

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC22018

Project Name	Social Protection Project (P151488)
Region	AFRICA
Country	Nigeria
Sector(s)	Other social services (100%)
Theme(s)	Improving labor markets (60%), Social Safety Nets/Social Assistance & Social Care Services (20%), Income Support for Old Age, Disability & Survivorship (20%)
Lending Instrument	Investment Project Financing
Project ID	P151488
Borrower(s)	Federal Ministry of Finance
Implementing Agency	Federal Ministry of Finance
Environmental Category	C-Not Required
Date PID Prepared/ Updated	13-Mar-2015
Date PID Approved/ Disclosed	13-Mar-2015
Estimated Date of Appraisal Completion	10-Nov-2015
Estimated Date of Board Approval	12-Feb-2016
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Nigeria's economy has experienced significant growth over the last decade, making it the largest economy in Sub-Saharan Africa. Rebased national accounts data (in 2014) showed Nigeria to be a middle income country and the largest economy in Africa. With an estimated population of 167 million, Nigeria is Africa's most populous nation. In recent years, economic growth has been particularly impressive with real GDP growth averaging about 7 percent since 2003, reaching as high as 7.4 percent in 2011. The result is a gross domestic product (GDP) of US\$522.6 billion in 2013 - the largest in Sub-Saharan Africa.

Despite impressive economic growth, additional efforts are needed to make this growth more inclusive and translate it into a commensurate decrease in poverty. According to GHS data, poverty in Nigeria remains at 33.1 percent of the population in 2012/2013, equivalent to 58 million Nigerians. The new estimates suggest a strong divide between the North and South of Nigeria in

poverty and poverty reduction, all three Southern macro-regions, together with the North Central region, experienced declines in estimated poverty rates between 2010-2013. By contrast, poverty increased in the North East and remained largely unchanged in the North West. The North West and North East together account for the majority (52%) of poor Nigerians. Thus, in spite of strong growth in the last decade, poverty remains widespread.

Inequality and income polarization in Nigeria have increased. In the last decade, while average per capita consumption increased, Nigeria's income distribution became more unequal (based on GHS data), and there has been an increase in polarization. Compared to 10 years ago, the concentration of households in the middle of the Nigerian income distribution diminished, with increased clustering in the highest and lowest deciles. This change had clear spatial characteristics. Northern households increasingly occupy bottom deciles of the national income distribution while Southern households increasingly move upward. The overall impact has been a general hollowing out of the distribution center and a further accentuation of the North/South divide, with relatively well-off households living in the South and relatively poorer concentrating the North.

Persistent poverty has been accompanied by mixed progress in health, nutrition, and population outcomes. While infant mortality and child mortality have improved, the country is still not on track to achieve the child mortality target of the Millennium Development Goals (MDG 4). There has been no progress on reducing maternal mortality and fertility rates remain stubbornly high. Childhood malnutrition has worsened by some measures (low weight for age has increased by 21% and wasting has increased 64%) and improved only modestly (12%) in terms of stunting (low height for age). Further, the national level data hides a very mixed picture within the country. For example, in the 2013 NDHS the level of stunting is 3.4 times higher in the Northwest compared to the Southeast (54.6% vs. 16.0% respectively).

Poor education outcomes jeopardize child welfare and future development. While primary school gross attendance rates, including overage children, showed large improvement between 1999 and 2003 (from 76 to 91 percent) they declined to 85 percent in 2008 and stagnated thereafter.

Just over half of primary completers attend secondary schools. Many out-of-school children are concentrated in the North, especially rural areas, and poor households, with girls more disadvantaged than boys. Difficulties of access are compounded by low learning outcome levels – one in every five students cannot read after completing primary education (Grade 5). More than 4 million children are not attending junior secondary school (2009 Nigeria MDG report). This coupled with the high levels of malnutrition and its attendant reduction in cognitive function, implies that a generation of children are at risk of future development.

Demand-side constraints are a barrier to accessing social services. In education, both cost and quality are major obstacles to accessing schools, especially for the poor. School fees are the largest education expenditure for primary school students, specifically for the poor, followed by books, supplies, and uniforms. Similarly, in health, out-of-pocket expenditures amount to an estimated two-thirds of health care spending, straining access for poor households.

Improving human development will have significant impact on Nigeria's ability to capture potential demographic dividends: Significant interventions are needed, for Nigeria to capture the kind of "demographic dividend" that was beneficial to the East Asian ("Tiger") economies where it may have contributed a third of GDP growth. If Nigeria therefore makes the necessary investments in improving maternal, child health and nutrition, it could contribute to a fertility transition and a change in demographic profiles and age structures leading to a reduction in the dependency ratio, and a virtuous cycle of improving nutrition, education, human capital and economic productivity.

