATIONAL PLANNING

Office of the Honourable Minister

Ahmadu Bello Way,
Central Business District,
P.M.B 14 Garki, Abuja
Nigeria.

☎: 09-6702444
08180147408

HMFBNP/OHMFENP/ADBG/COVID-19 RS/2020

12th May, 2020

Dr. Akinwumi Adesina
President
African Development Bank Group
Immeuble CCIA, Avenue Jean Paul II
01 BP 1387 Abidjan 01
Côte d'Ivoire

Dear President of AfDB

COVID-19 RESPONSE SUPPORT PROGRAM: LETTER OF DEVELOPMENT POLICY

I am writing on behalf of the Government of the Federal Republic of Nigeria to request a crisis response budget support loan of USD 1.0 billion to partly finance the COVID-19 Response Plan. This Letter of Development Policy broadly outlines the policy framework and measures. In this context, we would like to commend the African Development Bank's commitment to supporting our efforts towards the implementation of the COVID-19 response policy priorities and help in containing the pandemic and mitigating the resultant adverse economic impact. The Bank's support will enable the Government effectively implement the "Integrated Policy Framework" which prioritizes the fight against the COVID-19 pandemic and protecting citizens and businesses from the impact of the pandemic.

Economic Context

2. The global humanitarian and economic crisis caused by the COVID-19 pandemic is having a severe impact on Nigeria. In addition to the high human toll from daily increases in COVID-19 cases, the economic and social cost is high. Containment policies to limit the propagation of the pandemic—including restrictions on people's movement and encouraging social distancing—have amplified the effect of the sharp fall in oil prices on the economy. Our preliminary assessment suggests a contraction in real GDP of (4.42) percent this year, as against our previous estimate of 2.93 percent prior to the pandemic. The COVID-19 crisis will also severely impact the budget. Lower growth and the sharp decline in oil prices are affecting tax revenues. Based on all the

www.fmf.gov.ng

adjustments and revisions, the amount available for funding the 2020 FGN Budget is now estimated at N5.158 trillion, down from N8.419 trillion. At N969.89 billion, oil and gas revenues (inclusive of NLNG dividends and signature bonuses) is projected to account for only 19% of total FGN revenues. The revised 2020 revenue estimate is 39% (or N3.261 trillion) lower than the approved 2020 Budget of N8.419 trillion. These adverse effects will impair President Buhari's administration's ability to deliver critical social services to the citizens in line with the next level agenda and commitment to lift 100 million people out of poverty within 10 years. Our external position has already come under strong pressure. The current account deficit is projected to be about 3.85 percent of estimated GDP, despite some import compression, as oil exports drop. To mitigate the balance-of-payment pressures, we adjusted the official exchange rate from N307/\$ to N360/\$ and the Central Bank of Nigeria (CBN) seeks to eliminate multiple exchange rates and achieve convergence of exchange rates across different market segments consistent with economic fundamentals. We are committed to maintaining more unified and flexible exchange rate regime, which will operate in market-determined manner in order to respond to shocks, with the CBN only intervening to smooth large fluctuations in the exchange rate.

Policy Response to the Pandemic

3. To contain the virus and support the economy, the government has responded quickly to establish a high-level Economic Sustainability Committee to develop strategies in order to keep the economy working and to retain and generate more jobs. The government set up an Economic Sustainability Committee chaired by Vice President Professor Yemi Osinbajo to devise strategies to keep the economy working and ensure jobs are not only retained but that more are generated. The Presidential Economic Advisory Council (PEAC) is also working on policies to ensure macroeconomic stability and poverty reduction. Going forward, the Federal Government of Nigeria will ensure that the present crisis does not derail our commitment to continue to implement policies for the transformation of the economy, as espoused in the Economic Recovery and Growth Plan 2017-2020 and the Eleven Point Agenda, both of which will inform the preparation of the long-term National Development Plan to build resilience in the post-COVID-19 era. In this context, Government will pursue the following priorities:

A. Strengthening Public Healthcare response to COVID-19 pandemic

4. The Federal Government has recently developed its *National Strategy to Scale Up Access to Coronavirus Disease Testing* and identifies testing as one of the key strategic responses to the pandemic. To contain the outbreak, the Federal Government plans to rapidly scale up diagnostic testing to cover all 36 States and the Federal Capital Territory (FCT). The House of Representatives has passed a bill that suspends import duties on medical equipment, medicines and Personal Protective Equipment (PPE) required for the treatment and management of COVID-19 for three months (starting March). In this regard, the program will support a number of measures including: (i) increasing laboratory diagnostic testing for COVID-19 pandemic from current 2,500 tests per day to 7,000 test per day through the expansion of the existing Nigeria Centre for Disease Control laboratory network for molecular Reverse transcription polymerase chain reaction (RT PCR) from 9 to 15 laboratories; leveraging capacity within high-throughput HIV molecular testing laboratories; and deploying tuberculosis testing machines for the COVID-19 pandemic. Furthermore, the program will strengthen the COVID-19 pandemic case isolation and treatment and the capacity of frontline workforce to effectively respond to the evolving challenges.

B. Reducing the impact of the COVID-19 on Workers and Businesses

5. The government is reviewing the 2020 budget and, given the expected large fall in oil revenues, there are plans to cut/delay non-essential capital spending by N1.5 trillion (close to 1 percent of GDP). The Central Bank of Nigeria (CBN) also introduced additional policy measures, including: (i) reducing interest rates on all applicable CBN interventions from 9 to 5 percent and introducing a one year moratorium on CBN intervention facilities; (ii) creating a N50 billion (US\$139 million) targeted credit facility; and (iii) liquidity injection of N3.6 trillion (2.4 percent of GDP) into the banking system to shore up banks' lending to the real sector. The CBN is also coordinating a private sector special intervention initiative targeting N120 billion (US\$333 million) to fight COVID-19.

C. Strengthening the Social Protection System

6. The Federal Government has initiated some notable social protection measures since March 2020 to curb the vulnerabilities arising from COVID-19 pandemic. The ongoing Social Investment Program is being expanded to increase the current social register from 2.6 million households to 3.6 million vulnerable households. The government has further announced food distribution, cash transfers and loan repayment waivers to ease the effects of restrictive policies on businesses and households. The government also announced the expansion of the pro-poor public works program which is expected to employ about 774,000 Nigerians and covering all 36 States and the FCT from the current eight states from October 2020 to December 2020

D. Ensuring Probity in the Management of COVID-19 Funds

7. We fully recognize the importance of ensuring that financial assistance received is used for intended purposes. Our anti-corruption efforts will continue unabated and we will further strengthen the role of the Federal Audit Board in combating corruption. To that end, we will (i) create specific budget lines to facilitate transparent tracking and reporting of emergency response expenditures on monthly basis through open treasury portal (<http://opentreasury.gov.ng/>); (ii) publish procurement plans and procurement notices for all the emergency response activities—including the identities of awarded companies and beneficial owners—on the Bureau of Public Procurement website; and (iii) publish no later than three to six months after the end of the fiscal year the report of an independent audit into the emergency response expenditures and related procurement process, which will be conducted by the Auditor General of the Federation—who will be provided the resources and necessary documentation and will consult with external/third party auditors.

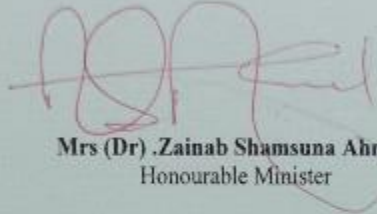
E. Post-Pandemic Policy Measures

8. We remain committed to safeguarding macroeconomic stability and fostering economic growth. In this regard, fiscal policy, post-COVID-19 will be driven by the government's planned medium-term fiscal consolidation path, which entails increasing revenue to 15 percent of GDP through further VAT reforms, increasing excise taxes, and removing tax exemptions once the crisis abates and exploring options of broadening the tax base by taxing the informal sector. The government remains committed to resume revenue-based fiscal consolidation to eliminate central bank financing and create space for priority spending. Conforming with the Fiscal Responsibility Act, we will strive to lower the deficit to below 3 percent of GDP to obviate recourse to central

bank financing by 2025. Given the significance of banking sector resilience, the CBN will reinvigorate its oversight of on-site and off-site supervision to sustain financial sector stability. Furthermore, the government will accelerate structural reforms— particularly in the power sector—to lay the foundation for a diversified private-sector led economy post-pandemic.

9. We are determined to meet the immense challenge posed by the COVID-19 pandemic and support from the international community will be critical. We look forward to an early approval of financial assistance by the African Development Bank — which will help our effort to keep the Nigerian economy on a strong path to recovery in order to sustain our fight against poverty and social exclusion.

