Document of

The World Bank

FOR OFFICIAL USE ONLY

Report No: 63862-NG

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 126.2 MILLION
(US$200 MILLION EQUIVALENT)

TO

THE FEDERAL REPUBLIC OF NIGERIA

FOR A

STATE EMPLOYMENT AND EXPENDITURE FOR RESULTS PROJECT
(SEEFOR)

FEBRUARY 9, 2012

Public Sector Reform and Capacity Building Unit
Nigeria Country Department
Africa Region

CURRENCY EQUIVALENTS

Exchange Rate Effective October 31, 2011

Currency Unit	=	Nigerian Naira
NGN 0.063	=	US$1
US$1.59	=	SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AEA	Activities Executing Agency
AECFR	Accounting, Expenditure Control and Financial Reporting
AGS	Accountant General of the State
BAGOF	Bayelsa NGO Forum
BATMIS	Budget and Treasury Management Information System
BEITI	Bayelsa Expenditure and Income Transparency Initiative
BIR	Board of Internal Revenue
BPP	Bureau for Public Procurement
CAS	Country Assistance Strategy
CDD	Community Driven Development
CDPs	Community Development Plans
CF	Community Foundation
CFAA	Country Financial Accountability Assessment
CoA	Chart of Accounts
CPAR	Country Procurement Assessment Report
CPS	Country Partnership Strategy
CSDAs	Community and Social Development Agencies
CSDP	Community and Social Development Project
CSOs	Civil Society Organizations
DDR	Demobilization, Disarmament and Rehabilitation
DfID	The Department for International Development of the UK Government
EA	Environmental Assessment
EC	European Commission
ECA	Excess Crude Account
EIAs	Environmental Impact Assessments
EITI	Extractive Industry Transparency Initiative
EMP	Environmental Management Plan
ESMF	Environmental and Social Management Framework
EU	European Union
FCAs	Fadama Community Associations
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FMF	Federal Ministry of Finance
FMR	Financial Monitoring Report
FPDMD	Federal Project Financial Management Division

FUGs	Fadama User Groups
FY	Financial Year
GDP	Gross Domestic Product
HD	Human Development
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICR	Implementation Completion Report
ICT	Information and Communication Technology
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IGR	Internally Generated Revenue
IOCs	International Oil Companies
IPSAS	International Public Sector Accounting Standard
IPMP	Integrated Pest Management Plan
LAMATA	Lagos Metropolitan Transport Authority
LAN	Local Area Network
LEEMP	Local Empowerment and Environmental Management Project
LDPs	Local Development Plans
LGCs	Local Government Councils
LGRCs	Local Government Review Committees
LGA	Local Government Area
LUTP	Lagos Urban Transport Project
MDAs	Ministries, Departments and Agencies
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MoF	Ministry of Finance (at the state level
MNDA	Ministry of Niger Delta Affairs
MTEF	Medium Term Expenditure Framework
MTSS	Medium Term Sector Strategy
MYBF	Multi-year Budget Framework
NABTEB	National Business and Technical Education Board
NCB	National Competitive Bidding
NDCBP	Niger Delta Citizens Budget Platform
NDDC	Niger Delta Development Commission
NEEDS	National Economic Empowerment and Development Strategy
NIP	National Implementation Plan
NPC	National Planning Commission
NPCU	National Project Coordination Unit
OAGF	Office of the Accountant General of the Federation
OAGS	Office of the Accountant General of the State
O&M	Operation and Maintenance
OMPADEC	Oil and Mineral Producing Area Development Commission
OHCS	Office of Head of Civil Service
ORAF	Operational Risk Assessment Framework
OSAG	Office of the State Auditor General

PAC	Public Accounts Committee
PEFA	Public Expenditure and Financial Assessment
PEM	Public Expenditure Management
PETS	Public Expenditure Tracking Survey
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFM	Public Finance Management
PFMU	Project Financial Management Unit
PIM	Project Implementation Manual
PIU	Project Implementing Unit
PMP	Pest Management Plan
PREM	Poverty Reduction and Economic Management
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SAG	State Auditor General
SBD	Standard Bidding Documents
SCoA	Standard Chart of Accounts
SD	Sustainable Development
SEEDS	State Economic Empowerment and Development Strategy
SRFP	Selected Request for Proposal
SFCO	State Fadama Coordination Unit
SGCBP	State Governance and Capacity Building Project
SHoA	State House of Assembly
SIFMIS	State Integrated Financial Management Information System
SIL	Specific Investment Loan
SPCU	State Project Coordination Unit
SPPRA	State Public Procurement Regulatory Agency
SSC	State Steering Committee
STC	State Technical Committee
S& T	Science & Technology
TTL	Task Team Leader
TSA	Treasury Single Account
TVT	Technical and Vocational Training
UBEC	Universal Basic Education Commission
UNDP	United Nations Development Programme
UNCITRAL	United Nations Commission on International Trade Law
VAT	Value Added Tax
VSAT	Very Small Aperture Terminal
WAN	Wide Area Network

Regional Vice President:	Obiageli Kathryn Ezekwesili
Country Director:	Marie Francoise Marie-Nelly
Sector Director:	Marcelo Guigale
Sector Manager:	Anand Rajaram
Task Team Leader:	George Larbi

NIGERIA
State Employment and Expenditures for Results Project

TABLE OF CONTENTS

Page

PAD DATA SHEET

Nigeria

State Employment and Expenditures for Results Project

PROJECT APPRAISAL DOCUMENT

Africa Region

Public Sector Reform and Capacity Building Unit

Basic Information

Date:	February 9, 2012	Sectors:	(a) General Transport; (b) Sub-national level administration; (c) Vocational Training, (d) General Agriculture, fishing and forestry; and (e) Other social services
Country Director:	Marie-Francoise Marie Nelly	Themes:	Improving labor market (30%); Public Expenditure; Financial Management; Procurement (25%); Education for the knowledge Economy (20%); Rural services infrastructure (20%); Tax Policy Administration (5%).
Sector Manager/Director:	Anand Rajaram / Marcelo Guigale	EA Category:	B – Partial Assessment
Project ID:	P121455		
Lending Instrument:	Specific Investment Loan		
Team Leader(s):	George A. Larbi		
Joint IFC:			

Borrower: Federal Republic of Nigeria

Responsible Agency: Federal Ministry of Finance/National Planning Commission, and Governments of Balyesa, Delta, Edo and Rivers states of Nigeria

Contact:	Mr M.A. Alao	Title:	The Director, IER, Federal Ministry Of Finance
Telephone No.:	+234 9 2346291-4, +2346951-4,	Email:	ma_alao@yahoo.com

Project Implementation Period:	Start Date: March 6, 2012	End Date: December 15, 2017
Expected Effectiveness Date:	July 2, 2012	
Expected Closing Date:	December 15, 2017	

Project Financing Data(US$M)

[ ] Loan	[ ] Grant	The credit has a final maturity of 40 years including a grace period of 10 years.
[X] Credit	[ ] Guarantee	

For Loans/Credits/Others

Total Project Cost :	US$200 million[1]	Total Bank Financing :	US$200 million
Total Cofinancing :		Financing Gap :	

Financing Source	0.00 (US$M)
BORROWER/RECIPIENT	
IBRD	
IDA: New	200.00

[1] The Total Project Financing indicated excludes the proposed EU complimentary financing of 80 million Euros in grants to the project and expected to be managed by the World Bank.

IDA: Recommitted	
Others	
Financing Gap	
Total	200.00

Expected Disbursements (in USD Million)

Fiscal Year	FY12	FY13	FY14	FY15	FY16	FY17	FY 18		
Annual	1.3	37.2	50.4	44.3	37.0	20.8	9.0		
Cumulative	1.3	38.5	88.9	133.2	170.2	191.0	200		

Project Development Objective(s)：To enhance opportunities for employment and access to socio-economic services, while improving public expenditure management systems in the participating states.

Components

The project has three components: (A) Youth Employment and Access to Socio-economic Services, (B) Public Financial Management Reforms and (C) Project Coordination and Implementation Support.

Component A will support three main activity areas: (1) Carrying out of small public works and institutional strengthening to generate youth employment in urban areas; (2) Carrying out technical, vocational and agricultural training by providing grants to existing public technical, vocational and agricultural training institutions and capacity building support to State ministries responsible for education and agriculture; and (3) Carrying out of eligible Community Development subprojects by providing grants to: (a) FCAs and (b) CSDAs (or responsible agencies in Delta and Rivers). Component B will support carrying out reforms by the Participating States of their public finance management systems, processes and institutions. Component C is Project Implementation Support and Coordination at both federal and state levels; and support to federal ministry responsible for Niger Delta Affairs in the development of a public investment strategy for the Niger Delta region and strengthening capacity of the ministry in monitoring and evaluation.

Component Name	Cost (USD Millions)
A: Youth Employment and Access to Socio-Economic Services	126.84
B: Public Financial Management Reforms	49.61
C: Project Implementation Support and Coordination	16.00

Compliance

Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]
Does the project require any waivers of Bank policies?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [X]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No [ ]

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04	X	
Forests OP/BP 4.36	X	
Pest Management OP 4.09	X	

Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12	X	
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

Legal Covenants

Name	Recurrent	Due Date	Frequency
(a) The Recipient shall train the staff of the NPCU, and cause the Participating States to train the staff of their respective SPCUs, in financial management procedures, disbursements, procurement tracking and records management, respectively with specifications and in a manner satisfactory to the Association.		Within 3 months of Project effectiveness	
(b) The Recipient shall appoint the independent external auditors to perform audits of the Project at both federal and Participating State level. The independent external auditors shall have qualifications, experience and terms of reference satisfactory to the Association.		Within 3 months of effectiveness	
(c) The Recipient shall establish, and cause the Participating States to establish, a procurement records management system.		Within 3 months of effectiveness	
(d) The Recipient shall recruit and retain, and cause the Participating States identified by the Association to recruit and retain, for a period of not less than six months, procurement consultants acceptable to the Association to establish the procurement units within the SPCUs and train the procurement officers.		Immediately after effectiveness	
(e) The Recipient and each Participating State shall install or cause to be installed a computerized accounting and financial management system satisfactory to the Association.		Within 6 months of effectiveness	
(f) At least one Subsidiary Agreement has been executed on behalf of the Recipient and one Participating State.		Before effectiveness	
(g) The Recipient has prepared, or caused to be prepared and adopted the PIM, in form and substance satisfactory to the Association.		Before effectiveness	
(h) The Recipient has established the NPCU with composition, mandate, staffing, capacity and resources satisfactory to the Association.		Before effectiveness	
(i) No withdrawal shall be made for payments:		By disbursement	

(1) made prior to the date of the Financing Agreement, except that withdrawals up to an aggregate amount not to exceed $20,000,000 equivalent may be made for payments made prior to this date but on or after August 1, 2011, for Eligible Expenditures; and (2) under any Category to be made with respect to any Participating State unless the Association has received: (i) evidence satisfactory to the Association that the Recipient has concluded a Subsidiary Agreement with the concerned Participating State on terms and conditions satisfactory to the Association; (ii) an opinion that the respective Subsidiary Agreement has been duly authorized or ratified by the Recipient and concerned Participating State and is legally binding upon the Recipient and the Participating State in accordance with its terms; and (iii) evidence satisfactory to the Association that the concerned Participating State has established an SPCU with composition, mandate, staffing, capacity and resources satisfactory to the Association.			

Team Composition

Bank Staff

Name	**Title**	**Specialization**	**Unit**	**UPI**
George Addo Larbi	Sr. Public Sector Specialist	Task Team Leader, PFM	AFTPR	311812
Bayo Awosemusi	Lead Procurement Specialist	Procurement Reforms	AFTPC	88676
Foluso Okunmadewa	Lead Social Protection Specialist	CDD/Youth employment	AFTSP	86213
Abimbola Adubi	Sr. Agricultural Specialist	Rural Agric/CDD	AFTARD	240271
Caroline Mary Sage	Sr. Social Development Specialist	Social accountability/social social safeguards	AFTCS	260495
Winston Cole	Sr. Financial Management Specialist	PFM/IFIMIS	AFTFM	327985
Amos Abu	Sr. Environmental Specialist	Environmental safeguards	AFTEN	342505
Olatunde Adekola	Sr. Education Specialist	Technical and Vocational Education	AFTED	206975
Khwima Nthara	Sr. Economist	PEMFARs	AFTP2	266593
Abdul-Nashiru Issahaku	Sr. Public Sector Specialist	PFM	AFTPR	378713
Ikechukwu Nweje	Public Sector Management Specialist	Tax administration	AFTPR	332432
Adebayo Adeniyi	Procurement Specialist	Fiduciary/procurement	AFTPC	368818

Akinrimola Akinyele	Sr. Financial Management Specialist	Financial Management/fiduciary	AFTFM	315195
Nelia Polines Dinkin	Program Assistant	Project support	AFTPR	97179
Luis Schwarz	Sr. Finance Officer	Finance/disbursement	CTRLA	82804
Duncan Kiara	Sr. Counsel	Legal	LEGAF	258974
Ogo-oluwa Oluwatoyin Jagha	M&E Specialist	M&E	AFTDE	314524
Helen Okeke	Team Assistant	Project support	AFCW2	307070

Non Bank Staff

Name	Title	Office Phone	City
Damola Adejumo-Ayibiowu	Consultant, Human Development		Lagos, Nigeria
Dr. Nkechi G. Onyeneho	Consultant, Social Assessment		Nsuka, Nigeria
Eugene Itua	Consultant, Social and Environmental Safeguards instruments		Lagos, Nigeria
Dr. Olutokunmbo Oyesola	Consultant, Community Development		Ibadan, Nigeria
Dr. Ailemen, M. Isunu	Consultant, TVT Study		Ekpoma, Nigeria
ENCON International Limited	Consultants, Public works survey		Lagos, Nigeria

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments

I. STRATEGIC CONTEXT

A. Country Context

1. **Federal political framework with significant autonomy to states:** Nigeria is a federation of 36 states, a Federal Capital Territory and 774 local government councils (LGCs). The constitution assigns significant autonomy to states with exercise of residual powers, while the federal government is assigned the exclusive powers and both exercise the concurrent powers. The federal government on behalf of the states and local governments collects the most important taxes and revenues which are shared regularly among the three tiers of government. Under the current revenue sharing formula, about 54.68%, 24.72% and 20.60% of federation account revenues are allocated to the federal, state and local tiers of government respectively. Sub-national governments (state and local governments) control almost half of the national revenue and are constitutionally responsible for the provision of several social services that impact on poverty directly, such as primary and secondary education, health care services, water and sanitation, rural infrastructure and community services. Thus the quality of their public expenditure at the sub-national level will have significant impact not only on the overall fiscal management and macro-economy of Nigeria, but also on the ability to improve service delivery, create jobs and reduce poverty.

2. **Socio economic situation and poverty:** Nigeria is the most populous country in Africa with a population estimated at 158.3 million (UNDP, 2010), about 39% of which are below the age of 15 years (NBS, 2011). With a Gross Domestic Product (GDP) of US$193 billion (2010) Nigeria is also the second largest economy in Africa and 41st in the world, but with a nominal per capita GDP of $1240 (2010). There is significant level of poverty with about 54.4% of the population living in poverty (less than 1 dollar a day). Two primary products, agriculture and oil, have persistently dominated sectoral contributions to Nigerian GDP and exports. Agriculture which is largely subsistent, accounts for more than 50 per cent of employment while the oil sector accounts for over 95 per cent of foreign exchange earnings and 85 per cent of government revenues, with the most production centered in the Niger Delta region. Given Nigeria's dependence on oil, the economy is highly vulnerable to oil price shocks and interruptions in oil production due to violence in the Niger Delta region.

3. **Economic growth has improved with no significant impact on unemployment.** Despite relatively high and sustained economic growth, especially in the non-oil sector, unemployment in Nigeria has not declined since 1999. Overall unemployment rate is about 21.4% and youth (15-24 years) unemployment is about 25.2% and has been rising (NBS, 2011). There is a slight gender variation in unemployment rate with female unemployment rate at 23.5% and male unemployment rate at 19.6% in 2010 (NBS, 2011). A recent World Bank (2009)[2] study which examined growth and employment during 1999 to 2006 suggests that growth performance have not responded to the employment aspirations of Nigeria's population as a whole, especially the younger generation. The report noted that job creation had not grown in proportion with the labor force even though there were slight improvements in self-employment in agriculture. Strong growth has not led to expansion in employment because agriculture, which remains the main driver of growth in the non-oil sector, is still predominantly subsistence while manufacturing,

[2] Nigeria: Employment and Growth Study. Report No. 51564-.NG, November 2009.

which should gradually displace agriculture, has been relatively stagnant. Consequently, there has been limited value addition and so has the employment effect (ibid.). The service sector which also grew significantly by the average of 9.8% between 2001 and 2007 did not generate sufficient employment as most of the private investment which propelled the growth in the sector was more focused on capital-intensive rather than labour-intensive industries (World Bank, 2009).