Sectoral and Institutional Context

The Government of Nigeria has requested World Bank support for the set-up of a National Social

Safety Net Program (NSSNP) that would be the country's first effort to reach the extreme poor with conditional cash transfers on a national scale. During the World Economic Forum for Africa (2014), held in Nigeria, the Coordinating Minister of the Economy (CME) and Minister of Finance, announced that the Government has put together a special Task Force to design the NSSNP. The core team of the Task Force includes representatives from key Ministries, Departments and Agencies (MDAs) that would be involved in the design and implementation of the NSSNP. This NSSNP would enable targeting and monitoring of social safety net interventions in the country in the medium term, while at the same time providing income support on a national scale to extreme poor households. The Task Force has developed a concept note for the NSSNP and presented it to the Economic Management Implementation Team (EMIT) in December 2014. Donor partners have been asked to support the NSSNP.

Social protection is part of the Government's approach to reducing poverty and inequality and jumpstarting progress on human development. It is an element of the President's Transformation Agenda, which outlines human capital development as one of the key pillars. A National Social Protection Policy, developed under the leadership of the National Planning Commission, is currently under review for adoption by the National Assembly. The NSSNP is being designed consistent with the guiding principles outlined in the National Social Protection Policy, as well as Nigerian and global experiences in designing and implementing social safety net programs.

The NSSNP is therefore a subset of Nigeria's broader social protection strategy. Social protection in Nigeria includes both contributory and non-contributory programs, and social safety nets refer to the non-contributory portion. The NSSNP focuses on increasing household consumption of basic commodities and essential social services. It will be targeted at households living in extreme poverty which are unable to meet their own basic needs, or are in danger of falling into extreme poverty, either because of an external shock or due to socioeconomic circumstances, such as age, illness, or disability or internal displacement.

The NSSNP will complement and help consolidate existing social safety net programs at the federal level. In Nigeria, social safety net programs have been implemented at both the federal and State levels by the Government, with the support of development partners. However, programs at the federal level have been relatively small and with complex and fragmented institutional arrangements, resulting in limited effectiveness. The absence of a coherent framework and institutional arrangement for social safety nets has contributed to a proliferation of uncoordinated programs across the country, most of which are modest in scale and have varied target groups. A recent stock-taking exercise also found that most Federal and State-level social safety net interventions in Nigeria are constrained by systemic (institutional and process) weaknesses, including poor targeting, undefined eligibility criteria, lack of monitoring and evaluation systems, and absence of a management information system, including for supervision. As a result of a weak or absent coordination there is a high degree of duplication.

The vision for the NSSNP is therefore to put in place a system for reaching the poor at the federal level that can also be used to target and monitor other safety nets and public programs. The existence of a safety net system – with a common targeting system, harmonized eligibility criteria, a management information system (MIS), a monitoring and evaluation system (M&E), and a payment mechanism linked to the MIS and M&E systems, will provide a strong basis for coordinating ongoing and new interventions in the country. This investment would ultimately allow the Government to target a range of programs to poor households.

The National Social Safety Net Program will draw from Nigerian and global experiences. There are currently three conditional cash transfers (CCTs) being implemented in Nigeria. First, "In Care of the People" (COPE), is a government-run conditional cash transfer which started as a pilot in 2007 and is now in its third phase. The program started with funding from Federal-level and donor funds

and now is supported with co-funding from States. COPE is implemented under the Conditional Grants Scheme in the Office of the Senior Special Assistant to the President on MDG (OSSAP-MDG). A review of COPE found that its effectiveness has been limited by low coverage (estimated at 22,000 households), low benefit levels, and weak incentives for State involvement. A second, a CCT for girls' education is currently being implemented through the state education sector in Nigeria. An impact evaluation of the program in Kano State found positive effects on school enrollments and pointed to implementation challenges at the local level. Third, the Government has used its own funds from SURE-P to introduce a conditional cash transfer for mothers who access antenatal care, skilled birth assistance, and post-natal care. Data are currently being collected for an impact evaluation of this program.

Relationship to CAS

The current Country Partnership Strategy for Nigeria includes a central focus on improved social service delivery for greater social inclusion. Through its pillar on service delivery, the strategy supports the Government's efforts to develop more effective mechanisms for social service delivery (education, health, and water services, etc.) to address inequities in income and opportunities. Critical to this strategy are objectives that are fully supported by NSSNP, including: (a) protection of basic services for poor and vulnerable households; (b) effective targeting, transfers, and tracking systems for support to poor and vulnerable households and individuals; and (c) development of appropriate policies and guidelines and practices for addressing inequality and vulnerability in Nigeria.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed project development objective (PDO) is: to establish the building blocks of a national social safety net system for effectively targeting and delivering cash transfers to extreme poor and vulnerable households.