10. Please accept, Your Excellency, the assurances of my highest regards.



Mrs (Dr) .Zainab Shamsuna Ahmed
Honourable Minister

www.fmf.gov.ng

APPENDIX II

RESULTS FRAMEWORK FOR NIGERIA COVID-19 RESPONSE SUPPORT PROGRAM					
A	PROJECT INFORMATION				
PROJECT NAME: NIGERIA: COVID-19 RESPONSE SUPPORT PROGRAM SAP CODE: P-NG-KAO-006 COUNTRY: NIGERIA					
PROJECT GOAL/HIGHER-LEVEL OBJECTIVE: To support Nigeria's efforts to fight COVID-19 and protect citizens and businesses from the impact of the pandemic					
PROJECT ALIGNED WITH COUNTRY AND CRF:		a) Country: COVID-19 Preparedness and Response Plan - Minimize negative economic and social impacts b) AfDB's CRF framework: Mitigate the impact of COVID-19 and support economic and social recovery and resilience c) Alignment indicators: (i) COVID-19 infection and morbidity rates; and (ii) Health system security ranking - Global Health Security Index			
B	RESULTS MATRIX				
RESULTS CHAIN AND INDICATOR DESCRIPTION	UNIT	BASELINE	TARGET AT PROJECT COMPLETION [Q1 2021]	MEANS OF VERIFICATION	FREQUENCY OF REPORTING
Outcome 1: Improved health pandemic surveillance and response to COVID emergencies.					
INDICATOR 1: Individuals tested for COVID-19 virus	Number	35,345	At least 60% of 4 million target	Nigeria Center for Disease Control Dashboard	Every three months
Outcome 2: Enabling MSMEs and local businesses to weather COVID-19 crisis					
INDICATOR 2: Businesses benefitting from MSME sector financing facility	Number of business	None	At least 200	Ministry of industry progress report	Every three months
Outcome 3: Vulnerable households' protected from the impact of the COVID 19 pandemic					
INDICATOR 3: Number of vulnerable households (including female headed) benefitting from cash transfers	Number of people benefitting	Cash transfer: 2.6 million	Cash Transfer: 3.6m(50% of which are women)	Ministry of Humanitarian Affairs, Disaster Management and Social Development	Every three months
INDICATOR 4: Number of people enrolled in the Public Works Program	Number	0	774,000 (50% women)	Ministry of Labour and Employment progress report	Every three months
Component 1: Strengthened Public Healthcare response to COVID19					
Output 1: Increased surveillance, diagnostic testing and health workers capacity					
INDICATOR 1: National laboratory diagnostic testing Output	Number	2500/tests/day	7000/tests/day	Nigeria Center for Disease Control Dashboard	Every three months
INDICATOR 2: Health workers trained and equipped in isolation centers	Number (%age women)	420 (at least 40% women)	4224 (at least 40% women)		
Component 2: Reducing the impact of COVID-19 on Workers and Businesses					
Output 2: Government Domestic Business Relief Scheme Established and COVID-19 Preparedness					
INDICATOR 3: Allocation to fund COVID-related business relief scheme	Amount in USD	USD0.0	At least USD3.6 billion	Ministry of Finance Progress report	Every three months
INDICATOR 4: Number of states with COVID-19 response plan	Number	None	5 states	Nigeria Center for Disease Control report/dashboard	Every three months
Component 3: Strengthening the Social Protection System					
Output 3: Social protection scheme in response to COVID established					
INDICATOR 5: Number of states covered for public work program	# of states covered	8	36	Ministry of Labour and Employment progress report	Every three months
INDICATOR 6: Coverage of national Social Registry schemes (# states)	Number	34	36 states and Federal Capital Territory	Ministry for Humanitarian Affairs, Disaster Management and Social Development	Every three months
Output 4: Financial accountability mechanisms put in place					
OUTPUT INDICATOR 7: Timely production of independent audit COVID-19 expenditure	Audit of COVID-19 expenditure	0	Audit report	Office of the Auditor General of the Federation Audit Report	End program
OUTPUT INDICATOR 8: Transparent procurement practice in COVID-19 related response	Publication of procurement plans and contracts	0	Procurement plans and contract awards published	Government website and publication records	One-off