4. **Political stability and improved democratic space since 1999 provide opportunities for improving public sector governance**: Nigeria's poor economic situation and poverty has been largely attributed to lack of good governance and management of its huge resources. Several years of military rule had its toll on governance and development in the country, being characterized by flagrant abuse of office, weak accountability and probity, and widespread corruption. Some progress has been made since 1999 in improving public sector governance, but there is still a long way to go. To illustrate, Transparency International's Corruption Perception Index ranks Nigeria 134th among 178 countries with a 2.4 index in 2010. Overall, the quality of public administration may have slightly deteriorated as suggested by the Bertelsmann-transformation index which shows very limited transformation index of 4.92 and even a drop in economic and political transformation between 2008 (66) and 2010 (84). The 2010 Mo Ibrahim Index which measures African countries on a number of governance indicators also ranked Nigeria 37 out of 53 countries.

5. **A major step in fiscal management reform was the introduction of the oil price fiscal rule in 2004 under which the government introduced a system of basing the budget on a conservative reference price for oil and saving the surplus in a special account (the Excess Crude Account, ECA).** Given the volatility in world oil prices, this step successfully de-linked expenditure from oil receipts and avoided massive increases in public expenditures. Alongside the ECA, the Federal Government in 2011 created a Sovereign Wealth Fund (SWF) with an initial deposit of $1 billion. It is expected that the SWF will eventually replace the ECA.

B. Sectoral and Institutional Context

6. **Profile of the Niger Delta Region**: The Niger-Delta region consists of nine states (Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers)[3] and 185 local governments. The estimated regional population is about 30 million people, accounting for about 20% of Nigeria's total population. The Niger Delta is also the location of massive oil deposits[4]. The Nigerian economy largely depends on oil revenue which accounts for more than 85% of the government earnings and constitute 25% of GDP. Table 2 below summarizes the key social indicators of the four states as at 2006 with some updated information on selected indicators.

[3] http://www.mpp9.org – Micro Project Programme in the Nine Niger Delta States; Niger Delta Development Commission

[4] The oil producing states are Abia, Akwa Ibom, Bayelsa, Delta, Imo, Ondo and Rivers.

Table 1: Social indicators of the Participating States

Indicators	Bayelsa	Delta	Rivers	Edo
Population	1,788,957	4,130,761	5,084,192	3,463,629
GDP in million Naira	1,212,867	1,208,594	3,333,508	142,784
Per Capita income in Naira	677,974.38	292,583.94	655,661.25	41,223.90
per capita income in US$	5388.02	2235.23	5210.69	327.62
% youth population (15-29)	28.9	28.5	26.4	25
Population living in poverty (less than 1 dollar a day)	26.29	62.28	43.12	44.31
Net primary school enrolment (NLSS 2009)	67.4	67.7	62.0	70.6
Population using improved water source (%) (NDHS 2008)	27.2	72.7	69	59.3
Unemployment rate (%) (LFS 2009)	38.4	18.4	27.9	12.2
Life expectancy at birth (years)	50	50	45	47
Crude death rate	2.59	0.57	2.34	0.94
HIV prevalence (%) (HSS 2010)	9.1	4.1	6.0	5.3
Adult Literacy (%) (NLSS 2009)	62.2	63.3	81.1	69.5
Incidence of poverty (NLSS 2004)	19.98	45.35	29.09	33.09
Human development index	0.593	0.592	0.633	0.465
inequality (measured by Gini index)	0.4757	0.465	0.4792	0.4585

Sources: UNPD Human Development Report for the Niger Delta, 2006; HSS, 2010; LFS, 2009, NLSS, 2009.

7. **The challenges of human development and conflict:** The region's human development index (HDI) score, remains at a low value of 0.564 (with 1 being the highest score). Even though this figure is above the average for Nigeria, it is far below countries or regions with similar oil and gas resources. In addition, the high earnings of some oil industry workers leads to localized price distortions, driving up prices and so constraining the purchasing power of ordinary people and making it difficult for many to meet the costs of basic needs such as housing, healthcare, transportation and education. Other challenges of the region include serious ecological problems, crumbling social infrastructure and services, health problems caused by relentless gas flaring, persistent unemployment, forced migration and endemic conflict. In spite of recent progress and improvements in infrastructure, several years of cumulative neglect has diminished the potential impact of these interventions and undermined people's access to basic services such as electricity, safe drinking water, roads and health facilities. The current administrations in most of the states have initiated developments to address some of the challenges, but sustained effort and support from development partners will be required to realize visible gains from the recent initiatives to improve human development in the region.

8. **Youth unemployment is a major development challenge with implications for conflict in the Niger Delta:** The oil producing states of the Niger Delta Region have some of the highest levels of youth unemployment in Nigeria (e.g. about 38.4% in Bayelsa and 27.9% in Rivers) compared to the national average of 21.1%. Like other parts of the world, youth unemployment in the Niger Delta is driven by demographic, educational and economic factors. Two-thirds of the population of the Niger Delta is below 30 the age of 30. With pervasive poverty and

unemployment in the region, many youths are susceptible to being recruited into militant groups and criminal activities such as armed robbery, oil bunkering, prostitution and hostage taking for ransom. The persistent tension in the region further encouraged more youths to prefer quick gains from crime and conflict over longer term and frequently unavailable returns to investments in education and training. Youth restiveness and persistent conflict in the Niger Delta hurt both the national economy and the local people. At the height of the, the volume of oil production and export fell from over 2 million barrels to about 700,000 barrels a day with significant losses in foreign exchange earnings.

9. The above background notwithstanding, and with the declaration of amnesty for the militants in 2007 and the return to relative peace, some states have initiated job creation and training schemes, including the 'Quick Win' Initiative in Bayelsa and the 'Rapid Response' initiative in Edo state, all of which have job creation as one of the key objectives.

10. Recent reviews of the state of public financial management (PFM) systems in the selected states suggest that PFM systems are weak, though this varies across states in some respects.[5] These weaknesses undermine the three levels of budgetary outcomes: (i) aggregate fiscal discipline (i.e. effective controls of the budget totals and management of fiscal risks); (ii) strategic allocation of resources in line with government priorities; and (iii) efficient service delivery through the management of budgeted resources. A major PFM challenge relates to the credibility of the budget in states. All four states are characterized by significant levels of expenditure deviations from the budget over key MDG areas such as health and education, averaging 92 percent in Bayelsa state. In Edo, on average, aggregate primary spending deviated from the original budget by an average of 23.9 percent over three years. In the case of Delta, actual expenditure deviated from budgeted expenditure in each year by an amount equivalent to more than the benchmark of 15% of budgeted expenditure during 2007-2009. In Bayelsa, while annual financial statements are submitted for audit within six months of the year, the audit reports take more than six months from receipt of the statements to be submitted to the state Legislature for which there is no evidence of public hearings or recommendations for executive action. In Rivers and Delta states there are sector strategies but there is no multi-year costing in the context of a comprehensive MTEF.

11. **To address these PFM challenges, the selected states have committed to reforms:** The above shows that the selected states have major PFM challenges, but in recent years some of the states have undertaken some PFM reform measures, which are yielding some results. Balyesa and Edo states have launched Public Finance Management Reform Action Plans based on completed Public Financial Management and Financial Accountability Review (PEMFAR) studies supported by the Bank. Balyesa and Rivers states have passed both the Fiscal Responsibility and Procurement laws. Bayelsa state is also developing a new chart of account to be used for the 2011 budget. Delta State has as well, put in place and successfully piloted an IFMIS and the state has also enacted a Fiscal Responsibility (2008) and Procurement (2009) Laws. Delta state has also done some work on MTEF, although the state has yet to adopt a comprehensive reform agenda based on the recommendations of the PEMFAR report (2010). Rivers State has made significant progress on tax reforms, including e-payments and also passed

[5] Refer to the PEMFAR reports for Bayelsa (2009), Rivers (2010), Edo (2010) and Delta (2010).

the Finance Control and Management Act. The effort and progress in PFM in these states, while not uniform, all require further technical assistance to maintain momentum, improve quality and enhance effectiveness and improve accountability.

12. **Complex political economy with multiplicity of stakeholders and actors:** The Niger Delta has a complex set of stakeholders and actors who often have conflicting interests. The key stakeholders include the international oil companies (IOCs), the Federal Government and its agencies, the state and local governments, civil society organizations, the host communities and their leaders, youth groups and oil companies and militant groups fighting for the 'rights' of communities. The nature of relationships between oil producing communities on the one hand, and oil companies and the federal government on the other, is defined by what benefits such communities derive from oil resources and who gets what in the communities. This has been a major source of tension and conflict as different groups emerged to claim rights to resources.[6] The perception of loss of benefits from oil resources and systems of patronage between different stakeholders underline most of the conflict and create incentives for sustaining it.

13. In recent years there has been the increasing attention of civil society organizations to state and local government public finances and service delivery performance. An example of this is the Niger Delta Citizens Budget Platform (NDCBP) which has in the last three years worked with other civil society organizations, the media and communities in carrying out budget advocacy, including budget monitoring and analysis with primary emphasis on the core Niger Delta states of Akwa Ibom, Bayelsa, Delta and Rivers. The Bayelsa NGO Forum (BANGOF) has also been actively supporting a commitment by Bayelsa State to establish the Bayelsa multi-stakeholder Expenditure and Income Transparency Initiative (BEITI), linked to the national EITI, and with support from NDCBP and Revenue Watch International. Progress and results achieved by these initiatives have been mixed, with no specific responses and commitment generated from the authorities in terms of reducing corruption in the region.

14. The interest of the international oil companies (IOC) in the region is mainly financial, with a limited level of corporate social responsibility. Environmental degradation caused by the oil industry had often led to conflicts between the IOCs and communities, while there is intra-group competition over who gets contracts to protect oil pipe lines. Armed groups or militants have also been demanding greater control of resources in the region and occasionally engage in disruption of oil facilities and the kidnapping of oil workers for ransom. There is also a criminal element that capitalizes on the situation to undertake oil theft or "oil bunkering" which has created an illegal and informal oil economy with a lot of vested interests. This variety of stakeholders and their interests have given rise to a complicated political economy that sustains deep-seated and powerful interests in the region, but creates an environment where no one is held accountable for the failure of development initiatives in the region.

15. The declaration of amnesty and post-amnesty program provides the space for inclusive development focused on youth employment, access to services by rural communities and strengthening public finance management systems to deliver results. Many key actors involved in youth militancy in the Niger Delta Region surrendered their weapons and there has been a gradual restoration of peace in the region. The relative but fragile peace, following the amnesty,

[6] A Political Economy Study of the Niger Delta: Bayelsa, Edo, Delta and Rivers States (Draft Report, 2011)

provides a window of opportunity to address some of the development challenges including crafting programs that would address the perennial problem of youth unemployment by job creation, improving access to basic services, especially in communities, and strengthening public expenditure management systems to deliver results.

C. Higher Level Objectives to which the Project Contributes

16. **The project is fully consistent with the objectives of the Country Partnership Strategy (CPS) and aligned with Regional strategic and government priorities.** In particular, the operation supports the 'Africa Future and the World Bank Support to It", which emphasizes employment as one of the key priorities and makes governance and public sector capacity the foundation of the strategy. The project also supports the three main pillars and key objectives of the Nigeria Country Partnership Strategy (2010-2013): governance, maintaining non-oil growth and promoting human development. The project is aligned with the aspirations of the Government of Nigeria's Vision 20:2020, the Seven Point Agenda with the focus on the Niger Delta Region, and the Transformation Agenda of the new administration launched in 2011, which focuses, inter alia, on job creation and infrastructure.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

17. The project development objective (PDO) is to enhance opportunities for employment and access to socio-economic services, while improving the public expenditure management systems in the participating states.

Project Beneficiaries

18. The main beneficiaries of the project are the four state governments with selected ministries, departments and agencies and communities in Balyesa, Edo, Delta and Rivers states. Specifically the direct beneficiaries of Component A – Youth Employment and Access to Socio-Economic services – are mainly youths who are unemployed and/or seeking to be trained in vocational and technical courses in order to find jobs or set up on their own, the technical and vocational training institutions themselves and the state ministries of education and agriculture. In addition, the state agencies responsible for public works and waste management will be provided with technical assistance for their oversight function on the sub-component for youth employment. The beneficiaries of the CDD sub-component are community groups and associations in the four participating states, including farmers, women groups and youths in the rural areas. The PFM component will provide technical assistance to support reforms and capacity building in MDAs that deal with state public finance. These will include offices and staff of Ministries of Budget and/or Economic Planning, Finance, Due Process/Public Procurement, Board of Internal Revenue and State Houses of Assembly.

PDO Level Results Indicators

19. Achievement of the PDO will be measured by the following key performance indicators:

(a) Number of people employed[7] under SEEFOR youth employment program in participating states (disaggregated by self-employed, formal employment, and gender);
(b) Number of people with access to services supported in targeted communities (disaggregated by specific services: water points, classrooms, electricity connections, improve sanitation facilities, etc.);
(c) Percentage deviation of actual aggregate expenditure from budgeted expenditure in the participating states; and
(d) Percentage of public contracts above threshold awarded through competitive process in each participating state.

III. PROJECT DESCRIPTION

A. Project Components

20. The project has three components: Component A will support three main activities: (1) Carrying out of small public works and institutional strengthening to generate youth employment in urban areas; (2) Carrying out technical, vocational and agricultural training by providing grants to TVT and agricultural training institutions and (b) State ministries responsible for education and agriculture; and (3) Carrying out of eligible Community Development subprojects by providing grants to (a) FCAs and (b) CSDAs. Component B will support reforms by the participating states of their public finance management systems, processes and institutions. Component C is Project Implementation Support and Coordination, including providing logistical and technical support to NPCU and SPCUs, and support the federal ministry responsible for Niger Delta Affairs. The summary of project description is provided below and details are in Annex 2.

Component A: Youth Employment and Access to Socio-Economic Services (Estimated cost: US$126.84 million)

21. As noted above, youth unemployment and lack of access to services are major challenges in the Niger Delta which feeds into the militancy and violence in the region. The objective of this component is to provide support to activities that promote employment and access to socio-economic services in the participating states. The component is based on the experiences and approaches that have been tested in other Bank-funded projects in Nigeria, including FADAMA and Community Social Development Project (CSDP), Lagos Urban Transport and LAMATA and Lagos EKO Project. Component A will support three main activity areas:

(a) Youth employment through small public works contracts and institutional strengthening
(b) Grants to public technical, vocational and agricultural training institutions
(c) Grants for community driven development initiatives

[7] Employment is defined as the total number of man-hours of labor dispensed by those directly employed under the SEEFOR youth employment program.

22. A mechanism for citizen participation, monitoring and feedback in the allocation and implementation of grants will be established to ensure transparency, community involvement and oversight of activities. The mechanism for doing this will be provided in the Project Implementation Manual (PIM), which will adapt relevant aspects of the Lagos EKO project manual.

A.1. Youth Employment through small public works contracts and institutional strengthening (US$71.73 million)

23. This sub-component will (1) Carry out public works and institutional strengthening to generate employment for the youth, including labour intensive small public works such as: (a) road and drainage maintenance, maintenance of public spaces, (b) collection, disposal and sorting of refuse. Small contracts will be competitively awarded to private contractors who will be required to employ youths from the state; and (c) study visits to similar youth employment schemes by selected Youth Employment Technical MDAs and Committee members.

Key results will include: (i) number of people directly employed under SEEFOR public works.

A.2. Grants to technical, vocational and agricultural training institutions (US$34.38 million)

24. This will provide grants to: (a) existing public technical, vocational and selected agricultural training for, inter alia, (i) acquisition of instructional materials and other learning inputs, (ii) selective rehabilitation and furnishing of selected TVT and agricultural training institutions, (iii) starter packs for graduates of TVT and agricultural training institutions; (iv) technical education fairs, competitions and prizes, (v) developing strategies for skill development programs and information and communication technology for learning and teaching, (vi) training of trainers and remedial courses for teachers, (vii) partnership with private sector for job placement and industrial attachment; (viii) entrepreneurships development programs and training for graduates of TVT and agricultural institutions; and (b) State ministries responsible for education and agriculture for, inter alia, strengthening their capacity for management and supervision of TVT and agricultural training institutions, including reviewing and monitoring grants to institutions; development and use of education management information system; planning and strategy development for TVT and agricultural education policy for the state; study visits for TVTs and agricultural training institutions.

