



ENVIRONMENT AND SOCIAL SYSTEMS ASSESSMENT – ADDENDUM

A - Introduction

1. The objective of this addendum to the parent Program ESSA is to re-examine the extent to which the government's existing environmental and social management systems operate within an adequate legal and regulatory framework to guide E&S impact assessments, mitigation, management, and monitoring of the PforR Program following the AF to the parent Program. If there are E&S issues based on the added Program activities that the government systems cannot deal with, the addendum ESSA will recommend additional measures to be integrated into the Program E&S PAP.

B - Environmental and Social Performance of the Parent Program

2. **Program E&S systems' performance is rated moderately satisfactory.** The report from the implementation support missions showed that the delay in the release of funds and slow implementation by some of the delivery platforms constrained implementation. Also, the heavy rains in June to September 2022 hindered the implementation of construction-related activities as in DLI 2.2 and DLI 2.4 (Agriculture-related Labor-Intensive Infrastructure and Wet Markets rehabilitation). Despite initial delays, the parent Program made some meaningful progress in E&S Safeguards and E&S risk management under the PforR. Most of the PAP E&S action points are completed. The FCSU integrated E&S risk management consideration into the IVA protocol which was an innovative approach under a PforR. Similarly, an E&S screening checklist was also developed for the SCSU delivery platform, where all microprojects were screened for E&S risk before implementation as required in the PAP.

3. **IPF Component.** Substantial progress was made regarding actions under the IPF component as documented in the ESCP. While the Delivery Platforms (DPs) had an existing GRM, the Program, through the FCSU, developed a draft revised GRM system with Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) consideration for adoption by each state DPs. The finalized GRM was to be shared with the state DP for adoption. Similarly, the initial SEA/SH action plan was updated in line with Program activities to address potential SEA/SH risks under the Program. Relevant training on the Environment and Social Framework, Occupational Health and Safety (OHS), Stakeholder Engagement Plan (SEP), Labor Management Procedures (LMP) and GRM were implemented under the Program. With the revision of the GRM system and updating of the SEA/SH action plan, additional capacity building and training activities in line with the ESCP were implemented after a Program restructuring in April 2023.

4. **The midterm review and restructuring further addressed E&S performance.** The Program continued to progress in its E&S performance under the PforR and the IPF components. Some States were lagging in reporting on their E&S performance, leading the FCSU to conduct E&S spot-checks on these States. As of the mid-term review (MTR) in October 2023, four PAP actions were achieved satisfactorily, while four were moderately achieved of the eight E&S PAP actions under the Program. The moderately



rated PAPs resulted from the inability of some states/delivery platforms to report on their performance on their PAPs. To accelerate E&S performance, the MTR advised the FCSU to strengthen E&S monitoring support to the states and delivery platforms as required to ensure full compliance/reporting of their E&S. FCSU is also to ensure states urgently submit their E&S screening report and ESMPs as required. Some progress was also achieved regarding the ESCP actions under the IPF component. As per ESCP provision, the FCSU has developed a revised GM system to be formalized with SEA/SH consideration for adoption by the DPs. Similarly, the SEA/SH action plan under the Program has been updated, and relevant training on the Environment and Social Framework and SEA/SH have been conducted for relevant officers. The SEA/SH training would be scaled down to the state GBV response team at state/DP. The MTR provided additional opportunities for in-depth review and discussions with the government E&S team. Agreements reached include:

5. The Program continued to progress in its Environmental and Social (E&S) performance under the PforR and the IPF components, although some States are lagging in reporting on their E&S performance. To ensure lagging States keep up with their E&S obligations, the FCSU conducted an E&S spot check on these States during its field mission in October 2023. As of the mid-term review (MTR) in October 2023, four Program Action Plan (PAP) actions have been achieved satisfactorily, while four are moderately achieved out of the eight E&S PAP actions under the Program. The moderately rated PAPs resulted from the inability of some states/delivery platforms to report on their performance on their PAPs. To accelerate E&S performance, the mission advised the FCSU to strengthen E&S monitoring support to the states and delivery platforms as required to ensure full compliance/reporting of their E&S. FCSU is also to ensure states urgently submit their E&S screening report and ESMPs as required. Some progress was also achieved regarding the ESCP actions under the IPF component. As per ESCP provision, the FCSU has developed a revised GM system to be formalized with Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) consideration for adoption by the DPs. Similarly, the SEA/SH action plan under the Program has been updated, and relevant training on the Environment and Social Framework and SEA/SH have been conducted for relevant officers. The SEA/SH training would be scaled down to the state GBV response team at state/DP.

6. The pre-MTR and MTR sessions provided additional opportunities for in-depth review and discussions with the government E&S team. Agreements reached during the discussions include:

- a. The need for a significant increase in the capacity of the E&S team at the FCSU and that continuous capacity building would be required at the state level.
- b. The need for the improvement of E&S audit report. FCSU would share a harmonized Terms of Reference (TOR) for Environmental and Social Audit with the States. In addition, Environmental and Social Audit (ESA) reports should be submitted to the FCSU for quality checks before the verification exercise.
- c. The need to implement recommendations from the Security Management Plans.