APPENDIX III: NIGERIA - MEETING THE ELIGIBILITY CRITERIA FOR CRBS

Prerequisites	Country Eligibility
<i>Government Commitment</i>	The government has in place a short-term strategy to respond to the COVID-19 crisis. The short-term strategy follows a two-pronged approach – measures to contain the COVID-19 outbreak; and measures to mitigate the adverse economic and social impacts of the pandemic. The measures to contain the COVID-19 outbreak include: (i) public health measures to contain the spread of COVID-19; (ii) measures to improve coordination and consistency in communication; (iii) formulation and implementation of State-level Action Plans; and (iv) coordinated effort to ensure adequate facilities, equipment and personnel are available to contain and respond to the outbreak. The measures to mitigate the adverse economic and social impacts of the pandemic include, policy options to maintain macro-financial stability and investor confidence; fiscal policy measures to safeguard distributable oil and gas revenue to the Federation Account; fiscal measures to mobilize and safeguard non-oil revenues; and fiscal measures to reduce nonessential spending with the aim of supporting economic activity and supporting the poor and vulnerable.
<i>Sound Macroeconomic framework</i>	The economy has posted growth for three consecutive years since the 2016 recession averaging 1.7% per annum from 2017 to 2019. This growth was however markedly lower than the pre-recession average of 5% recorded during 2011-2015 in the aftermath of the global financial crisis. From 2.3% in 2019, the economy was projected to inch higher to 2.9% in 2020 and consolidate at 3.3% in 2021. However, the outbreak of COVID-19 pandemic, and a sharp decline in price of crude oil to below US\$30 per barrel by March 2020, has tilted risks to growth outlook on the downside, highlighting the depth of Nigeria’s vulnerability to exogenous shocks. Given that Nigeria depends on crude oil for an estimated 90% of export earnings and more than 50% of government fiscal revenues, this has serious implications on the fiscal and external account positions. Thus, the steady but fragile economic recovery economy of the past three years appears to have completely withered with the economy heading towards recession.
<i>Political stability</i>	Since the return to civil rule in 1999, Nigeria has made significant progress in the democratic and governance space. During the period 2013-2019, two democratic elections (2015 and 2019) were conducted successfully, highlighting Nigeria’s steady progress towards entrenching civilian rule. The election of 2015 is significant in that it was the first time the ruling party ceded power to the opposition following the defeat in elections. The February 2019 elections were also largely peaceful. These democratic gains are nonetheless marred by pockets of insecurity across the country, notably in the north east, north west and middle belt regions characterized by sporadic attacks by Boko Haram, banditry, kidnapping and herdsmen-farmers conflicts affecting crop production.
<i>Satisfactory fiduciary risk assessment</i>	The Bank’s 2020 summary of the Country Fiduciary Risk Assessment (CFRA) for Nigeria, prepared part of the preparation of the COVID-19 Response Support Program, covers the main public financial management (PFM) systems components of the Government of Nigeria, namely budget planning and execution, treasury management, accounting, recording and reporting, internal control, external audit, procurement and governance. The Government continues to make major strides to bring the PFM system in line with good practices. Reforms so far undertaken have included: updating the legal framework for PFM; progress in budget management and economic transparency; introduction of the integrated financial management system (GIFMIS) for accounting, reporting, and budget monitoring; improvement in timelines of submission and disclosures of 2016 and 2017 audit reports of the Federation; and improvements of Cash Management through the introduction and roll out of the Treasury Single Account (TSA). The CFRA indicated that Nigeria’s PFM Systems present an overall fiduciary risk of a “substantial” nature, but with most indicators showing a distinctly positive trajectory. Though substantial, the fiduciary risks are being mitigated by Government commitment to good and prudent economic governance, and PFM reforms as enunciated in the National Economic Recovery and Growth Plan (ERGP) for 2017-2020, which specifically commits to transparency and anti-corruption, public service reform, inter-governmental coordination, and delivery. The reform measures, most of which are supported under the government’s own program of reforms, as well as by other development partners (including the Bank) add to the notion of a strengthening fiduciary environment, coupled with the need for further strengthening of the internal audit, budget management, and external oversight systems.
<i>Harmonization</i>	The Federal Ministry of Finance, Budget and National Planning (MFBNP) is the key government entity responsible for mobilizing resources and coordination of investment projects. The Country Assistance Framework is the common strategic approach of Nigeria’s development partners and donors channel their resources through the Treasury Single Account (TSA). Accordingly, development partners have been working to streamline their respective support to enhance aid effectiveness, accelerate program implementation, and deliver rapid transformational results. The C19RSP has been developed in collaboration with the IMF and WB. The Bank and the WB are using a joint reform matrix that has been drafted by the Government with inputs from and support of the two institutions. The main components of the C19RSP, and policy actions under the program, as enunciated in the policy matrix, were discussed with the World Bank. Harmonization with IMF and the WB will continue during program implementation, in terms of monitoring of performance and the associated policy dialogue.