Key results will include: (i) improved quality of skills acquired by graduates; and (ii) increase number of courses achieving national accreditation in the participating states.

A.3. Grants for Community Driven Development (CDD) initiatives (US$20.73 million)

25. The four states already have CDD type projects either in the form of CSDP and/or Fadama III. This sub-component will therefore work with existing institutional arrangements at the state level to carry out eligible Community Development subprojects by providing grants to: (a) FCAs and (b) CSDAs, for, inter alia: rehabilitation and construction of feeder roads, primary schools, health centres, water points; and small socio-economic infrastructure for community use such as rural markets, storage and small scale irrigation and drainage systems. In the case of Delta and Rivers where there is no CSDP, the relevant government ministry/agency responsible

for community development, and agreed with IDA, will be used to oversee implementation with capacity development support provided by the project. Details of activities to be implemented in all the sub-components are in Annex 2 and will be further elaborated in the PIM.

Key results will include: (i) increase in the number of people with access to services supported in targeted communities; (ii) increase in number of people employed in selected communities; and (iii) increase in the income of rural farmers supported by SEEFOR project.

Component B: Public Financial Management Reforms (Estimated cost: US$49.61 million)

26. SEEFOR project will support a menu of PFM reform activities to be implemented by states based on their PFM reform action plans. Thus not all PFM activities will be implemented in all states. The menu of activities is elaborated in Annex 2 and will include:

(a) review of existing financial management legislation and regulations, drafting of new legislation and regulations where necessary, and organization of sensitization seminars on public finance reforms;
(b) strengthening budget execution, institution of multi-year budget frameworks, and institutions for budgeting in the public service;
(c) review and modernization of the accounting and financial reporting system and revenue and expenditure forecasting;
(d) review and restructuring of the office of the state auditor-general, consolidation of the state external audit function and capacity building for members of the public accounts committee of the state legislature;
(e) review and strengthening systems of control and functionality in public financial management with support to integrated financial management information systems (IFMIS) in states that are assessed to be capable of implementing IFMIS.
(f) review and strengthening of public procurement processes, practices and institutions and engagement with civil society; and
(g) strengthening of state tax administration in selected states.

27. The component will also support the development of social accountability mechanisms in key areas such as planning, budgeting and public procurement and will involve the public in the oversight for use of public resources. Specific activities will vary from state to state, however, a common commitment will be made to provide public access to basic fiscal information.

28. Key results will include: (i) percentage deviation of actual aggregate public expenditure from budgeted expenditure in the participating states; (ii) increase in the percentage of public contracts above threshold awarded through competitive process; (iii) increase in internally generated revenue in selected participating states.

29. It is important to clarify that there is no direct causal linkage between components A and B of the project. In the context of the amnesty program, there is need to demonstrate some short-term results, hence the youth employment and community driven development sub-components. PFM challenges will take time to address and may not immediately and directly translate into improved access to services in the short term. However, addressing budget execution and expenditure management will provide the foundation for better allocation of resources for

priority service delivery and infrastructure areas in the medium to long term. As noted above, the states have on their own initiated and provided resources for a number of PFM and youth employment programs, which provide the basis for achieving sustainability of the activities supported by the SEEFOR project.

Component C: Project Implementation Support and Coordination (US$16 million[8]):

30. **C.1 Federal Level Project Coordination (US$5.3 million).** This sub-component will provide technical and logistical support required for the coordination of the project at the federal level. These will include training staff of the National Project Coordination Unit (NPCU) and SPCUs on procurement, financial management, monitoring and evaluation activities; external auditing of project implementation, carrying out selected number of priority and relevant cross-state studies, including impact evaluation on employment, to be agreed with IDA during project implementation of SEEFOR project. The NPCU will also establish facilities to enable public access to information about the project (e.g. project website). This sub-component will also provide capacity and logistic support to the Federal Ministry of Finance in its oversight role in IDA portfolio and monitoring of the project, including participation in SEEFOR implementation support missions.US$1 million over 5 years is allocated to the Federal Ministry of Finance for this role and activities under SEEFOR.

31. **C.2 Project Management and Coordination at State Level (US$8.6 million).** This sub-component will provide technical and logistical support required for the management, coordination and supervision of the execution of the project at the state level. This will include training of staff of SPCUs on procurement, financial management, M&E, environmental and social safeguards); monitoring and evaluation of project implementation, social and environmental safeguards, public access to information and complaint handling mechanisms and mid-term reviews.

32. **C.3 Support to the Ministry of Niger Delta Affairs (US$2.1 million).** The MNDA was created to play a coordinating role for federal government programs in the Niger Delta region. During project preparation specific request was made to support the MNDA in two areas: (i) development of a public investment strategy for the Niger Delta Region and (ii) strengthening the capacity of MNDA in monitoring and evaluation, including training of the staff. SEEFOR will support the MNDA in design and implementation of these two activities. It is expected that the MNDA will coordinate with other agencies such as the NDDC to build synergy and avoid duplication, especially on public investment. Annex 2 provides further details on component C.

B. Project Financing

Lending Instrument

33. The lending instrument is Specific Investment Loan (SIL) with a project life of five years. The credit will be on standard IDA terms with a repayable period of 40 years with a 10-year grace period. The EU is expected to provide a complementary grant of about eighty million (80) Euros (about $110m) which will be used to scale up activities in the SEEFOR project, but

[8] This amount includes $2.02m TA support to the Ministry of the Niger Delta Affairs

will not change the overall objective of the project. Once the EU funds are confirmed and available, the additional funds will be processed consistent with Bank policies and procedures, and the financing plan and the results framework will be adjusted accordingly. The EU funds are expected to be administered by the World Bank under an administrative agreement. In addition to the IDA credit, the participating states have agreed to contribute NGN100-150 million (about US$660,000 to US$1 million) annually to complement SEEFOR funding; this will be used to finance some project management activities not eligible for IDA funding (staff allowances) and activities agreed in annual work plans.

Table 2: Project Cost and Financing

Components	1. Bayelsa	2. Edo	3. Rivers	4. Delta	Grand Total
A. Employment & Access to Services	25.89	30.00	43.99	26.96	126.84
B. Public Financial Management Reforms	9.95	13.50	15.44	10.72	49.61
C.1 Coordination at the Federal level	-	-	-	-	5.309
C.2 Coordination at State level	2.1	2.2	2.2	2.1	8.60
C.3 Support to Ministry of Niger Delta	-	-	-	-	2.10
Total Base Cost	37.94	45.70	61.63	39.78	192.45
Physical/Price Contingency/Unallocated					7.55
Total Financing Required (IDA)	37.74	45.02	61.63	39.78	200.010

Table 3: Expenditure Categories

Expenditure Categories	Local	Foreign	Grand Total
1. Works	66.07	-	66.07
2. Goods, equip. & vehicles	12.73	6.98	19.71
3. Consultant Services	14.71	7.62	22.33
4. Training	14.33	2.54	16.87
5. Operating Costs	12.36	-	12.36
7. Grants	55.11	-	55.11
Total Base Cost	175.31	17.14	192.45
Contingencies	6.00	1.55	7.55
Total Financing Required	181.31	18.69	200.00

[9] This amount includes $1million for the Federal Ministry of Finance in its oversight function of Bank portfolio, including SEEFOR project.

[10] The Financing Plan is based on IDA $200m credit. The European Union has pledged about 80 million Euros in grants to complement the IDA credit. The Financing Plan will be revised when the EU funds are made available.

Lessons Learned and Reflected in the Project Design

34. **Robust institutional arrangements for coordination:** One of the critical lessons for the success of multi-state and multi-sector projects in Nigeria is the need to set up robust institutional arrangements for coordinated design and implementation. SEEFOR has been designed to address this challenge by setting up institutional arrangements for coordination at both federal and state levels, with the federal level (National Planning Commission) providing macro level and inter-state coordination and support, while each state has its own coordinating unit to provide inter-agency coordination and support for implementation.

35. **Key to a successful project design is an approach which is flexible and responsive** i.e. addresses core needs of stakeholders, ability to adjust activities and targets and consistent with development plans of the states, and participatory. Building on successful projects in Nigeria, including LUTP, FADAMA, CSDP and SGCBP, the SEEFOR project is designed to respond to both the short term needs and medium term needs of the participating states. The approach to design has been participatory and inclusive, involving key stakeholders from government and non-government sides.

36. **Strengthening demand side governance is critical for accountability and sustainability:** Based on experience gained in the implementation of other projects, including SGCBP I, absence of Civil Society Organizations (CSOs) may have weakened demand side governance. The success of flagship projects in the Nigerian portfolio, including FADAMA and other CDD projects, underscores the importance of working with communities and civil society groups in project design and implementation. SEEFOR project will also leverage on a parallel support for demand side governance in each state funded under the Governance Partnership Facility and bilateral donor sources.

37. On the supply side, the Project acknowledges the erosion of the training capacity and training orientation within the participating states' civil services over the years. Building on recent efforts, the Project (i) stresses the need for a well thought through training policy as a condition for effective skills development; (ii) includes training of trainers in areas where training capacity is limited such as in procurement, public sector budgeting and accounting/expenditure management; (iii) focuses on training locally which is more cost effective than training abroad; and (iv) seeks to support the rehabilitation of training institutions and development of curricula in key PFM areas in the participating states for sustainability.

38. **Involvement of Local Government**: A review of the Nigeria country portfolio by IEG noted that local government was a missing link between state level projects and Community Driven Development (CDD) projects. While the full inclusion of local government is not feasible given the large number of local governments,[11,] SEEFOR will include support to pilot local governments in capacity building activities under PFM, including procurement and expenditure reporting, while the CDD component will also provide support to local governments to enhance their capacity to support communities.

[11] There are 774 local governments in Nigeria; the number of local government areas in each the SEEFOR participating states range from 8 in Balyesa to 25 in Delta state

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

39. **Federal level coordination and implementation support**: SEEFOR is a multi-state project and, as it is the case in such projects in Nigeria, there will be a National Project Coordinating Unit (NPCU) at the Federal level to be located at the National Planning Commission (NPC). The NPCU shall: (i) coordinate the project at the federal level; (ii) provide implementation support and organize annual and mid-term reviews; (iii) coordinate, consolidate, and disseminate information from the participating states, as well as facilitate knowledge and experience sharing among the participating states, (iv) arrange for annual external audit of project finances, (v) undertake cross-state studies on selected social and economic aspects of the Project in consultation with IDA and the Participating States, including impact of SEEFOR on employment; (vi) provide quality assurance of M&E reports submitted by the states and their consolidation at the federal level before submission to IDA within the stipulated period; (vii) provide regular public updates on progress, M&E results, (viii) ensure that public grievances or complaints are responded to by the appropriate authorities; and (ix) coordinate IDA and EU support to the SEEFOR project. For effective project management, the NPCU will be headed by a National Project Coordinator who will be of a rank of a Director in the civil service. For effective day-to-day management of the project, the NPCU will competitively select a full time Project Officer with adequate experience in project management and exposure to World Bank - funded projects. If the Project Officer is a civil servant and paid from project funds, he will have to take leave of the absence from the public service for the period of appointment. The NPCU will also have an experienced and qualified procurement officer, internal auditor, accountant and M&E officer. The Federal Project Financial Management Division (FPFMD) located in the office of the Accountant General of the Federation is responsible for financial management for all Bank-funded projects implemented at the federal level and will assign relevantly qualified accountant and internal auditor to the NPCU. The NPCU will maintain adequate FM and procurement arrangements to support the deployment of project resources at the federal level in an economic, efficient and effective manner to achieve the stated development objectives. This sub-component will also provide capacity and logistic support to the Federal Ministry of Finance in its oversight role in Bank portfolio and monitoring projects, including participation in SEEFOR implementation support missions. See Annex 3 for further details.

40. **Arrangements for Project Coordination and Implementation at the state level**: Each state will have the primary responsibility for the implementation of the project in the state. The Ministry responsible for Budget and/or Economic Planning and/or Finance will be the parent ministry with the overall responsibility for supervision of the project activities within its jurisdiction and will be accountable to the State Steering Committee of the Project. The responsible ministry in each participating state will establish the State Project Coordinating Unit as its main operational unit to manage and coordinate the project.

41. Detailed implementation arrangements will be spelt out in the Project Implementation Manual and in Annex 3 of this PAD but are summarized here. To guide, support and oversee the implementation of activities in Activity Executing Agencies (AEAs), each participating state will set up institutional arrangements are follows:

(a) Establish a *State Steering Committee* (SSC) as the highest decision making body for the project in the state and will consist of relevant political heads/ Commissioners of the respective AEAs and chaired by the Governor or his designated representative.

(b) *State Technical Committee (STC)* made of project sub-component focal officers who will be responsible for providing technical guidance, coordination of implementation of project activities within their respective AEAs, quality assurance and monitoring progress on project implementation in their respective AEAs. The various sub-committees of the STC are provided in Annex 3.

(c) *State Project Coordination Unit (SPCU):* The SPCU will be responsible for the day-to-day project management and monitoring in the state and will be the operational unit within the ministry responsible for the project in the state. The SPCU shall: (a) report to and act as the secretariat for the SSC; (b) have responsibility for the implementation of the respective parts of the Project in the relevant Participating State; (c) provide technical support to the relevant Participating State with respect to relevant Project activities such as procurement, contract management, social and environmental safeguards, and monitoring and evaluation; (d) prepare annual work plans, budgets and procurement plans for the respective parts of the Project in the relevant Participating State for approval by the SSC; (e) prepare progress reports for the SSC, IDA and the NPCU; and (f) ensure that the Association's policies, procedures and guidelines are followed (see Annex 3 for details). The SPCU shall be headed by a full time Project Coordinator (PC) with the rank of a Director in the Civil Service or equivalent. The selection of the PC will be guided by the Bank's Guidelines on Selection and Employment of Consultants, January 2011 edition, with particular attention to the employment of government officials and civil servants. The SPCU will have staffing in adequate numbers and with qualifications acceptable to IDA and shall include staff with expertise and training in project management, procurement, accounting, internal audit, M&E, environmental and social safeguards. Project Accountants and Internal Auditors will be staff of the Offices of the State Accountant General and would work under the existing PFMU arrangements in each state. See Annex 3 for details SPCU and implementation arrangements for project sub-components.

42. A generic presentation of the implementation arrangement is indicated in Table A3.1 in Annex 3.

Financial Management Arrangements

43**.** FM functions for the project will be provided by the FPFMD and PFMUs for the federal and state level activities respectively. IDA will disburse the credit through designated accounts consisting of: (a) one designated account (DA) for the NPCU managed by FPFMD and (b) one DA for each SPCU to be managed by the PFMU. The project accountants will produce relevant reports on a timely basis. As part of its coordinating function the NPCU will be expected to consolidate semester IFRs received from the various SPCUs and forward to the Bank and National Planning Commission. An independent external auditor will be appointed by the NPCU to perform an audit of the entire project and certify the consolidated financial statements for the project. A copy of the Annual Audit report of the project will be sent to the Federal Ministry of Finance/IER and IDA.

Procurement Arrangements

44. At the Federal level, Procurement functions for the federal NPCU component will be managed by the NPCU located at the National Planning Commission as detailed in Annex 3. Due to lack of procurement capacity at the National Planning Commission, a procurement consultant will be engaged to assist the NPCU in its day-to-day procurement functions and provide hands-on training to an in-house procurement officer for a period of up to 12 months, in the first instance. At the State level the procurement function will be implemented by the SPCU, as described in Annex 3. For each State, a procurement officer will be employed to provide the necessary procurement expertise and function in the SPCU. At the CDD level, the communities will be responsible for implementing activities using existing CDD institutional and administrative structures in the state. The four states already have CDD type projects either in the form of CSDP or Fadama III. The CDD sub-component will therefore use existing institutional agencies for Fadama III and CSDP to oversee implementation of the procurement functions in each state. Bayelsa and Edo will use the existing CSDP and Fadama III arrangements and the other two states will use Fadama III agencies and other agencies assessed to be capable of implementing CDD social activities (e.g. the Rivers State Ministry of Chieftaincy Affairs and Community Development). The CSDA and LGRC are established by law and will continue to exist and implement CDD micro-projects after Fadama III and CSDP close. In the case of Delta and Rivers State, the project will support capacity building in the relevant MDA for implementation of the CDD-social activities. For clarity, the proposed EU complementary financing will use procurement and financial management guidelines applicable to the IDA credit. It is noted here that individual AEAs will be not be handling their own procurement of services, goods and works. Procurement will be the responsibility of the SPCU, but AEAs will make inputs in defining technical specifications and also participate in technical evaluations for their respective sub-component activities.