Key Results (From PCN)

Preliminary key results and indicators could include the following:

- (i) Establishment of the National Social Safety Net Program:
 - a. # of beneficiaries registered in the registry of the poor.
 - b. Targeting system implemented in X States.
- (ii) Cash transfers for extreme poor and vulnerable households:
 - a. # of households receiving cash transfers through the NSSNP
 - b. % of households who are extreme poor
 - c. % of households receiving transfers electronically
 - d. # of LGAs which are monitoring compliance with co-responsibilities
 - e. % of complaints addressed through the grievance redress system for the cash transfer

Results indicators will be further refined during preparation. The results framework for the project will include intermediate results including utilization of health, nutrition and education services for targeted households.

III. Preliminary Description

Concept Description

The project will provide support for the design and implementation of the NSSNP. This will involve supporting the set-up of the safety net system, and its lead intervention, a conditional cash transfer program for extreme poor households. The project will have two components: (i) Establishing a National Social Safety Net System; and (ii) Implementing Targeted Cash Transfers.

Component 1: Establishing a National Social Safety Net System (US\$XXX). The objective of this component is to put in place the building blocks of a safety net system at the national level that can deliver targeted support to poor households across Nigeria. The NSSNP will be designed such that, irrespective of funding source or targeted beneficiary group, the same system can be used.

Stakeholders including the national and state governments, development partners, and civil society would use this system for targeted programs in the medium term.

Establishment of the system will comprise investments in four main building blocks: (i) a robust targeting mechanism, (ii) a unified national registry of poor households, (iii) payment systems, and (iv) monitoring and evaluation (M&E) systems. This component will also include a subcomponent for program management, including capacity building, communications and grievance redress/complaints-handling.

Sub-component 1a: Building blocks of the safety net system.

(i) A robust targeting mechanism. The program will use a combination of geographic targeting and community-based identification (CBI). Geographical targeting will allow for locating the local government areas (LGAs) most in need. Identification and verification of potential households will be carried out using a community based identification approach with proxy-means testing (PMT). This combination of targeting methods is not new in Nigeria and is currently being rolled out at the State level, under the umbrella of the YESSO program. Using a combination of methods has the advantage of minimizing exclusion and inclusion errors.

Geographic targeting would first identify, where possible, the poorest local government areas (LGAs). Following the geographical selection of potential areas, the identification of poor households and members (potential beneficiaries) would then be determined using a combination of CBI and PMT. This is consistent with the approach taken at the State-level in Nigeria under the YESSO project.

The targeting system would include grievance and appeals mechanisms for receiving and managing complaints from individuals about the inclusion and exclusion of beneficiaries in the registry. Complaints would be managed at various levels including the community, local government, as well as the national level. There would be a strong emphasis on communications regarding targeting, tailored to diverse stakeholders.

(ii) A Unified National Registry. NSSNP aims to establish a unified national registry of poor and vulnerable individuals in Nigeria to be used for delivering safety net services at federal, state, and local levels. The unified registry will be instrumental in ensuring that the beneficiaries being targeted under NSSNP, or other safety net programs in Nigeria, are who they are. The unified registry would store information electronically and be a foundational building block of the social safety net system of Nigeria. It would help ensure efficiency in the delivery of social services, minimize leakages or misuse of funds, and support electronic transfer of cash benefits.

To ensure that each individual (and potential eligible beneficiary) in NSSNP's unified registry is unique, NSSNP aims to link its registry with the national identity registry of the National Identity Management Commission (NIMC). NIMC was created by an Act of Parliament in 2007, and serves as the lead government agency for identification in Nigeria. NIMC has set up a National Identity Management System (NIMS), which electronically stores the unique identity of all individuals in the country, indexed by a "unique identity number." NIMC collects biographical and biometric

information on all individuals, using advanced biometric technologies. NIMS is designed to be robust, reliable, scalable, and secure. NSSNP would use the unique identity number of NIMC's registry to uniquely reference each beneficiary in its database, and do an electronic lookup, where possible, on NIMC's database. The approach would help ensure that the information retained in the NSSNP registry is reliable, up to date, and not duplicated.

NSSNP may consider coordinated enrollment of beneficiaries with NIMC. NIMC's enrollment process collects core identification data from all individuals. NSSNP would require additional data for the poor, beyond what is collected by NIMC. NSSNP may enroll beneficiaries jointly with NIMC, or in tandem, where feasible. In case of joint enrollment, NIMC may deploy stationary or mobile enrollment centers, as suitable, based on the expected population size of the target communities and relevant considerations; and mobilize registrars to collect information from communities. NSSNP may work with the head of each community to acquaint people with the need to register with NIMC, and communicate the location of the enrollment centers and the timing of the rollout to each community.