APPENDIX IV: AfDB POLICY MATRIX AS OF APRIL 20, 2020

Area/Objective		Policy Measures/Prior actions	Evidence Required
Component 1: Strengthened Public Healthcare response to COVID19			
1.1	Increased laboratory diagnostic testing	Expansion of the existing NCDC laboratory network for molecular RT PCR from 9 to 15 laboratories	Policy Measure (Not a prior action).
		Leveraging capacity within high-throughput HIV molecular testing laboratories in Lagos, FCT, Benue, Akwa Ibom, and Anambra states	Policy Measure (Not a prior action).
		Deploying tuberculosis testing machines for COVID-19 testing	Policy Measure (Not a prior action).
1.2	Expansion of COVID-19 case isolation and treatment.	Operationalization of the NGN 500 billion COVID-19 Intervention Fund through publishing the framework for management of COVID-19 funds under the Treasury Single Account by the Office of the Accountant-General of the Federation (Prior Action).	Letter from the Minister of Finance submitting a copy of the framework for the management of COVID-19 Funds under the Treasury Single Account
1.3	Strengthen the capacity of frontline workforce	Capacity building of additional healthcare personnel and surveillance officers who are at the frontline delivering services.	Policy Measure (Not a prior action).
Component 2: Reducing the impact of COVID-19 on Workers and Businesses			
2.1	Strengthen the economic support to manufacturing sectors and micro, small and medium enterprises affected by the COVID-19	Operationalizing the NGN 1.00 trillion manufacturing sector financing facility by issuing the relevant guidelines on the implementation modality of the facility	Policy Measure (Not a prior action).
		Operationalization of NGN50 billion (USD138.89 million) credit facility to affected households and small and medium enterprises by issuing the relevant guidelines on the implementation modality of the facility (Prior Action).	Letter from the Minister of Finance submitting a copy of relevant guidelines on the implementation modality of the facility
		Develop and implement COVID-19 preparedness and response plans at 5 states.	Policy Measure (Not a prior action).
		Introduce short-term tax reliefs and/or rebate for MSMEs	Policy Measure (Not a prior action).
Component 3: Strengthening the social protection system			
3.1	Public Works Program for job creation	Extension of the Special Public Works Program to cover all 36 States and the FCT from October 2020 to December 2020. (Prior Action).	Letter from the Minister of Finance confirming the extension of the Special Public Works Program to cover all 36 States and the FCT from October 2020 to December 2020
3.2	Strengthened safety nets and cash transfer program	Expansion of the social investment program by increasing the current social register from 2.6 million households to 3.6 million vulnerable households.	Policy Measure (Not a prior action)

APPENDIX V: NIGERIA - APPLICATION OF GOOD PRACTICE PRINCIPLES ON CONDITIONALITY

Principle 1: Reinforce Ownership: The C19RSP is designed to support the implementation of the FGN program/plan to address the COVID-19 crisis, as enunciated in the Government’s “Integrated Policy Framework” to ensure that the country’s healthcare system, fiscal position and economy are sufficiently supported to respond to and withstand the negative impacts of the COVID-19 pandemic. The policy reforms to be supported by the C19RSP have all been identified as priorities and are part of the government’s Integrated Policy Framework.

Principle 2: Agree up front with the Government and other development partners on a coordinated accountability framework: In addition to the Bank, the IMF, and WB, amongst others, are supporting government’s COVID-19 short- to medium-term plan to address the COVID-19 pandemic and the accompanying adverse socioeconomic impact. The policy reforms of the C19RSP are drawn from the measures contained in the Government’s policy matrix which was developed with the support of the WB and other partners, including the Bank. This framework will serve as the results framework for monitoring and evaluation. The Bank will supervise the operation in collaboration with the WB. The operation will also benefit from the existing aid architecture – donor coordination framework.