B. Results Monitoring and Evaluation

45. **M&E Capacity**: Technical and human capacity for monitoring and evaluation tasks are weak in the states. Prior to effectiveness, a rapid readiness assessment will be conducted which will inform the design of an M&E system development plan. The project will allocate resources for setting up project M&E system and train project staff and implementing agencies on data collection. Each state has appointed an M&E officer who will be responsible for coordinating data collection and analysis for reporting to IDA and the NPCU. The M&E officers will be supported to further build their capacity and to develop an M&E manual that will include tools for data collection, analysis and reporting at the required levels.

46. **Additional costs to support M&E**: Adequate provision has been made in the project budget for the SPCUs to support M&E, including setting up project M&E system, data collection, training of M&E officers and assessing the results of implementing agencies.

47. **Data source**: For the youth employment, TVT and CDD sub-components the main sources of data will be quarterly progress reports by the project and implementing agencies. For

the PFM component the data for the outcome and results indicators will come from annual financial and audited financial reports of the state accountant-general and auditor-generals, the budget statement and budget execution/performance reports, as well as the annual reports of implementing agencies and project monitoring reports. A PEMFAR has been undertaken in each of the participating states and provides baseline information for the PFM results indicators.

48. **Usage of data:** The M&E data will be used to assess progress towards the achievement of the PDO and component outcomes during implementation. This will provide useful information for decision making, resource mobilization, accountability and planning to federal and state governments and other stakeholders of the performance of the SEEFOR project. The M&E information for components will also help the task team and the state implementing agencies to determine the need for program adjustments and to improve technical support strategies where necessary. A mechanism for third party monitoring will also be developed during implementation to monitor progress and validate the outcomes.

49. Th**e** Results Monitoring Framework in Annex 1 provides more details on the PDO outcomes indicators and intermediate outcome indicators as well as the data source, responsibility for data collection and how data will be used.

C. Sustainability

50. **Interests and commitment shown provides basis for sustainability:** Following the amnesty granted to militants in 2009, the Bank started a dialogue with the four states leading to stronger engagement through the conduct of state-level public expenditure and financial accountability reviews (PEMFARs) which formed the basis for well articulated and agreed set of public financial management reform (PFM) action plans in all the four states. Therefore, an early commitment to SEEFOR by the states through the willingness to engage the Bank on PEMFAR assessments is secured and provides a sound platform for working towards sustainability of the reforms as well as activities supported by the project. States like Edo and Balyesa have also committed resources to youth employment schemes and community development. In addition each state has committed to making a contribution of 100-150 million Naira (about $US650,000 to US$1 million) a year towards SEEFOR project and this amount would be reflected in the annual budget of the states from 2012.

51. The project design aims at achieving sustainability of the activities supported and outcomes expected as shown in the commitment of the respective state governments which is demonstrated as follows:

(a) The project components are based on key priorities of the respective state governments and other development strategies of the different states. For example, the Youth Employment component will support and substantially complement the youth employment schemes of the states governments and the recently announced Federal Government job creation program through direct labour. The PFM component is largely derived from the Reform Action Plans of states based on the PEMFAR carried out in each state.

(b) It is worth noting that participating state governments formally requested for Bank support from the highest level, and much of the preparatory work has been carried out by agencies and officials of the state governments.

(c) There is a high interest and priority given to the Niger Delta region in general and the post-amnesty program in particular by both federal and state governments, as well as a number of development partners and agencies (e.g. DFID, EU and UN). This will remain the case given the importance of the Niger Delta region to the Nigerian economy.

52. In spite of the above, one sustainability issue that remains is whether the States will maintain a strong political commitment for reforms and commit resources to sustain project achievements after the project closes, especially since the project may span two electoral cycles. A mitigating factor is that the governors in the participating states have been re-elected for a second term of four years. Also the involvement of communities and CSOs will help to sustain broader interest beyond politicians.

V. KEY RISKS AND MITIGATION MEASURES

A. Table 3: Risk Ratings Summary Table

	Rating
Stakeholder Risk: Some donors (EU and DFID) have shown interests with EU expected to provide about 80 million Euros. States shown commitment to project.	L
Implementing Agency Risk**:**	H
Capacity: Capacity constraints in implementing agencies across states and within states. Some Project officers relatively new and unfamiliar with Bank fiduciary requirements. Elections in some states could slow down project activities.	S
Governance: Ownership and commitment is relatively strong, especially at the state level and evolving at the federal level. PFM accountability systems are weak.	H
Project Risk	S
- Design: multi-sector project with several implementing agencies; weak M&E capacity.	S
- Social and Environmental: Category B project with potential environmental and social impacts expected to be minor	L
- Program and Donor: Project consistent with joint World Bank and other donors CPS (2010-2013). EU and DFID shown interest and support.	L
- Delivery Monitoring and Sustainability: M &E capacity is weak. Weak maintenance culture poses risks to sustainability of assets created by SEEFOR.	S
- Other: Security in the Niger Delta remains volatile with sporadic violence.	H
- Other (Optional)	
Overall Implementation Risk	H

B. Overall Risk Rating Explanation

53. SEEFOR project is a high risk but high reward project. The overall risk rating for the project is high at this stage (see ORAF in Annex 4). Apart from the unfamiliarity of the implementing agencies with the World Bank fiduciary requirements and low capacity to manage projects, the Niger Delta remains volatile despite the amnesty. The political/governance and corruption risks are high. The slow pace of the amnesty program has generated some tension. However, the Niger Delta is one of the three top priorities of the current administration and it is mobilizing resources to support the post-amnesty program.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analyses

54. Expected benefits of operations of this kind in terms of fiscal savings, effectiveness and efficiency will only fully materialize in the medium to long term and cannot be attributed to a single action, but a combination of reforms. However, the positive contribution the project will have on state finances, youth employment and general economic conditions will include the following:

55. There is tremendous potential economic benefit to be harnessed stemming from opportunities for youth employment and community development, while also enabling a secure local investment climate – devoid of the prevailing state of insecurity - for scaled up oil production and increased revenues for national development. The CDD component will provide access to social and economic services. By improving access to basic services such as education, health and water, the project will be making a contribution towards the achievement of the MDGs in these areas.

56. The project also provides a means to instil transparency, efficiency and quality in the management of public financial resources. The budget reforms and improvement of public investment management will contribute to better use of resources to achieve results. The introduction of fiscal responsibility and procurement legislations and their implementation and overall strengthening of PFM system in the participating states will go a long way to improve the quality of public expenditure in favour of service delivery and creating opportunities for youth employment and community development. The increased transparency in procurement and award of contracts is expected to lead to significant reductions in cost for the state governments. The modernization of tax administration, including tax data base is expected to increase internally generated revenue.

57. ***The non financial and qualitative benefits*** of the project include the improved credibility of the state governments by partnership with the World Bank, the European Union and development partners, which will be strengthened by delivering tangible benefits in terms of youth employment, access to services and improved transparency in the use of resources.

B. Technical

58. The project concept and the design of the technical components are based on tested and successful models drawn from existing projects in the Nigeria portfolio and the lessons learned in their implementation. These include SGCBP I, LEEMP, Fadama I & II, LUTP, CSDP and the Lagos Eko projects. The following key design elements have been guided by these lessons:

(a) Project design informed by sound analytical work (PEMFARs, Social Assessment, Assessment of Training Institutions and mapping of potential areas for public works, as well as political economy).

(b) Appointment of full time Project Coordinators following a competitive process and secure the operational autonomy for the SPCU from the onset to prevent substantial political interference.

(c) Implement SEEFOR in a few selected states in the Niger Delta that have demonstrated interest and willingness to reform, with the possibility of extending the support to other states in the future.

(d) Strengthen national level coordination by bringing in other technical expertise from within and outside the NPCU.

(e) Mainstreaming demand side governance, social accountability and CSO involvement in key components such as PFM, youth employment and CDD.

C. Financial Management

59. The FM arrangements will be provided by the PFMUs in the participating states and the FPFMD at Federal Level. The PFMUs and FPFMD are robust multi-donor and multi-project FM platforms, established in all states and at federal level respectively through the joint efforts of the Bank and the government. These common FM platforms feature robust systems and controls. The PFMUs which have been in existence for awhile are presently involved in the implementation of a number of Bank-assisted projects. The Bank's reviews showed that these units have been performing satisfactorily. The FPFMD was only recently established in the Office of the Accountant General of the Federation (OAGF) to handle the financial management functions of all Bank-assisted projects being implemented at the Federal Ministries, Departments and Agencies (MDAs). To strengthen the financial management system in the PFMUs and FPFMD, implementation of some action plans are required. Further to the recommended action plans being implemented as per agreed time frame, the financial management arrangements have met the minimum FM requirement in accordance with OP/BP 10.02. The FM risk rating before mitigation is high (See Annex 4).

D. Procurement

60. In the last five years, Nigeria has made good progress in the implementation of procurement reforms at the federal level. Following the enactment of the Procurement Act in May 2007, the Bureau of Public Procurement was established (BPP) in July 2007. The BPP has been providing effective oversight in the implementation of the Procurement Act by MDAs. To

facilitate implementation of the Act, the BPP has prepared and issued various implementation tools including: Procurement Regulations; Procurement Manual; and Standard Bidding Documents for Works, Goods and Services. As a result, substantial progress has been made in the procurement process at the Federal level. The procurement process is much more transparent than before and this is likely to lead to more efficient and economic procurement outcomes. Transparency has been enhanced through publication of bidding opportunities and contract awards for major contracts. There is now a working complaints mechanism for providing recourse to bidders that have not been treated in accordance with the law. This should improve accountability in the procurement process.

61. Three states (Bayelsa, Delta and Rivers) already have procurement laws but they need assistance to implement them. Edo has yet to pass a procurement law and will need assistance to prepare and implement the same. Even with the new laws, the four States are still using the old outdated procurement procedures that are devoid of the tenets of good procurement practices. Recent procurement assessments in Bayelsa and Rivers States have revealed that most of their procurements pass through non-transparent processes. Assistance required in implementing the procurement laws includes preparation of implementation tools such as Regulations, Manuals and Standard Bidding Documents.

62. All the 4 States will need to strengthen their institutional, organizational and human resources capacity for procurement and will need to significantly improve on their record keeping systems.

63. In Rivers, Edo and Delta States, the designated Procurement Officers have little experience in World Bank procurement, though they have some knowledge of public procurement; as a result it will be necessary to engage the services of Procurement Consultants with experience in World Bank procurement implementation to set up the Procurement Unit and give hands on training to the Procurement Officers before project effectiveness; the recommended duration of the Procurement Consultancy support is 6-12 months. Procurement Officers will require training on continuous basis.

64. In Bayelsa State, the designated Procurement Officer has worked in two World Bank funded project as assistant Procurement Officer and Procurement Officer with a cumulative nine years of experience in World Bank procurement. He will, however, need refresher course in Bank’s procurement, having been redeployed to the main ministry at the closure of the project where he worked as procurement officer.

65. The National Planning Commission (NPC) will have overall responsibility for project coordination at the federal level through the NPCU. The main responsibilities of the NPCU are provided Annex 3. Even though the NPC has been responsible for coordinating bilateral donor support in Nigeria, it is relatively new to coordinating Bank-funded projects and therefore has limited knowledge of Bank’s procurement procedures. Therefore, to ensure an efficient and effective procurement function, a Procurement Consultant will be engaged to support and provide hands-on training to the NPCU procurement officer and other staff before project effectiveness. However, the NPCU will only be responsible for procurement activities for itself and not for the states. The total amount of procurement by the NPCU is limited with a budget of about US$5 million. The overall procurement risk rating before mitigation is high.

E. Social (including Safeguards)

66. From an environmental and social safeguards point of view, the State Employment and Expenditure for Results (SEEFOR) is a category B project. This implies that the potential environmental and social impacts are expected to be minor, non cumulative, site specific and can be easily managed to acceptable level. During project preparation the exact locations of projects sites and magnitudes of sub-projects were not known in sufficient details. As part of safeguards due diligence therefore, the proponent has prepared for public disclosure two safeguards instruments: (i) An Environmental and Social Management Framework, and (ii) A Resettlement Policy Framework (RPF). These two instruments were prepared in accordance with the existing relevant laws in Nigeria and World Bank safeguards policies.

67. The Project provides targeted support to youth. Such support is designed to turn them into agents of change and champions of the Project by assuring that they not only share in the benefits of the project, but they also are able to participate in shaping and giving feedback on the different activities. The potential social impacts identified in the Social Assessment and the Environmental and Social Management Framework (ESMF) are those associated with (i) community tensions and conflict dynamics in the region, and (ii) elite capture and undue influence in project or subcomponent activities. To mitigate the risks of negative impacts and ensure active community participation in project allocation, monitoring and evaluation, the project components will incorporate a range of social accountability elements as far as possible and relevant.

68. Component A, focusing on enhancing Employment and Access to Socio-economic services, will involve citizen/community participation in and oversight of project, including use of school based management committees for public vocational, technical and agricultural institutions. The component will also incorporate project-related grievance redress and citizen feedback mechanisms and oversight by citizens. Component B, focusing on strengthening Public Financial Management, will include participatory budgeting, transparency measures, and support for third party budget oversight.

69. Such measures should guard against both the potential of project induced conflict and elite capture. The Project's CDD and participatory local development planning (LDP) and community development planning (CDP) approaches are designed to promote social cohesion and provide income and employment opportunities for the population, especially the youth. The project will guard against possible gender bias by focusing specifically on a range of activities and employment opportunities that include women.

F. Environment (including Safeguards)

70. From an environmental and social safeguards point of view, the State Employment and Expenditure Effectiveness for Results (SEEFOR) is a category B project. This implies that the potential environmental and social impacts are expected to be minor, non cumulative, site specific and can be easily managed to acceptable level. During project preparation the exact locations of projects sites and magnitudes of sub-projects were not known in sufficient details. As indicated above, the proponents have prepared for public disclosure two safeguards

instruments: (i) An Environmental and Social Management Framework, and (ii) A Resettlement Policy Framework (RPF).

71. The potential environmental impacts identified in the Environmental and Social Management Framework (ESMF) are those associated with (i) rehabilitation and maintenance of existing roads and public buildings, (ii) community infrastructure and (iii) agricultural development which is expected to lead to increased production for rural farmers and value added processing and marketing for such farmers.

72. The SEEFOR project will not directly fund the procurement of pesticides and herbicides. However, the anticipated intensification of agricultural activities resulting from the project could lead to increased use of pesticides, herbicides and or inorganic fertilizers thereby triggering World Bank safeguards policy on pest management (OP/BP 4.09). As part of due diligence, an Integrated Pest Management Plan (IPMP) was prepared and attached to the ESMF as an addendum. The IPMP has a component that would build the capacity of farmers and other stakeholders to address pest management issues in a holistic manner.

73. The SEEFOR project is classified as EA Category B meaning that the project will not be involved in activities that could have unprecedented adverse environmental and social impacts. However, considering the activities that would be funded by the project, three World Bank safeguard policies are triggered by the project: (i) Environmental Assessment (OP/BP 4.01); (ii) Involuntary Resettlement (OP/BP 4.12); (iii) Pest Management (OP/BP 4.09). The CDD component triggers additional safeguards triggered by Fadama OP/BP 4.04 Natural Habitat and OP/BP 4.36 Forests (see below) Drafts of the required safeguards instruments of the Environmental and Social Management Framework (ESMF), including an addendum on Integrated Pest Management Plan, and the Resettlement Policy Framework (RPF) have been prepared, reviewed, approved and are disclosed in Nigeria on April 4, 2011. The final documents were disclosed at World Bank Info Shop on October 5, 2011.