D - Rationale and Description of the AF

Rationale



7. Although the Program was designed to respond to the COVID-19 crisis, it has become a major shock-responsive mechanism aimed at restoring the livelihoods and food security of families and farmers and promoting micro and small local enterprises. The AF will enable the GON to address high levels of poverty and vulnerability to multiple shocks among its citizens. The rationale for the parent Program thus remains unchanged. The AF will further support the development of household and community resilience, enhancing adaptive capacities to prepare for, cope with, and reduce vulnerability to shocks. Additionally, the AF will support Nigeria's broader economic reform agenda. Recent macroeconomic and fiscal reforms, such as the removal of gasoline subsidies and unification of foreign exchange regimes, though beneficial in the long term, have imposed short-term costs on citizens. These reforms have exacerbated existing pressures on household budgets, reducing citizens' purchasing power. The AF aims to mitigate these impacts and support the government's efforts to establish a sustainable, shock-responsive social protection system. The AF will be part of a coordinated package of World Bank support, complementing initiatives such as the Reforms for Economic Stabilization to Enable Transformation (RESET) DPO, the NASSP- Scale Up (NASSP-SU) cash transfer operation, and other policy and financing instruments. The AF aims to bolster the sustainability of reforms and reduce the risk of policy reversals. Leveraging the strengths of the parent Program, the AF will empower the government to implement shock-responsive interventions that enhance the resilience of families, farmers, and businesses against future shocks, including those stemming from climate change. The Program will maximize impact by leveraging World Bank support, incentivizing states to allocate more of their own resources towards achieving sustainable outcomes.

8. The AF will help establish and strengthen platforms to manage shocks, leveraging resources from federal and state governments to enhance service delivery for the poor and vulnerable. It will further develop NG-CARES' multi-sectoral approach to resilience-building against climate change and other shocks, enhancing the shock-responsive capacities of existing delivery institutions. Support provided by the AF will enable vulnerable yet viable local businesses to withstand prevailing economic and climate challenges and thrive.

9. Both the parent Program and, consequently, the AF feature several elements that enhance impact and ensure sustainability of state delivery institutions. The Program allows states the autonomy and flexibility to tailor interventions to address their specific needs, accounting for variations in socioeconomic profiles and the diverse nature and impacts of shocks. A robust targeting mechanism in place ensures accurate identification of beneficiaries, minimizing errors of exclusion and inclusion, and ensuring benefits and payments reach the intended recipients. Emphasizing key measurable outcomes, the Program incentivizes the states to achieve these goals and seek reimbursement following independent verification. The Program's multisectoral nature enables states to tackle multiple challenges through a unified program while enhancing local agency capacity. Facilitating a strong partnership between states and the federal government, the Program positions the federal government to coordinate efforts and promote peer learning and healthy competition among states. Ongoing in-depth assessments of the parent Program's implementation further refine the AF's design and effectiveness.



Program Boundary and Result Areas

10. Tackling the increasing poverty levels and worsening food insecurity is a major priority for both federal and state governments. The AF will be anchored on Nigeria Agenda 2050 (NA2050), which builds on previous policies, such as Nigeria Vision 20:2020, Economic Recovery and Growth Plan (ERGP), and Economic Sustainability Plan (ESP). NA2050 provides a roadmap for accelerated, sustained, and broad-based growth while addressing unemployment, poverty, inequality, and human deprivation. The AF will support ongoing policy reforms as part of the World Bank's coordinated support, complementing initiatives like the RESET and the cash transfer operation.

11. The states have a mandate to implement pro-poor interventions and collaborate with the federal government on policy, coordination, and support. Many of the primary and secondary service institutions that implement the NG-CARES are under the purview of the states. Existing state delivery institutions will be leveraged to advance the objectives of the AF, with the federal government providing coordination, supervision, technical and capacity-building support, and ensuring proper FM and reporting. The AF will focus on cushioning the poor against the prevailing economic shocks and climate vulnerabilities by (a) expanding the coverage of social safety net interventions and basic social services; (b) using labor-intensive public works to build and maintain social and agricultural infrastructure, enhance climate resilience, and develop soft and life skills, including digital skills; and (c) stimulating the local economy by supporting agricultural production and financing MSEs to help them retain workers and create job.

12. Four key principles will guide the determination of Program boundaries and the selection of interventions for AF support. These principles will enable state governments to effectively respond to current economic hardships and climate vulnerabilities while ensuring institutional strengthening for sustainability: (i) immediate needs of the poor and vulnerable: The AF will prioritize interventions that address the immediate needs of poor and vulnerable households, especially in the context of ongoing economic hardships driven by macroeconomic reforms and climate change; (ii) use of existing state delivery institutions: the AF will support government interventions that utilize existing state delivery institutions; (iii) demonstrated history of measurable results: the AF will focus on interventions that have a proven track record of achieving measurable results in the three priority areas within a span of 1 to 3 years, which is the duration of the Program; and (iv) strengthening state delivery institutions: Interventions that pass the first three filters will be further assessed for their ability to strengthen state delivery institutions, ensuring long-term delivery of shock-responsive interventions with transparency and accountability.