Principle 3: Customize the accountability framework and modalities of Bank support to country circumstances: The C19RSP is fully aligned with the government’s COVID-19 short- to medium-term plan to address the COVID-19 pandemic and the accompanying adverse socioeconomic impact and will benefit from discussions undertaken in the framework of the existing, customized accountability framework. Given that the operation is crisis response budget support operation it has been designed in collaboration with the IMF and WB and its policy matrix has been customized for the situation, drawing its reforms mainly from the measures contained in the Government’s policy matrix agreed with the WB, AfDB and other partners. Monitoring and Evaluation will also be undertaken in collaboration with the WB.

Principle 4: Choose only actions critical for achieving results as conditions for disbursement: Disbursement of the single tranche of the C19RSP will not be subject to any prior actions as triggers. The prior actions chosen focus on critical actions to reducing the impact of COVID-19 pandemic on workers and businesses and to strengthen the social protection system to weather the impact of COVID-19, notably the waiver of payments on personal and corporate income tax and delay of tax collection for the worse-hit sectors including tourism, the airline industry, and hoteliers.

Principle 5: Conduct transparent progress reviews conducive to predictable and performance-based financial support: The operation was prepared in coordination with other development partners providing budget support. The evaluation and monitoring of the implementation of the C19RSP will be undertaken through coordinated missions between the WB and the AfDB. Extensive consultation with other development partners and stakeholders will be undertaken during the supervisions.

APPENDIX VI: Country Relations with the IMF

IMF Executive Board Approves US\$ 3.4 Billion in Emergency Support to Nigeria to address the COVID-19 Pandemic

April 28, 2020

- The IMF approved US\$3.4 billion in emergency financial assistance under the Rapid Financing Instrument to support the authorities' efforts in addressing the severe economic impact of the COVID-19 shock and the sharp fall in oil prices.
- The COVID-19 outbreak has magnified existing vulnerabilities, leading to a historic contraction in real GDP growth and to large external and fiscal financing needs.
- Once the impact of the COVID-19 shock passes, the authorities' commitment to medium-term macroeconomic stability remains crucial to support the recovery and ensure debt remains sustainable.

The Executive Board of the International Monetary Fund (IMF) approved Nigeria's request for emergency financial assistance of SDR 2,454.5 million (US\$ 3.4 billion, 100 percent of quota) under the Rapid Financing Instrument (RFI) to meet the urgent balance of payment needs stemming from the outbreak of the COVID-19 pandemic.

The near-term economic impact of COVID-19 is expected to be severe, while already high downside risks have increased. Even before the COVID-19 outbreak, Nigeria's economy was facing headwinds from rising external vulnerabilities and falling per capita GDP levels. The pandemic—along with the sharp fall in oil prices—has magnified the vulnerabilities, leading to a historic decline in growth and large financing needs.

The IMF financial support will help limit the decline in international reserves and provide financing to the budget for targeted and temporary spending increases aimed at containing and mitigating the economic impact of the pandemic and of the sharp fall in international oil prices. The IMF remains closely engaged with the Nigerian authorities and stands ready to provide policy advice and further support, as needed.

Following the Executive Board's discussion of Nigeria, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

“The COVID-19 outbreak—magnified by the sharp fall in international oil prices and reduced global demand for oil products—is severely impacting economic activity in Nigeria. These shocks have created large external and financing needs for 2020. Additional declines in oil prices and more protracted containment measures would seriously affect the real and financial sectors and strain the country's financing.

“The authorities' immediate actions to respond to the crisis are welcome. The short-term focus on fiscal accommodation would allow for higher health spending and help alleviate the impact of the crisis on households and businesses. Steps taken toward a more unified and flexible exchange rate are also important and unification of the exchange rate should be expedited.

“Once the COVID-19 crisis passes, the focus should remain on medium-term macroeconomic stability, with revenue-based fiscal consolidation essential to keep Nigeria's debt sustainable and create fiscal space for priority spending. Implementation of the reform priorities under the Economic Recovery and Growth Plan, particularly on power and governance, remains crucial to boost growth over the medium term.

“The emergency financing under the RFI will provide much needed liquidity support to respond to the urgent BOP needs. Additional assistance from development partners will be required to support the government's efforts and close the large financing gap. The implementation of proper governance arrangements—including through the publication and independent audit of crisis-mitigating spending and procurement processes—is crucial to ensure emergency funds are used for their intended purposes.”

APPENDIX VII: MAP OF NIGERIA