74. Each State agency will have in place a review process to ensure screening of all sub-projects for their potential environmental and social impacts. To this end, the sub–project applications will include environmental screening form showing the estimated impact category of the sub-project. The decision of the EA category will be based on the environmental and social checklist contained in the environmental and social management framework. The outcome of the screening and scoping exercise would be sent to the World Bank for concurrence. After the field appraisals are done in conjunction with communities, potential impacts will be identified and a simple or at most a limited environmental review will be conducted. Sub-projects that cannot develop and implement appropriate and satisfactory mitigation measures or that will result in unprecedented and cumulative adverse impacts typical of category A projects will not be funded by the SEEFOR project. The environmental and social safeguards officer attached to the SPCU will be responsible and accountable for all environmental and social concerns during project implementation. In addition, review and clearances of Environmental and Social Impact Assessments (ESIAs), Environmental Management Plans (EMPs) and Resettlement Action plan, if applicable, will be handled by State Environmental Protection Agencies before transmittal to the World Bank for approval. Furthermore, the capacity of environmental and social safeguard officers charged with implementing safeguards instruments, community development officers, State environmental agencies and CSO/NGOs will be built

through training and awareness creation on a range of environmental issues such as screening, preparation and implementation of site specific EMPs, monitoring and reporting. Additional guidance and support would be provided by the safeguards experts in the World Bank team.

G. Other Safeguards Policies Triggered

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

75. Safeguards Compliance Arrangement among SEEFOR, Fadama III and CSDP: Component A.3 of the project, focusing on community driven development (CDD), will be implemented through the existing Bank-assisted CDD projects (FADAMA and CDSP) in each of the states involved. As such, the funding for this component will be channeled through the existing institutional arrangements and managed by the already established FADAMA and CDSP project implementation units in each state. These institutional arrangements for the CDD component will continue to operate after Fadama III and CSDP close. In Delta and Rivers states, where there is no CSDP, the ministry responsible for community development will oversee the implementation of social aspects of the CDD component. Given these institutional arrangements, all activities undertaken under CDD component will be subject to the safeguards procedures and instruments developed under these existing projects. Thus, the SEEFOR project has triggered the relevant World Bank safeguard policies triggered by FADAMA III and CDSP and the safeguards instruments developed will continue to be used by SEEFOR when CSDP and Fadama III close. The policies triggered are OP/BP 4.01 Environmental Assessment and OP/BP 4.12 Involuntary Resettlement. Additional safeguards policies including OP/BP 4.04 Natural Habitat, OP/BP 4.09 Pest Management, OP/BP 4.36 Forests were triggered by FADAMA given the scope and the potential environmental and social impacts of the activities under FADAMA III, which include activities that may require pest management, reforestation activities and/or may be in the proximity or affect critical natural habitats. The safeguards documents for FADAMA and CSDP include mitigation measures for such impacts. The only exception to this equivalency approach in World Bank policies triggered by the project funding these activities- SEEFOR- and the projects implementing the CDD activities is the policy on International Waterways. In this case the policy has not been triggered because the geographical locations of the different states involved in the project mean that no international waterways will be affected and that any surface or groundwater extraction, in any, would come from local sources.

* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

76. The current safeguards performance, the safeguards instruments prepared and the institutional arrangement for their implementation for FADAMA III and CSDP are presented below.

(a) Third National Fadama Development Project: To date, the safeguard compliance of Fadama III has been satisfactory. Since the locations and potential negative localized impacts of the future subprojects, the Borrower prepared an Environmental and Social Management Framework (ESMF), a Pest Management Plan (PMP), and a Resettlement Policy Framework (RPF) for the purpose of identifying and mitigating potential negative environmental and social impacts at the subproject planning stage during the life of the project. The RPF outlines the policies and procedures to be followed in the event that subprojects require land acquisition. The PMP shows the procedures and steps to be undertaken to address pest management concerns, including capacity building in Integrated Pest Management (IPM). The ESMF outlines the environmental and social screening process for subprojects and proposes capacity building measures, including cost estimates. The ESMF includes: (i) an Environmental Management Plan; (ii) Environmental Guidelines for Contractors; and (iii) an environmental and social checklist for subprojects screening. The three instruments of ESMF, PMP and RPF were disclosed in-country and at the Info shop. The State Fadama Coordination Office (SFCO) is responsible for the implementation of the ESMF, PMP and RPF. Consultants are engaged to prepare Resettlement Action Plans and Environmental Management Plans or Environmental Impact Assessments (EIAs) as and when necessary. The SFCO has in place an environmental officer. This specialist is responsible for implementing the recommendations contained in these safeguards instruments, and he/she is complemented with short-term national social/environmental safeguards consultants as and when the need arises.

(b) Community Social Development Project: The safeguards rating of the Community Social Development Project has been satisfactory to date. The potential environmental and social impacts of sub-projects under the CSDP are small-scale and site-specific, typical of Category B projects. An Environment and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF) have been prepared for the project and provide mechanisms to identify impacts for which standard mitigation measures to be applied during the implementation phase. The objective of the ESMF is to establish a mechanism to determine and estimate the future potential environmental and social impacts of the activities undertaken under the project, and to define the measures of mitigation, monitoring and the institutional measures to be undertaken during implementation o f the project. It is anticipated that project activities are unlikely to relate to land acquisition or restriction of access to sources of livelihood. However, in the event that land acquisition/involuntary resettlement occurs, Resettlement Action Plans (RAPS) will be prepared during project implementation. The CSDP State Agency is responsible for the implementation of the ESMF and RPF recommendations. The Agency's environmental specialist (with knowledge on social issues) is responsible for implementing the recommendations contained in these safeguards instruments, and he/she is complemented with short-term national social/environmental safeguards consultants as and when the need arises. In the case of Delta and Rivers states, the SEEFOR safeguards officer will be responsible for implementing the recommendations of the safeguards issues.

77. The safeguards instruments for these projects including detailed ESMFs, PMP and RPFs have already been prepared and publicly disclosed as part of project due diligence, remain valid and would apply to all SEEFOR funded activities that would be implemented through FADAMA III and CSDP.

Annex 1: Results Framework and Monitoring

Nigeria State Employment and Expenditure for Results Project

Project Development Objective (PDO):

To enhance opportunities for employment and access to socio-economic services ,while improving public expenditure management systems in the participating states

PDO Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				
Indicator One (A.1 & A.3 3: Youth Employment): Number of people employed (disaggregated by type of employment – public works, CDD and gender). [12] i) Rivers ii) Bayelsa iii) Delta iv) Edo	☐	Number	*0* *0* *0* *0*	1500 900 1250 1400	3100 1950 2700 2850	4600 3050 3800 3900	5700 4050 4900 4800	6700 5050 5900 5800	annually	Interviews with youths and contractors, project documents and reports	Youth Employment focal person in each state with Min in charge of youth/employment, Project M&E Officer	
Indicator Two (A.3: CDD): Number of people with access to services supported in targeted communities[13]**:** i) Bayelsa ii) Delta iii) Edo **iv)** Rivers		Number	0 0 0 0	350 200 300 220	850 600 900 660	1250 1650 1200 1200	1850 2050 2200 2300	2750 3000 3200 3300	annually	Progress reports, surveys with communities	CSDA in Bayelsa and Edo, Min responsible for community development with Fadama and CSDP M&E officers.	
Indicator Three (Component B): Percentage deviation of	☐	%							annually	Budget documents, independent	Director of Budget, Auditor General	Indicator measures difference

[12] This figure includes employment generated by CDD but excludes additional jobs to be created by the EU financing which will increase coverage of additional urban areas in public works.

[13] Services here include basic health, education, water and agric extension (disaggregated by type of service and gender)

actual aggregate expenditure from budgeted expenditure in the participating states. i) Rivers ii) Bayelsa iii) Delta iv) Edo			29 18 22 24	29 18 22 24	25 15 20 20	20 12 18 15	15 10 15 10	10 10 10 10		budget monitoring reports; annual audited accounts of the state		between actual aggregate expenditure and budgeted expenditure.
Indicator Four (Component B) Percentage of public contracts above threshold awarded through competitive process in each participating state.[14] i) Rivers ii) Bayelsa iii) Delta iv) Edo	☐	%	<25 <25 <20 <20	<25 <25 <20 <20	40 40 35 35	50 50 45 45	55 55 55 55	60 60 60 60	annually	Quarterly reports of procurement agency. Implementation monitoring reports	Head of State Procurement agency; Procurement component coordinator.	Indicator to measure transparency in the procurement process.
Indicator Five: Direct project beneficiaries, % of which female (also disaggregated by project components and gender) i) Rivers ii) Bayelsa iii) Delta iv) Edo % of female	X	Number	0 0 0 0 0	1720 1250 1450 1700 10	3760 2800 3300 3750 15	5800 4300 5560 5050 20	8000 5900 6950 7100 25	10000 7800 8900 9100 30	annually	Project monitoring reports; Reports by AEAs; Independent monitoring reports.	Project M&E Officer, Component Focal officers.	To measure overall benefit of project to beneficiaries in each state
INTERMEDIATE RESULTS												
Intermediate Result (Component One): Increased skills and employment opportunities for the youth												
Intermediate Result indicator One (sub-component A.1): Number of contracts awarded for public works:	☐	Number							Bi-annually	Project monitoring reports; Reports by AEAs; Independent	Focal Officers for youth employment, Project M&E officer	To measure impact of youth employment program

[14] Rivers and Delta states already have the complement of established regulatory procurement agencies and due process entities to support the process.

i) Bayelsa ii) Delta iii) Edo iv) Rivers			**0** **0** **0** **0**	9 **15** **12** **17**	30 40 36 54	50 65 65 80	60 75 75 90	65 85 85 100		monitoring reports.		
Intermediate Results indicator three(sub-component 1b): Number of technical and vocational courses accredited in each state by the National Board of Technical Education *i) Bayelsa* *ii) Delta* *iii) Edo* *iv) Rivers*		Number	0 7 10 2	0 7 10 2	1 9 12 4	3 10 14 6	5 12 15 8	6 12 15 10	Bi-annually	Reports by Min. of Education and Beneficiary institutions.	Director, Technical Education, MOE; Focal officer for TVT.	To measure progress towards achieving objectives of TVT and effectiveness of support..
Intermediate Result indicator One (sub-component A.3): Number of CDPs and LDPs projects that were implemented according to plan under SEEFOR project[15]. i) Bayelsa ii) Delta iii) Edo iv) Rivers		Number	0 0 0 0	TBD TBD TBD TBD					Bi-annually	Quarterly reports by CSDAs in Bayelsa and Edo and Min. responsible for community dev in Delta and Rivers.	M&E officer s of CDSP and Fadama III and sub-component focal officer.	To measure progress in implementing CDD component.
Intermediate Result (Component Two): Improved public expenditure management and financial accountability in the public sector in participating states.												
Intermediate Result indicator One (sub-component B.1): Number of states with draft standard Public Finance Legislation submitted to state legislature	☐	Number	1[16]	1	2	4	4	4	Bi-annually	Progress reports	Permanent Secretary, Min of Finance	To measure progress towards FM regulatory reforms
Intermediate Result indicator Two (sub-component B.2): Number of States publishing	☐	Number	0	1	3	4	4	4	Bi-annually	Budget document	Director of Budget	PI-10. Public access to key fiscal information

[15] This indicator will be further disaggregated into the specific elements that the LDPs and CDPs achieve once the plans are in place. These may include classrooms, health facilities, roads, drainages built or rehabilitated etc. The project may be pre-empting the plans if the specific elements are described at this point.

[16] The threshold is defined by the procurement laws/regulations in each state

Annual Budget Estimates												
Intermediate Result indicator Four (sub-component B.2): Number of MDAs in each state with defined medium term expenditure plan derived from the State MTEF. i) Bayelsa ii) Delta iii) Edo iv) Rivers	☐	**Number**	**0** **0** **0** **0**	**3** **0** **0** **0**	**5-8** **3** **3** **3**	**5-8** **5-8** **5-8** **5-8**	5-8 5-8 5-8 5-8	5-8 5-8 5-8 5-8	Bi-annually	Budget document; independent budget monitoring reports	Director of Budget in each state; sub-component coordinator	To measure progress towards use of multi-year budget framework.
Intermediate Result indicator Five (sub-component B.3): Number of states with new/modern chart of account /budget classification produced and used for budget and annual accounts in each participating state.	☐	**Number**	**0**	**0**	**2**	**3**	4	4	Bi-annually	Budget document; Annual Financial statements	Director of Final Accounts/OAuG. & Director of Budget.	
Intermediate Result indicator Four(sub-component B.4): Number of months taken to submit annual audited financial statements of the state to the State House of Assembly. i) Bayelsa ii) Delta iii) Edo iv) Rivers	☐	**Number**	9 12 12 36	9 >12 >12 >36	8 <10 <10 24	7 <9 8 18	6 <6 6 >12	>5 >5 >5 >6	Bi-annually	Auditor-General's report	Sub-component coordinator in Office of State Auditor-General with Project M&E office	PEFA PI-26 (ii) Timeliness of submission of audit reports to legislature.
Intermediate Result indicator Five (sub-component B.4): Number of States publishing most recent Annual Auditor General's State Report.		**Number**	0	1	4	4	4	4	Bi-annually	Auditor-General's report	Auditor General	PI-10. Public access to key fiscal information
Intermediate Result indicator Seven (sub-component B.5): Number of states that have implemented 3-5 key modules of IFIMIS (FM, budget and	☐	**Number**	1	1	2	3	4	4	Annually	Project implementation reports; consultants reports	Accountant-General and Director of IT	To measure installation and functionality of IFIMIS

payroll)												
Intermediate Result indicator Eight (sub-component B.6): % of public contract awards published. i) Edo ii) Bayelsa iii) Delta iv) Rivers	☐	**%**	<25 < 20 < 20 < 25	>25 >20 <20 <25	<30 <25 <30 <25	<40 <35 <35 <40	<50 <45 <45 <50	<60 <55 <55 <60	Annually	Quarterly reports of state procurement agency; independent monitoring reports	Head of state procurement agency; independent monitors	To measure openness and transparency in the procurement process.
Intermediate Result indicator Nine (sub-component B.7): Percentage increase in Internally Generated Revenue (IGR). i) Bayelsa ii) Delta iii) Edo	☐	**%**	0 0 0	15 15 15	25 25 25	30 30 30	35 35 35	40 40 40	Annually	Annual reports of SBOIR, Annual Report of Accountant-General, quarterly monitoring reports	Chairman, SBOIR. Sub-component focal officer.	To measure improvement in IGR.

Annex 2: Detailed Project Description

NIGERIA: State Employment and Expenditure for Results Project

Description

1. The project has three components: Component A will support three main activities: (1) Carrying out of small public works and institutional strengthening to generate youth employment in urban areas; (2) Carrying out technical, vocational and agricultural training by providing: (a) grants to existing public technical, vocational and agricultural training institutions and (b) capacity building support to state ministries responsible for education and agriculture; and (3) Carrying out of eligible Community Development subprojects by providing grants to: (a) FCAs and (b) CSDAs for the provision of productive goods and services and small socio-economic infrastructure for community use. Component B will support carrying out reforms by the Participating States of their public finance management systems, processes and institutions. Component C is Project Implementation Support and Coordination and will involve: (1) Provision to the NPCU of logistical and technical support required for the coordination and supervision of the execution of the Project at the federal level; (2) Provision to the SPCUs of logistical and technical support required for the coordination and supervision of the execution of the Project at the state level; and (3) Provision of support to the federal ministry responsible for Niger Delta Affairs. Detailed project description is provided below.

Component A: Youth Employment and Access to Socio-Economic Services (US$126.84 million)

2. The objective of this component is to enhance employment opportunities and access to socio-economic services through small public works, institutional strengthening, grants to technical, vocational and agricultural training institutions and selected communities. There are three sub-components, namely:

(a) Youth Employment through small public works contracts and institutional strengthening.
(b) Grants to public technical, vocational and agricultural training institutions.
(c) Grants for community driven development initiatives

3. A mechanism for citizen participation, monitoring and feedback in the allocation and implementation of grants will be established to ensure transparency, community involvement and independent oversight of activities.

A.1. Youth Employment through small Public Works contracts and institutional strengthening (US$71.73 million)

4. This sub-component will comprise labour intensive public works and institutional strengthening to generate employment for the youth such as: (a) road and drainage maintenance, maintenance of public spaces, (b) collection, disposal and sorting of refuse, and (c) study visits to similar youth employment schemes by selected Youth Employment Technical MDAs and Committee members and selected youths. Following a model that is successfully working in

Lagos state, this activity will generate employment for the youth in the participating states, through the award of small competitive contracts to the private sector to improve public spaces, reduce environmental hazards and enhance the efficiency of the existing road space, reduce vehicle operating cost and improve road safety, in particular pedestrian safety. Contractors will be expected to employ youths from the state where contracts are being executed. Details of the conditions for the employment of youths will be spelt out in the bidding documents to be issued to contractors and also in the PIM.