13. The AF will continue to be supported by an IPF component at the federal level to ensure effective coordination, including policy advocacy, FM, engagement of IVA, monitoring and evaluation, and on-demand technical support to state delivery agencies. Several changes will be made to simplify and streamline the roles and responsibilities of relevant Ministries, Departments, and Agencies (MDAs). Based on lessons learned and changes in government structures, these adjustments may include: (a) policy guidance and overall supervision provided by the Ministry of FMBEP, and (b) establishment of FCAT chaired by the Permanent Secretary of FMBEP, with key directors from the Ministry as members. The FCSU will act as the Secretariat for the FCAT. Technical support activities will be delegated via MOUs to the Federal FADAMA Coordination Unit for RA2, the Bank of Industry (BOI) for RA3 and the NGF secretariat



for its role in the Program. Key activities, roles, and responsibilities of the relevant MDAs and institutional arrangements for the IPF component will be discussed and agreed upon with the government team.

14. The PforR component will continue to be implemented by the states using their existing delivery institutions. The State CARES Coordinating Unit (SCCU) will remain responsible for planning, monitoring, and ancillary services for the Program. Eligibility assessments for states and their delivery institutions, including SCCU and key supporting MDAs, will be conducted periodically to ensure compliance. Assessment criteria will be incorporated into the verification protocol to strengthen and sustain Program results. These criteria will include updates to SSR, E&S safeguards assessments, staffing, capacity building, and timely funding. The interventions supported by the AF in the three RAs are described below:

E - Legislative and Procedural Changes

15. The environmental and social system described in the parent ESSA is still applicable both in terms of laws, regulations, and standards and in terms of procedures and actual implementation of those laws and standards. There have been no changes in terms of legislation or procedures in relation to nature and the type of activities implemented under the parent Program. Besides, the AF activities are not likely to require changes to the borrower's overall environmental and social systems. The implementation of the NG-CARES restructuring is likely to have substantial positive social impacts on the lives and livelihoods of many communities, individuals, and MSME beneficiaries and direct environmental and climate co-benefits (CCB) such as a reduction in carbon emission.

F - Environmental and Social Risks and Impacts of the AF

16. The overall environmental and social risks and impacts of the AF activities and implementation challenges of the ongoing activities have been assessed while preparing this addendum to the parent ESSA. The overall environmental and social risks, like the parent Program were assessed as substantial because of the envisaged environmental and social impacts that could result from the ongoing operations and the AF activities, which will involve the rehabilitation and upgrading of existing infrastructure, as well as the construction of new infrastructure. These activities will result in E&S risk and impacts, although like those of the parent Program. For example, the scaling up of labor-intensive public work (LIPW) in RA1 that women and youths will be engaged in and equally benefit from, and delivery of micro infrastructural projects could lead to air pollution, water pollution, soil contamination, and exposure to community health and safety, hazardous materials from waste disposal, among others. Women and youths involved in LIPW could be exposed to the dangers of these environmental hazards. Also, activities associated with Community and Basic Service Infrastructure intervention which will support micro-infrastructure projects in the poorest LGAs (e.g., basic services in health, education, water, roads, skill centers etc.) will lead to air pollution, ground water pollution, loss of biodiversity, noise, water pollution and waste generation. Also, activities associated with RA2 interventions, especially the provision of labor-intensive and climate-sensitive agricultural infrastructure, which will involve the construction and rehabilitation of agricultural infrastructure such as upgrading of wet markets



(sanitation, waste management etc) facilities and irrigation works, could equally lead to air pollution, noise, waste generation and water pollution. The potential E&S effects associated with the proposed AF activities will be like the E&S effects related to activities in the parent Program, both in nature and scale; thus, the required actions for mitigation are similar.

17. Based on the assessment of the Environmental and Social (E&S) system in place to take care of the E&S issues associated with the Program AF (in line with the six core principles of PforR) and based on the performance in the parent Program, some weaknesses were observed in government E&S system and in the implementation of the Program. There are weaknesses regarding stakeholder engagement, Organizational Health and Safety issues, grievance mechanisms (GM), and a lack of robust environmental assessment processes, especially in the states, among others. Also, as noted earlier, there were delays in the implementation and reporting of the PAP of the parent Program in some states which gives rise to the need for effective monitoring.

G - Recommendations to Strengthen the Environmental and Social System

18. Based on the analysis carried out for this ESSA addendum regarding the six Core principles, the parent Program's PAP needs to be strengthened to ensure that unrealized actions are realized under the AF. Thus, an additional Program Action Plan has been proposed for implementation (see Annex 4).