(iii) **Monitoring and Evaluation Systems.** An overall Management Information System (MIS) will be developed for the entire program to track beneficiaries, cash payments and fulfillment of conditions. Different data sources will be used in measuring specific program objectives, compliance monitoring, geospatial targeting, grievance redress, and intermediate results indicators in the results framework. Routine MIS will provide the support necessary for efficient operations of the program including coordination with sectors and various government levels. The Household Surveys conducted by the National Bureau of Statistics (NBS) could serve as an independent source of information for analysis of the impact of the program on household welfare. The program will include rigorous impact evaluation to assess the impact of the cash transfer on beneficiary households, including assessing the impacts on household consumption and utilization of social services, and ultimately the outcomes. Process evaluations will also be incorporated to assess the progress of system building activities, as well as the cash transfer. The program will also benefit from World Bank implementation support through an adaptive learning pilot.

(iv) **Payment System.** The NSSNP will aim to use electronic forms of cash transfers, including mobile money, card-based payments, or e-payment platforms. The immediate benefits of the approach include: (a) an electronic trail for cash transfers, allowing safety, efficiency, and transparency of cash transactions; (b) cheaper and less cumbersome administrative costs, given few intermediaries in the cash transfer chain; (c) possibly reduced costs incurred by beneficiaries in accessing monthly stipends; and (d) greater potential for integration between federal and state levels of safety net programs.

The NSSNP will utilize existing electronic money transfer products, where possible, being used in Nigeria. Such products are currently being used in the pilot phases of the SURE-P MCH and Save the Children cash transfer programs. An alternative will be to explore the use of the NIMC biometric cards as a payment platform. Although the NIMC card is yet to be tested on a large scale, there are possible benefits of having the identification cards be used as a payment card, with the aim to simplify the registration and payment approaches for each beneficiary. During project preparation, a feasibility study will be done on the appropriate channels for electronic delivery of cash benefits, and the requirements for integration with MIS, financial management system, and grievance redress system.

Sub-component 1b.: NSSNP Management and Institutional Capacity

This sub-component would provide resources to support the institutional set up for the NSSNP at the Federal level. It would include support for program management and capacity building for the program team. A proactive communications, engagement and advocacy plan will be developed as part of the program design. This will involve defining stakeholders, exploring different

communication channels appropriate for the respective audiences. The communication should start with the initial state engagement process, prior to the launch and implementation of the program to define areas of involvement by State governments, and to incorporate their inputs into program design. Communications will also continue during major milestone events.

Component 2: Implementing a Targeted Cash Transfer (US\$XXX).

This component would finance cash payments to extreme poor households. The cash transfer will be the lead intervention of the NSSNP. The Government aims to cover 1 million households, or approximately 10 percent of the extreme poor, over a ten year period. The target groups for the transfer will include extreme poor households with a focus on families with pregnant women and children (age range to be determined during preparation). The transfers will be made based on compliance with soft co-responsibilities (or conditionalities) in health, nutrition, and education targeted at the poorest households. The co-responsibilities will be considered “soft,” in that the transfer of cash to the beneficiaries would be contingent upon their compliance with meeting stated objectives. However, in communities where the supply of services does not exist, potential beneficiaries would still receive cash transfers and would not be penalized. Beneficiary households for the cash transfer program will be identified from the single registry of potential beneficiaries. Where supply is available, receipt of cash transfers would be conditioned on utilization of basic health, nutrition and education services. The specific co-responsibilities will be defined during preparation in consultation with the sectors, and will likely include: prenatal visits for pregnant women and check-ups for infants; participation in growth monitoring and nutrition programs; and school enrollments and attendance. Building on existing experience in Nigeria and elsewhere, the project will aim to include a minimum number of conditionalities needed for the program to achieve its objectives, as conditioning on a number of behaviors complicates implementation, monitoring, and may limit take-up.

During preparation, the team will consider various options for implementing the conditions. For example, in some countries, a base cash benefit is provided to all poor households, with an additional amount given for each child who goes to school or attends a health check-up. The team will consider various options to ensure a balance between the objectives of the transfer to raise consumption of the poor and to incentivize investments in human capital. Opportunities to test and evaluate different approaches to conditionality could be included in the project’s impact evaluation plan. For example, design aspects which could be tested include unconditional (across the board) versus conditional cash transfers, or different forms of conditionality.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		✘	
Natural Habitats OP/BP 4.04		✘	
Forests OP/BP 4.36		✘	
Pest Management OP 4.09		✘	
Physical Cultural Resources OP/BP 4.11		✘	
Indigenous Peoples OP/BP 4.10		✘	
Involuntary Resettlement OP/BP 4.12		✘	
Safety of Dams OP/BP 4.37		✘	
Projects on International Waterways OP/BP 7.50		✘	
Projects in Disputed Areas OP/BP 7.60		✘	

V. Financing (in USD Million)

Total Project Cost:	500.00	Total Bank Financing:	500.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			500.00
Total			500.00

VI. Contact point**World Bank**

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