Activities:

5. The sub-component will finance three key activities with value chains that generate employment, namely:

(a) Road maintenance/public works contracts. The employment generation activities for road maintenance will include:

- (i) Cleaning of travelled surface and road sides
- (ii) Cleaning of drainages
- (iii) Removal of debris on the roads
- (iv) Cleaning of roadside drainage structure and drainage outlets
- (v) Patching of potholes
- (vi) Maintenance and trimming vegetation growth on roads
- (vii) Study visits to similar youth employment schemes

(b) Collection, disposal and sorting of refuse. The employment generation activities for solid waste disposal will include:

- (i) Collection of garbage from residential and commercial buildings
- (ii) Delivery of the garbage to dump sites
- (iii) Sorting out the garbage to separate biodegradable matter where recycling exists

(d) Institutional strengthening, including study tours to similar youth employment schemes by selected Youth Employment Technical MDAs, committee members and selected youths.

Implementation:

6. **(a) Road Maintenance:** The roads will be divided into lots with each lot covering a distance of 2-3km. Contracts for maintenance of the roads will be awarded to small contractors on a lot by lot basis. The small contractors will employ local labor resident in the state to undertake the above employment generation activities. The small contractors will need to have trucks and minimum tools and equipment for cleaning, minor repairs and painting work. Local consultants will also be employed for **s**imple engineering studies – roads and drainage conditional survey, preparation of the bidding documents and contract packing, rehabilitation and maintenance of network of roads, drainages and flood control, earth channelization, repair of street light, and consultancy services for project supervision. Contractors will be expected to

employ young civil engineering graduates as supervisors. The initial length of roads to be covered and the estimated number of people to be employed in each State are presented in the Table below. However, this estimate is based on surveys carried in the capital cities (except Delta where other urban centers were surveyed). The annual estimated cost of the small works is also presented in Table A2.1 below. Further surveys in other urban centers will be carried out in Bayelsa, Delta and Edo states during the first year of project implementation.

Table A2.1: Road Maintenance Employment Generation[17]

State	**Total Length of Roads - km**	**Number of people to be employed**	**Estimated Annual cost of Labor, Tools and Equipment US$ million equivalent per annum**
Edo – Benin City	87.12	1584	2.21
Delta – Asaba City	232	3960	6.66
Bayelsa –Yenagoa City	66	930	3.05
Rivers – Port Harcourt	255	3960	4.20
All	640.12	10,434	16.12

7. **(b) Collection, sorting and disposal of refuse**: The areas will be divided into zones and contracting will be done on a zone by zone basis. One zone will have 16 buildings/premises. Contractors will employ local labor to undertake the above garbage collection and disposal activities. The contractors will need to have compacting trucks and essential tools and equipment for garbage disposal. Zonal consultants will be appointed as Supervisors to oversee a group of 7-10 zones. They will monitor work quality, direct or redirect the waste collector companies as necessary and also invoice and monitor collection of fees by resident organizations. The estimated number of people to be employed and the revenues generated are presented in the Table below.

Table A2.2: Estimated number of people to be employed and the revenue to be generated

State	Number of People to be Employed	Estimated Annual cost of Labor, Tools and Equipment US$ equivalent per annum
Edo – Benin City	350	728,000
Delta – Asaba, Warri, Ughelli and Sapele	1200	2,080,000
Bayelsa – Yenagoa	200	576,000
Rivers -	1000	3,280,000
All	2750	6,664,000

Expected results: Key results will include: (i) number of people directly employed through public works funded by SEEFOR.

[17] The estimated employment generation is based on initial studies/survey of key urban centers, mainly the capital cities. Further studies and survey will be carried out in other big towns during the first year of project implementation and this will create additional employment with the EU grant.

A.2. Grants to technical, vocational and agricultural training institutions (US$34.38 million)

8. The grants aim to increase access, and improve the quality of skills acquisition and development for youth empowerment through existing vocational and technical training institutions building on the experience of the Lagos EKO project. In addition, the agriculture training aspects will seek to engage, equip and empower youth with resources to become better agro-entrepreneurs with the view to creating employment and ensure food security in the participating states[18]. The strategic focus would be on skills and entrepreneurship development and its relevance to current and future labor market demands to tackle youth unemployment through technical and vocational skills acquisition. Financing will be provided to fund activities in two key areas:

9. ***(a) Grants to existing public technical, vocational and selected agricultural training institutions*** for, inter alia, (i) acquisition of instructional materials and other learning inputs, (ii) selective rehabilitation and furnishing of selected TVT and agricultural training institutions, (iii) starter packs for graduates of TVT and agricultural training institutions; (iv) technical education fairs, skill development programs and information and communication technology for learning and competitions and prizes, (v) development of strategies for skill development programs and information and communication technology for learning and teaching; (vi) training of trainers and remedial courses for teachers, (vii) partnership with private sector for job placement and industrial attachment; (viii) entrepreneurships development programs and training for graduates of TVT and agricultural institutions.

10. The main objective of this sub-component is to improve relevance and technical/vocational education outcomes in public technical, vocational and agricultural training institutions with access to yearly discretionary resources with priority needs that are defined at the institutional level. Grants based on private-sector partnerships also will be encouraged and provided for the selected public technical, vocational and agricultural colleges and training institutions. Some of the technical, vocational agricultural areas identified by the States include welding and metal fabrication, electrical installations and maintenance, auto mechanic/engineering, agriculture (livestock, fishery, poultry and crop production).

11. Key results to be achieved include: (i) improved quality of skills acquired by graduates; and (ii) increase number of courses achieving national accreditation in the participating states. Other outcomes include (iii) increased numbers of students completing and achieving pass grades during their study programme. In order to encourage the institution to undertake interventions associated with improving learning, expenditures on building maintenance and minor repairs will be capped at 30 percent of the grant amount. It is expected that investments in infrastructure improvements will be provided for under state budget.

12. The amount of the grant per institution would range from the equivalent of US$100,000 to US$150,000 per annum in the first 18 months. This amount will be reviewed and if possible revised after based on the performance of the pilot colleges. It is expected that most public technical, vocational and agricultural training institutions in each state would be eligible for the

[18] Based on the model of the Agric-YES that has worked in Lagos State and other models of the school to land programme that can be improved upon using a Public-Private Partnership Arrangement in the four participating states.

grant based on their school improvement plans which would include activities that impact positively on student learning outcomes. The project will start with 1-2 pilot colleges in each state that are assessed to be most ready during the first year; others will come on stream as they are assessed to be ready for grants. In all the states, junior secondary schools have had experience in grant operations through the provision of monthly discretionary funds for operational expenditures from the State Ministry of Education and the provision of self-help funds from the Universal Basic Education Commission (UBEC). This would be the first time that public technical, vocational and agricultural colleges will receive grant funding.

13. ***(b) Support to state ministries responsible for education and agriculture*** for, inter alia, (i) strengthening their capacity for management and supervision of TVT and agricultural training institutions, including reviewing and monitoring grants to institutions and training for relevant staff; (ii) development and use of education management information system; (iii) planning and strategy development for TVT and agricultural education policy for the state, including standard setting; (iv) organization of relevant study visits for TVTs and agricultural training institutions, and (v) promotion of effective cooperation and partnership with the private sector and relevant state agencies. The Ministry of Education will also manage grants on behalf of selected Craft Centers who are eligible for support. In the case of craft centers one will be selected from each Senatorial District in the state by the Ministry of Education.

14. Institutional Arrangements and grant operations would be provided in the implementation manual. These would include implementation schedule, grant preparation including selection and Annual review of proposals, Grant Application process, Management of funds, Modalities of electronic transfer of grant funds, monitoring and evaluation process, technical assistance and sub-component coordination etc. The PIM will also provide additional guidance on the positive and negative list of activities. Colleges may ask for assistance in preparing proposals. The Project Implementation Manual will also set out the grant application, execution and reporting. Each institution will prepare an annual work plan which is reviewed by the School Management Committee and approved by the Ministry of Education/Agriculture before submission to the SPCU for final approval and funding. As in other components, the sub-component work plan will be part of the overall SEEFOR annual work plan to be submitted to the SSC and IDA for approval.

A.3. Grants to Communities for Local Development Initiatives (US$20.73 million)

15. The harmonization of CDD projects assisted by the Bank have led to the two major streams of CDD operations: the FADAMA (a Hausa word for low-land agriculture projects) would be focused on provision of productive goods in rural areas, while the Community and Social Development Project (CSDP) would focus on provision of social services and natural resource management. The four states already have CDD type projects either in the form of CSDP and Fadama III. This sub-component will therefore work with existing CDD institutional arrangements to carry out eligible community development micro projects by providing grants to (a) FCAs and (b) CSDAs.

16. SEEFOR project will provide grants to selected communities through Fadama III and to Fadama Community Associations (FCAs) for implementing demand-driven, community-owned priority sub-projects as identified in their Local Development Plans (LDPs) which will range

from the equivalent of $1,000 to $10,000. Preference will be given to communities not currently covered by Fadama III in each state. The menu of sub-projects will include: (i) rehabilitation and/or construction of feeder and access roads, culverts, and small bridges; (ii) rural markets; and (iii) infrastructure for sustainable natural resource management, including improved conservation of soils and agronomic practices, water harvesting techniques, and infrastructure that cuts across FCAs and/or local government boundaries such as stock routes, pastures, and watering points. The cross-FCA sub-projects will range from the equivalent of $10,000 to $35,000. The grant will finance civil works and related equipment, technical services for pre-feasibility studies and infrastructure subproject design, technical and viability analyses, bidding documents, as well as environmental and social analyses. The FCAs will need to fully understand the recurrent cost implications and the O&M requirements of the infrastructure and this will be guided by an agreement with the FCA prior to the commencement of the works.

17. The grants will also be used to support common interest groups - Fadama User Groups (FUGs) and their apex associations, Fadama Community Associations (FCAs) to undertake initiatives which would assist them to increase value added from the products produced by their members and diversify their sources of livelihood. The matching grant will be targeted to the poor Fadama users, including vulnerable and disadvantaged groups. Assets to be acquired will also follow a demand-driven approach and the menu of sub-projects are likely to include the following: a) improvements in existing farming systems for horticulture, grains, roots, and tubers; b) promotion of technologies and investments in the livestock sector;) aquaculture and smallholder fisheries production activities; d) diversification and micro-enterprise development in non-traditional crops such as vanilla, macadamia peppers etc. e) small farming equipment and tools, f) small irrigation and drainage works and equipment; g) storage facilities etc.

18. Expected results: (i) increased number of poor people with access to social services supported by SEEFOR project; (ii) increased number of poor people with access to natural resources infrastructure services; (iii) increase in income of 50% of the Fadama beneficiary households supported by SEEFOR by at least 20%; (vi) at least 50% of the selected community owned infrastructure and assets are operating satisfactorily and are maintained satisfactorily.

19. The SEEFOR project will provide funds through the State Community Development Agency (or its equivalent MDA in Delta and Rivers) and State Fadama agency to selected communities based on approved community development plans (CDPs) and local development plans (LDPs). CDPs will be selected based on specific selection criteria (as agreed in the project implementation manual). The criteria for eligible CDPs/LDPs will include broad-based community participation in planning, micro-project identification and preparation, and a matching contribution from communities. The State Agencies will carry out the following activities:

(a) information campaigns on community development plans, agency goals and Funding procedures;
(b) support for community identification of needs and priorities and development of CDPs;
(c) in collaboration with LGAs, appraising, approving, and financing CDPs developed and implemented by community-based groups and associations; and monitor and evaluate the implementation of the CDPs and achievement of set objectives.

20. Possible micro-projects that may be contained in eligible CDPs and LDPs include rehabilitation extension or construction of primary schools, health centers, water points, rural electrification, reservoirs and sanitation services; rehabilitation or construction of feeder roads, small bridges, culverts, drifts and stock routes, boreholes and other basic transport infrastructures; and small socio-economic infrastructure for community use (public goods) such as markets, storage or natural resource management facilities. The natural resource management micro projects will include community reforestation, woodlots, community-managed measures for firewood utilization or planting of windbreakers, physical and biological measures for lowering soil erosion and environmental degradation, community sanitation, including treatment of human and livestock waste, agro forestry, water catchments systems, drainage systems or local management of solid wastes, and community energy efficiency, including promotion of equitable access to energy-efficient stoves or biogas pits. Community selection criteria will be detailed in the project implementation manual and include the use of State or LGA poverty maps. It is worth mentioning here that the CDD sub-component will adapt the operational manuals of Fadama III and CSDP respectively.

Component B: Public Financial Management Reforms (US$49.61 million)

21. The participating States have undertaken Public Expenditure Management and Financial Accountability Reviews (PEMFARs) and prepared reform action plans. The SEEFOR project would assist the States in implementing some of the recommendations in the PFM Reform Action Plans, taking account of the political economy implications and difficulties of implementing some reforms such as procurement and IFMIS. The states have also initiated budget and accounting reforms. The PFM component will support ongoing efforts by the states to develop and modernize their public financial management systems, processes and institutions with the objective of improving their functionality and efficacy in managing public resources. The PFM component will also assist in the area of strengthening the institutions for budget preparation, execution expenditure control, reporting, audit and oversight, due process, and public access to information, transparency and accountability, etc. However, support under this component would be tailored to the current status of PFM in each state, as specified in the summary table of state-level activities below and the following description, which would be further detailed in the PIM and Annual Work Plans. The timetable and implementation period in each state will differ based on appropriate sequencing of activities and the annual work plans of the states:

Table A2.3: State-Specific PFM Activities

PFM Activity		Project Months	Rivers	Balyesa	Delta	Edo
B.1 PFM Legislation/Regulation		**1-24**				
i.	Reviw existing laws/regulations; draft PFM Law/Fiscal Resp. Bill	3-9	X	X	X	X
ii.	Update Financial Regulations/Manuals	9-15	X	X	X	X
iii.	Sensitization seminars/training for Key Stakeholders	6-24	X	X	X	X
B.2 Reform of Budget		**1-48**				
i.	Improve Budget execution and monitoring and PETS	1-18	X	X	X	X
ii.	Initial preparatory work for MTSS with MTEF	3-9	X	Done	X	X
iii.	Prepare Fiscal Strategy Paper	7-10	X	X	X	X
iv.	Pilot MTEF in selected MDAs	11-22	X	Done	X	X
v.	Roll-out MTEF	24-48	X	X	X	X
vi.	Public Inv. Strategy/Policy	12-36	X	X	X	X
vii.	Engage CSOs on Budget process	6 → end	X	X	X	X
viii.	Training in MTEF	3 → end	X	X	X	X
A. **B.3 Accounting, Expenditure Control & Reporting**		**1-36**				
i.	Review and develop Chart of Accounts/budget classification	1-9	X	Done	X	Done
ii.	Prepare Procedures Manual	7-12	X	Done	X	Done
iii.	Develop PETS Framework	9-18	X		X	X
iv.	Develop payroll Biometrics and integrate nominal roll and payroll	1-12			X	X
v.	Develop improved reporting standards	6-18	X	X	X	X
vi.	Develop Assets Register	16-22	X	X	X	X
vii.	Institutional Strengthening of AG office	1-36	X	X	X	X
B.4 Internal & External Audit		**6-42**				
i.	Review/Restructure OSAG	6-11	X	X	X	X
ii.	Draft/Update State Audit Bill	6-18	X	X	X	X
iii.	Institute Annual Forum on External Audit	FY12 →	X	X	X	X
iv.	Establish Audit Implementation Committees	6-18	X		X	
v.	Support to SHoA	6-42	X	X	X	X
vi.	Modernize Internal Audit Units	12-18	X	X	X	X
vii.	Establish Audit Service Commission	12-24	X		X	
viii.	Development of OSAG office	6-42	X	X	X	

PFM Activity		Project Months	Rivers	Balyesa	Delta	Edo
B.	**B.5 Support functional controls in public finances with SIFMIS**[19]	**1-60**				
i.	Review any IFMIS initiative and Functional Requirements for SIFMIS	1-12	X	X	Done	Done
ii.	Install Infrastructure backbone	12-24	X	X	Done	Done
iii.	Upgrade Infrastructure backbone	6-16				X
iv.	Obtain Off-shelf Software	1-9	X	X (?)		
v.	Develop Information Security Policy	6-12	X	X	X	X
vi.	Establish Disaster Recovery Site	14-24	X	X	X	X
vii.	Provide SIFMIS Training	1-60	X	X	X	X
viii.	Roll-out/pilot modules	9-24	X	X		
ix.	Operationalize additional modules	24-48	X	X	X	X
C.	**B.6 Public Procurement Reform**	**1-48**				
i.	Draft Regulations	9-12	X	X	X	X
ii.	Develop Procurement Manual/standard bidding documents	12-24	X	X	X	X
iii.	Establish Regulatory Body	9-24	X	X	X	X
iv.	Establish Procurement Databank and Website for transparency	24-48	X	X	X	X
v.	Establish MDA Procurement Units	24-36		X	X	X
vi.	Provide institutional development support.	6-48	X	X	X	X
vii.	Public Awareness Creation/For a/CSO engagement	6 - 48	X	X	X	X
D.	**B.7 Reform State Tax Authority**	**6-60**				
i.	Modernize Taxpayer Database	12-36		X	X	X
ii.	Conduct Survey for Identification of New taxpayers	6-18		X	X	
iii.	Review Organizational Structure for BIR and strengthen it	6-24		X	X	X
iv.	Training of BIR Staff	6-60		X	X	X
v.	Draft Integrated Internal Revenue Bill	12-24		X	X	X
vi.	Review Existing Revenue Law	6-18		X	X	X

B.1. Public Finance Management Legislation (US$1.04 million)

22. ***Reform Objectives:*** Generally, the States have not adopted up-to-date PFM Laws and Regulations. This activity (i) ensure that public finance reforms are built on solid regulatory foundations by supporting the States in updating their organic public finance laws and financial regulations; (ii) enable the states commit to higher standards of transparency and fiscal reporting; and (iii) provide an opportunity for the states to re-examine the roles and responsibilities of both line and central management agencies, the accountability of vote holders,

[19] SIFMIS will not automatically be implemented in each participating state.

rules on debt and the creation of special funds, financial reporting requirements, the treasury functions of the Accountant-General and powers of the Legislature.

23. **Detailed activities will include:** (i) reviewing of existing finance management legislations in the states; (ii) updating of financial regulations of the states; (iii) drafting of a new laws and regulations, where applicable, (iv) organizing a series of sensitization seminars on public finance reforms, both inside and outside the public sector; (v) sensitizing CSOs in the new finance law and regulations so they can monitor their implementation; (vi) disseminating the new legislation (as handbooks or dissemination materials) in the relevant government agencies.

Implementation

24. This sub-component will be implemented under the technical coordination of the Ministry of Finance.

Expected results

25. No later than two years following Project effectiveness, each state government will have reviewed and drafted a new public finance legislation and presented to the State legislature for consideration. Where applicable, a major effort to train staff and disseminate the new laws and regulations will have been made within and outside the public sector, and staff trained. Dissemination activities will include seminars for members of the state legislature, Commissioners, Vote Controllers and, Directors of Finance from the various MDAs, the business community and representatives of civil society organizations (CSOs); and Local Government officials.

B.2. Budget Reforms (US$8.05 million)

26. **Reform Objectives**: The states have development plans but do not contain fully costed initiatives within a multi-year perspective to achieve the set goals. There are significant deviations between the amounts budgeted and the actual expenditure. The objectives of this sub-component are to (i) strengthen State Government capacity to make and execute budgets which are fiscally sustainable, adequately funded priority programs and devoid of wasteful spending, and (ii) enable the states to contribute to Nigeria's fiscal and monetary policy objectives. In this connection, the Fiscal Responsibility Act at the federal level requires a higher standard of fiscal management and transparency. This, in turn, will require a corresponding improvement in budget management capacity by the states.

27. Activities under this sub-component will include: Strengthening budget execution and monitoring processes; instituting a Multi-Year Budget Framework (MYBF) in Rivers, Edo and Delta States, as the basis for annual budget preparation and execution which also provides a three year perspective for aggregate revenue and expenditure, both recurrent and capital. This would require selected pilot MDAs responsible for economic and social infrastructure and services to produce medium term expenditure programs, and building the necessary capacity for MTEF and MTSS via the training of an adequate group of budget and finance staff from the central ministries and the line ministries and agencies. As well, in Rivers and Edo states, full-fledged capacity building for public investment management and in a limited form in Bayelsa and Delta,

particularly project identification and assessment would be undertaken including strengthening internal processes and the capacity of staff for analysis and screening of capital expenditure proposals.

28. This sub-component will in addition to its other objectives support capacity building for members of the Finance and Appropriation Committee(s) of the State House of Assembly to be able to properly scrutinize the budget.

29. Support to engagement of the public in budget formulation, implementation and monitoring through capacity building, engagement of CSOs and the media in budget information dissemination and analysis, and third part monitoring of budget processes (according to the standards provided by the law) and implementation (according to planned expenditure).

Implementation

30. This component will be implemented under the technical coordination of the state ministry responsible for budget matters.

Expected results

31. (i) Improved fiscal policy formulation and implementation by instituting a medium term budget framework as part of the regular economic management process; (ii) state budget allocations that reflect the stated policy priorities; (iii) robust medium term expenditure programs for selected ministries; (iv) improved budget execution through more predictable cash releases, leading to more effective service delivery; and (v) increased people's awareness of states' budget planning and implementation. Budgets based on multi-year MTEF will be presented to the SHoA starting with the 2013 budget.

B.3. Accounting, Expenditure Control and Financial Reporting. Estimated Cost: (US$4.13 million)

32. ***Reform Objectives:*** There are delays in the time taken to generate quality financial statements. This sub-component seeks to (i) provide a system of accounting that reflects accurately and in accordance with recognized accounting standards, the flow of transactions and the year-end position of financial resources of the State Governments in a timely manner and serves as a key instrument in the formulation, implementation and decision making for State Government policies; and (ii) reinstate effective expenditure control by overhauling existing processes such as commitment controls and payment authorization/approval; and (iii) improve the cash management system and procedures.

33. Activities under this sub-component will include: (i) review and modernization of the accounting and financial reporting system and the preparation of new operating procedures manuals as needed; (ii) Publication by the Ministry of Finance of aggregate budget implementation reports on a quarterly basis; and preparation of annual financial statements in accordance with International Public Sector Accounting Standards (IPSAS *cash basis*); (iii) strengthening revenue and expenditure forecasting; (iv) implementation of a cash management system; (vi) a substantial reduction in number of state bank accounts towards Treasury Single

Account (TSA); and (v) execution of appropriate training for central ministries and agency managers and staff on accounting standards, budget execution, and reporting. In additional social accountability tools such as Public Expenditure Tracking Surveys will be supported in all the states, as a means of verification of improved flow of resources to key sectors such as education and health.

Implementation
This sub-component will be implemented under the technical coordination of the Office of the State Accountant General (OAGS).

Expected results: (i) reduced deviation between budgeted and executed levels of expenditures; (ii) availability of timely and reliable financial information to assist the State Government in developing and implementing policy and assist the MDAs in the management of their portfolios; (iii) improved oversight and accountability through the State House of Assembly and CSOs; (iv) improved cash management.

Sub-Component B.4: Internal and External Audit Estimated Cost: (US$5.28 million)

34. ***Reform objectives**:* The internal audit function is quite challenged in the states; internal auditors are inexperienced, lack professionalism and independence and as a result are unable to provide assurance that state strategies will be achieved in an efficient manner. There is little evidence of follow-up on implementation of audit recommendations. This sub-component is designed to help the participating states to address the weaknesses in its internal and external audit functions. The Project will help modernize and strengthen internal and external audit structures, procedures and performance. This will include, adjusting the current legislations if necessary, automating the audit processes, clearing the backlog of unaudited annual accounts of the state, and developing the capacity of audit personnel with the assistance of experienced auditors from the private sector.

Activities under this sub-component will include:

(a) In all the states, reviewing and restructuring the Office of the State Auditor - General (OSAG) and reviewing and modernizing audit methods, techniques and reporting,

(b) Consolidating demand for an effective external audit function by (i) organizing an annual forum where the PAC/SHoA, the State Governor's Office, OSAG, the OAGS, and key MDAs, and representative of the civil society come together to discuss the issues related to external audit function in all states;

(c) The sub-component will also support capacity building for members of the Public Account Committee of the State House of Assembly, including setting audit implementation committees in MDAs and functioning secretariat for the PAC and Appropriation Committees.

Implementation

35. In each State, the Office of the State Auditor - General will have primary responsibility for the implementation of the sub-component, working closely with the state Ministry of Finance and the SHoA.

Expected results: (i) Timely publication of audited accounts of the state within six months from the end of the financial year; (ii) regular review and follow up by the SHoA; (iii) increase demand for audit and transparency in the management of public resources.

B.5 State Integrated Financial Management Information Systems (SIFMIS) (US$19.31 million)

36. ***Reform objective:*** There are no comprehensive government information system plans for most the State Governments leading to use of Information Technology (IT); the participating stats are at different stages of the application of IT in automating financial transactions. Delta state has SAP but not optimally used; Bayelsa and Edo states are also in the process of implementing Oracle based solutions, but not yet operational, while Rivers has no system in place. The component will be tailored to support states in strengthening financial controls and improve efficiency in transactions but only in states that are assed to have the interests and commitment to implement IFIMIS. The objective of this sub-component is to support the selected states with effective utilization of simple but robust Integrated Financial Management Information Systems (IFMIS) if it automation will improve financial controls and efficiency. Depending on where each state is in IFMIS, the menu of support will include: (i) human resource management and payroll, planning and budgeting, transaction processing, accounting, auditing, and reporting on the use of financial resources; and (ii) make available a reliable and unified database, which will be shared by all users, and feed both state and FGN with the information that they need respectively. The system should, however provide a basis for future expansion and adoption of key elements of the budget and financial management reform agenda (Budget Reclassification, MYBF, improved financial reporting according to International Public Sector Accounting Standards).

37. Depending on where each state is on IFMIS, the menu of activities under this sub-component will include: Support to states in implementing medium range system using technologies that are simple and user friendly. States will (i) use off-the-shelf application software packages with appropriate configuration; (ii) a common ICT infrastructure backbone will be supported for all applications supported under the project; (iii) support, where necessary, establishment of effective application, technical and PFM skills necessary to operate, and maintain the system. The approach to SIFMIS in each state shall differ depending on the level of application of IT in these states. Given where each state is on implementation of IFMIS, the timing and sequencing shall also differ in each state, even in cases where the same SIFMIS activity may be supported by the project.

38. In states where IFIMIS is supported by the project, the development of information security policy for SIFMIS and detailed operating procedures manual, as well as strategy and procedures for business continuity will be supported and implemented after review and

assessment of feasibility; this may include establishment of adequate backup mechanisms and disaster recovery sites.

Implementation

39. Under the coordination and leadership of the OAGS, the review and support to the implementation of the SIFMIS will be a joint effort of a number of agencies (budget department, accounting department, treasury, state planning commission, financial control units, computer centre, line ministries, Office of Head of Civil Service (OHCS) because of the very nature of the information system that will integrate data relating to several functions. While each state will seek to benefit from the experience of the others, the migration plans (transition from the current to the future information system) is likely to differ from one state to the other substantially as a result of differences in information technology and in house expertise.

40. In each state, an implementation team will be established to implement and support the system and to ensure that sufficient staffs are trained to operate and maintain the system. The SIFMIS will be implemented in a phased manner (development, testing, piloting, rolling out) according to clearly spelled out implementation plans designed by the implementation team with the assistance of consultants.

41. The Project selectively support SIFMIS and will include assistance to finance (i) SIFMIS Project Manager; (ii) maintenance costs; (iii) the salaries of young graduates to be competitively recruited by the states to become the main users of the SIFMIS in various MDAs (on a declining basis); and (iv) an intensive training program designed for different categories of users (in supervising role, intensive users) and specialists (data base administrators, systems administrators, programmers/analysts).

Expected results

42. A main outcome of this sub-component will be to provide each participating state with an information system and technology infrastructure that support the achievement of its economic and financial policy objectives effectively while meeting the requirement of modern and transparent business processes in the management of public financial resources. Monitorable results will include the automation of government financial systems, adoption of best practice standards, efficient processing of transactions, improved control, and timely production of quality annual financial statements.

B.6. Public Procurement Reform Estimated Cost: (US$6.24 million)

43. ***Reform Objective***: The objective of this component is to facilitate and support modern procurement institution, practices and processes similar to that at the Federal level aimed at achieving (i) increased value for money in the use of public resources (i.e. establishing due process in public procurement of goods, works and consulting services; (ii) broader participation of the private sector and transparency in the procurement process. The component will significantly enhance the achievement of the project development objective by supporting the establishment of well functioning procurement system which will provide information to support the process of budget development and execution and will benefit from the public financial

management system with regard to timely appropriations and availability of funds to support the award and payments of contracts. The component, however, aware of interests and resistance against which procurement reforms often run into during implementation and activities to be implemented will depend on what is politically feasible in each state.

44. Activities under this sub-component will include among others:

(a) ***Review and support to Regulatory and Institutional Strengthening,*** including: (i) Where necessary, review existing laws in Bayelsa, Delta and Rivers States and Edo State public procurement bill; and improve and/or develop regulations and manuals for the four States; (ii) Regular publication of tender invitations and contract awards and establish a complaints mechanism; (iii) preparation and enforcement the State standard bidding documents; (iii) Establishment of functional regulatory body, the State Public Procurement Regulatory Agency (SPPRA) including strengthening their capacity for post procurement reviews and value for money audits; (iv) Establishment of a reliable and regularly updated procurement databank in the SPPRA; (v) Establishment of Procurement Units in procuring entities.

(b) ***Procurement institutional development in the State Civil Service,*** including: (i) Professionalization of the procurement function by creating a cadre in the State civil service; (ii) procurement skills and training needs assessment for various implementing agencies as basis for preparation of a procurement training strategy and development of a procurement curriculum to be delivered by local training institutions;

(c) ***Procurement Awareness for Non-Government Actors,*** including: (i) State-wide campaigns on role of good public procurement system in the fight against corruption; (ii) demand-driven technical assistance to oversight and watchdog institutions and civil society groups to develop, build and strengthen their capacity to monitor procurement.

Implementation: In each State, the Due Process/Public Procurement Regulatory Agency or the designated responsible agency will have primary responsibility for the implementation of the subcomponent.

Expected results: (i) More effective and transparent public procurement management system for the states that enhances value for money in the use of public resources.

B.7: Reform of the State Tax Authority (Bayelsa, Delta and Edo states) (US$4.74 million)

45. ***Reform Objectives:*** The objective of this component is to help the states increase their Internally Generated Revenue (IGR) in a sustainable way by (i) broadening the tax base for state taxes and fees; (ii) reorganizing and modernizing the tax administration system; and (iii) improving efficiency and transparency in tax collection and data management processes.

46. Activities under this sub-component will include: (i) Improving tax payer registry/database with appropriate ICT infrastructure; (ii) Conduct state wide survey for the

identification of new taxpayers (Bayelsa and Delta); (iii) Review Tax Law and Develop Integrated Internal Revenue Bill (Edo and Bayelsa); (iv) Review and advise on the appropriate organizational structure for the BIR (Delta, Edo and Bayelsa); (v) Strengthen capacity of the revenue agency to conduct tax audits.

Implementation

47. In each state, the Office of the Chairman of the State Board of Internal Revenue will have primary responsibility for the implementation of the sub-component.

48. ***Expected* results**: (i) increased in internally generated revenue; (ii) improved capacity of state Board of Internal Revenue and its staff; (iii) improved efficiency in tax collection.

49. The Project support for *Public Financial Management Reforms* in the participating states will include recruitment of a Resident State PFM Reform Advisor who will be responsible to coordinate and provide independent quality assurance for all the reform activities and ensure that they are properly sequenced. The Advisor will work closely with a senior counterpart and the PFM Technical Committee and ensure knowledge transfer for the sustainability of reforms beyond the project life.

Component C: Project Management, Monitoring and Implementation Support (US$16.0 million[20])

50. **C.1 Federal Level Project Coordination (US$5.3 million):** This component will provide technical and logistical support required for coordination of the project at the federal level, including training of staff of National Project Coordination Unit (NPCU) on procurement, financial management and M&E, monitoring and evaluation activities; mid-term reviews, quality assurance support to states by the NPCU, cost of external auditing of project management, logistic support to the NPCU and limited number of priority and relevant cross-state and tracer studies during project implementation, including M&E and socio-economic impact of SEEFOR. The NPCU will also organize annual project implementation progress reviews and lesson learning events that bring together project staff, implementing agencies, key government officials and civil society groups from all four states. This sub-component will also provide capacity and logistic support to the Federal Ministry of Finance in its oversight role in Bank portfolio and monitoring projects, including participation in SEEFOR implementation support missions.

51. **C.2. Project Management and Coordination at State Level (US$8.60 million):** This sub-component will provide technical and logistical support required for project management, coordination, monitoring and implementation support at the state level. Activities will include training for staff of SPCUs (on procurement, financial management, M&E, environmental and social safeguards etc); monitoring and evaluation of project implementation, environmental and social safeguards, public access to information and complaint handling mechanisms and mid-term reviews.

---

[20] This amount includes $2m TA support to the Ministry of the Niger Delta

52. **C.3: Support to the Ministry of Niger Delta Affairs (US$2.1 million):** The MNDA was created to play a coordinating role for federal government programs in the Niger Delta region. During project preparation specific request was made to support the MNDA in two areas: (i) development of a public investment strategy for the Niger Delta Region and (ii) strengthening the capacity building of MNDA in monitoring and evaluation, including training of the staff. SEEFOR will support the MNDA in design and implementation of these two activities. MNDA will be expected to coordinate the development of the public investment strategy with the other government agencies working in the Niger Delta, such as the NDDC to build synergy and avoid duplication.

Annex 3: Implementation Arrangements

NIGERIA: State Employment and Expenditure for Results Project

1. The Project will be implemented over a period of five years. Given the decentralized nature of the Project, the institutional arrangements have been designed to:

(a) Support the basic principle of Nigerian federalism that entrust to the State Government and the State House of Assembly (SHoA) the responsibility for planning, budgeting and utilizing public resources internally generated, allocated or through credit to the state;
(b) Offer a fine balance between effective overall coordination and support at the national level and the management and implementation responsibilities of individual project components and activities at the state level;
(c) Empower the existing MDAs to oversee the execution of project activities, working in partnership with non-state actors instead of creating parallel structures outside of existing government structures, and establish support structures to provide technical support, operational assistance, and proper coordination only as necessary;
(d) Ensure that the implementing and coordinating units are properly equipped with the technical qualification and the logistical capacity to fully respond to the requirements of effective implementation, monitoring and evaluation by the states and the concerned federal agencies;
(e) Create synergy among states by sharing knowledge and providing opportunity for mutual support; and
(f) Create opportunities for the public sector to work with non-state providers of services
(g) Facilitate interaction between the Nigerian authorities, agencies and the Bank; especially the monitoring of progress for achieving the Project Development Objective, and the conducting of mid-terms reviews and ex-post evaluation by the Bank Project team.

2. The Project sets up two levels of project coordination/management and implementation arrangements: one for the individual states project implementation and another for overall project coordination at the federal level.

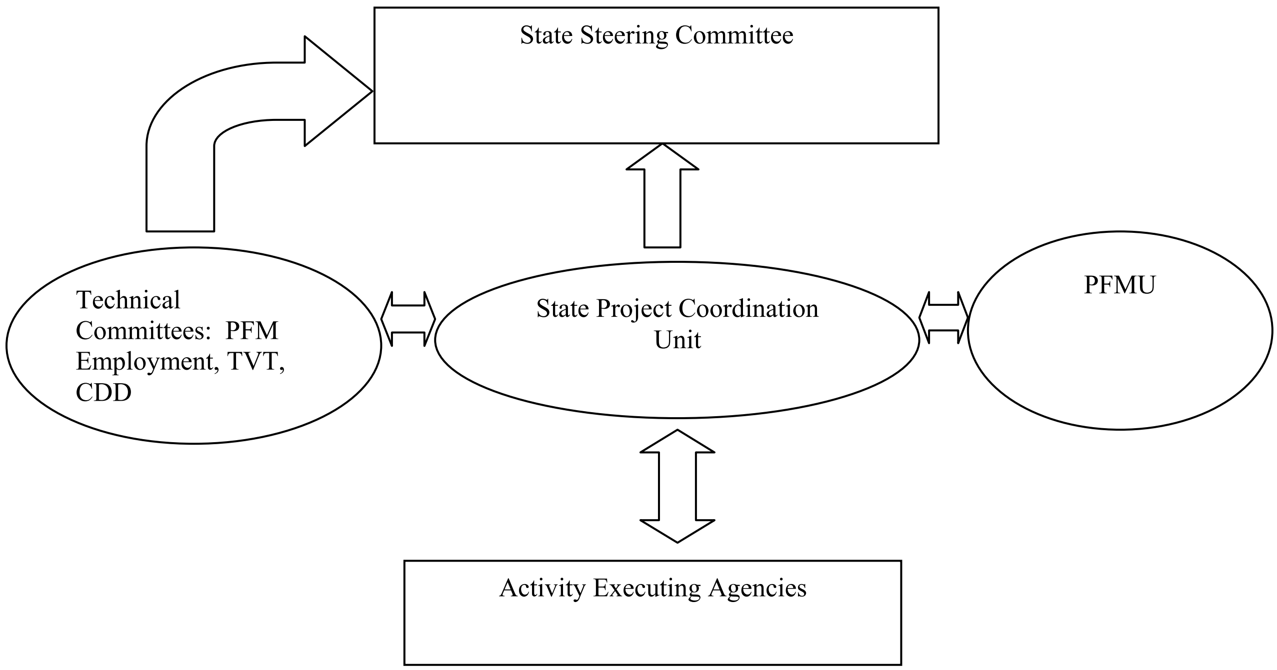
<u>Management and Implementation Arrangements at individual State Level</u>

3. Each state will have the primary responsibility for the implementation of the project at the state level. The Ministry responsible of Budget and/or Economic Planning and/or Finance will be the parent ministry with the overall responsibility for supervision of the project activities within its jurisdiction and will be accountable to the State Steering Committee of the Project. The responsible ministry in each participating state will establish the State Project Coordinating Unit as its main operational unit to manage and coordinate the project to support Activities Executing Agencies (AEAs)[21]. The arrangement for CDD will be slightly different as the component will be implemented by selected communities under the overall guidance and coordination of the

[21] AEA is a generic terms for departments or agencies already existing in the organizational structure of a given administration with a mandate that relates to a set of activities to be carried out under the Project.

Community Social Development Agency or its equivalent MDA and Fadama III institutions at the state level. The arrangements can be represented as follows:

Figure A3.1: Organogram of Project Implementation Arrangement at State Level



4. **(a) *State Steering Committee (SSC)***: Each participating state will establish a SSC as the highest decision making body for the project in the state, chaired by the Governor or his/her representative. The SSC will comprise of the Commissioners or heads of key implementing MDAs, the Head of the State Civil Service, the Accountant - General of the State, the State Auditor-General, two representatives each of Civil Society (including the main public service trade union in the state) and the State House of Assembly. The State Governor will designate the representatives of the civil society. The SSC will convene every quarter or when necessary to:

(a) Review the implementation of the State sub-project and forward its analysis and conclusions to the NPCU and IDA. This includes the review of quarterly reports prepared by the State Project Coordination Unit (SCU);
(b) Approve annual work programs and budgets for the state sub-project;
(c) Ensure that agreed performance targets and timelines of the State sub-project are met;
(d) Address critical issues hindering the implementation of the project.

The SCC will not be involved in the day to day management of the project but will provide a more strategic and policy guidance to the state project team.

5. ***(b) State Technical Committee***: The State Technical Committee (STC) will be made of project sub-component focal officers appointed by their respective heads of AEAs, who will be responsible for providing technical guidance, quality assurance and coordination of implementation of project activities within their respective AEAs. It is expected that focal officers will be technically competent and understand the issues in the sector. Three sub-committees of the STC are recommended – youth employment, technical and vocational training and public financial management. The sub-committees will be chaired by the Permanent Secretary of the respective MDAs with the main responsibility for guiding the implementation of the sub-component. For example, the Permanent Secretary (Finance) will chair the PFM Technical Committee. The STC will be expected to meet monthly to review progress and address key implementation issues and bring them to the attention of heads of agencies or the SSC.

6. ***(c) State Project Coordinating Unit*:** The SPCU will be the operational unit of the supervising ministry for the project in the state and will report to the supervising ministry of the project and the SSC. It will be headed and managed by a full-time, qualified and experienced Project Coordinator (PC). The PC will be selected by a competitive process under procedures acceptable to IDA and consistent with the guidelines for employment of government officials and civil servants stated in the Guidelines on Selection and Employment of Consultants (January, 2011). The SPCU will be responsible for the day-to-day management of operations and ensure compliance with procedures and relations with the PFMU, the SSC, NPCU and IDA.

7. The main functions of the SPCU shall include but not limited to:

(a) Provide support services to the AEAs on activities such as procurement, contract management, M&E and safeguards, in line with the rules and procedures agreed with IDA;
(b) Report to and act as the secretariat for the SSC;

(c) Prepare annual work plans, budgets, procurement plans, etc based on inputs from the AEAs, and present these to the SSC for review and approval before submitting them to the NPCU and IDA.
(d) Keep and manage project records and documents necessary for sound project management, transparency and accountability.
(e) Monitor implementation of the project at state level and prepare semester progress reports and submit them to the SSC, NPCU and IDA within stipulated timelines.

8. The PC will be responsible in ensuring that the above functions and responsibilities are carried out and will be accountable for the performance of the SPCU.

9. To enable the SPCU to perform effectively, there will be monthly coordination meetings between the Project Coordinator, the STC and the Head of the PFMU, under the chairmanship of a Commissioner or any other high official designated by the Governor as deputy chair of the SSC. The purpose of the coordination meetings will be to (i) review the monthly implementation progress reports prepared by the AEAs; (ii) hold the SPCU and AEAs accountable for delivering on set targets; (iii) address issues affecting project implementation; (iv) ensure appropriate linkage and synergy in the activities implemented by the AEAs; (v) submit consolidated annual work programs, budgets, and procurement plans to SSC for approval; (vi) review quarterly implementation progress reports to be presented to the SSC; and (vii) make recommendations to SSC on smooth and effective implementation of the sub-project.

10. The State Project Coordinator who will be at the rank of a Director (or equivalent if appointed from outside the civil service) and will be supported by a small team of officers on a full-time basis including a Procurement Officer, an Accountant, an internal auditor, an M&E Officer, a Communication Officer and an Administrative Assistant and a driver/messenger. The PC will be required to take leave of absence from the Civil Service and work full time if he is to be paid by the project. His/her selection and appointment must comply with *para. 1.11 (d) - Eligibility – of the Consultant Guidelines*, which inter alia, states that "(d) Government officials and civil servants may only be hired under consulting contracts, either as individuals or as members of a team of a consulting firm, if they: (i) are on leave of absence without pay; (ii) are not being hired by the agency they were working for immediately before going on leave; and (iii) their employment would not create a conflict of interest (see paragraph 1.9 of the said guidelines). In addition, depending on their respective needs, states will have the opportunity to hire the services of consultants under short or longer term arrangements to support the SPCU and the AEAs by overseeing specific technical aspects of the project at the state level or the sub-project as a whole.

11. Regarding the implementation arrangements within the AEAs, the head of each AEA will deploy appropriate officers (with one as the Focal Officer) to the subcomponent activities with responsibilities for the following: (i) prepare work programs, procurement plans, budgets, and submit such programs and plans and submit to the SPCU for review and consolidation; (ii) prepare and submit monthly progress reports to the SPCU; and (iii) more generally, ensure the effective implementation of the activities assigned to the AEA, in collaboration with other relevant officers in the AEA. The role of AEAs is largely technical and will not have to create new structures for the implementation of the project at state level (except for the regulatory body in the Governor's office regarding the procurement reform, if not already in place) but entrust

that responsibility to existing department and divisions according to their role and functions in the organizational structure of the AEA. It is also worth to note that, with the exception of CDD and technical and vocational training institutions that may carry our limited procurement activities, all other AEAs are expected to channel their procurement requests to the SPCU.

12. State project management and implementation arrangements are expected to be similar in the participating states, including the project financial management by the PFMU. However, the Project provides flexibility to accommodate for specific local operational environment. For instance, a given state may choose to entrust the responsibility for its sub-project implementation to a unit that is currently implementing other similar operations under national or donor financing. Also the location of the SPCU may vary. While in some states it may be felt suitable to locate the SPCU at the ministry responsible for Budget and Economic Planning, in other states the SPCU may be located in Ministry of Finance.

National Level Coordination and Monitoring Arrangements

13. The coordination and facilitation of activities at the federal level will be the responsibility of the National Project Coordination Unit located in the National Planning Commission. The main responsibilities of the NPCU will be to:

(a) provide technical support to states based on need and/or request by the states;
(b) coordinate and consolidate the information from the various implementing agencies and PFMUs and circulate an annual overall project implementation progress report;
(c) coordinate the project at national level;
(d) undertake periodic reviews, mid-term review, and impact evaluation and preparing overall project mid-term review and impact evaluation and report;
(e) coordinate, consolidate, and disseminate information from the participating states, as well as facilitate knowledge and experience sharing among the participating states;
(f) arrange for annual external audit of project finances;
(g) undertake cross-state studies on selected social and economic aspects of the Project in consultation with IDA and participating states, including impact of SEEFOR on employment;
(h) provide quality assurance of M&E reports submitted by the states and their consolidation at the federal level before submission to IDA within the stipulated period;
(i) provide regular public updates on progress, M&E results;
(j) ensure that public grievances or complaints are responded to by the appropriate authorities; and
(k) coordinate IDA and EU support to the SEEFOR project.

14. The Head of the NPCU will be a civil servant with the rank of Director. The NPCU will be required to engage a full time Project Officer to support the National Project Coordinator. The Project officer will be selected through a competitive process on the basis of job description and qualifications acceptable to IDA and supported by one administrative assistant, a procurement officer, accountant, auditor and M&E officer. The NPCU will also benefit from the experience of seasoned consultants including public finance management specialists as and when necessary. The Project Officer will be required to take leave of absence from the Civil Service and work full

time if he is to be paid by the project. His/her selection and appointment must comply with *para. 1.11 (d) - Eligibility – of the Consultant Guidelines*, which inter alia, states that "(d) Government officials and civil servants may only be hired under consulting contracts, either as individuals or as members of a team of a consulting firm, if they (i) are on leave of absence without pay; (ii) are not being hired by the agency they were working for immediately before going on leave; and (iii) their employment would not create a conflict of interest (see paragraph 1.9 of the said guidelines). The Project Officer may also be selected from internal competition from the public service but will have qualifications and experience required for the position. A budget of US$ a 4.10 million equivalent has been set aside within the project for Project coordination activities and implementation arrangements at the federal level. The NPCU will also have a sub-component activity for the support of the Ministry of Niger Delta Affairs to develop public infrastructure strategy for the Niger Delta Region, as well as strengthen M&E capacity. This sub-component will also provide capacity and logistic support to the Federal Ministry of Finance in its oversight role in Bank portfolio and monitoring projects, including participation in SEEFOR implementation support missions.

Financial Management and Disbursement Arrangement

15. A financial management assessment of the implementing entities was conducted in line with the Financial Management Manual (March 1, 2010) and the AFTFM Financial Management Assessment and Risk Rating Principles (October 2010). The objective was to determine whether the implementing entities have acceptable financial management arrangements, which will ensure: (i) that funds are used only for the intended purposes in an efficient and economic way; (ii) the preparation of accurate, reliable and timely periodic financial reports; and (iii) safeguarding of the entity's assets.

16. The overall FM risk for the Project is assessed as high. This is mainly because of the inherent risks and issues associated with CDD, not because of the control risks associated with the basic elements of the project FM arrangement. However, these inherent risks are well mitigated by the use of the PFMU, which features robust controls (internal and external). Also, the PFMUs have obtained adequate experience in managing CDD financial flows from the other projects in the portfolio and they will be given additional training. With the mitigation measures, the residual FM risk is substantial. The Financial Procedures Manual will detail adequate internal controls framework and risk management strategy that will apply to the Project, including at the community level. Regular reporting arrangements and supervision plan will also ensure that the implementation of the Project is closely monitored and that appropriate remedial actions are taken expeditiously. The FM risks will be reviewed during Project implementation and updated as appropriate.

17. The PFMUs are established in the four states through joint efforts of the Bank and government. These units are presently involved in the implementation of a number of Bank-assisted projects. The FPFMD was only recently established at the federal level in the OAGF to handle the financial management functions of all Bank-assisted projects being implemented at the Federal MDAs. The FPFMD will collaborate with the PFMUs to prepare consolidated financial reports for the project. The Bank's reviews showed that the PFMUs are performing satisfactorily. The PFMUs and FPFMD feature among other things the following: (i) all the key elements of FM, including: budgeting, funds flow, accounting, internal control, reporting and

audit; (ii) computerized system and robust FM procedures manual; (iii) relevantly qualified staff that are well-trained in relevant Bank procedures and requirements, including procurement; (iv) robust segregation of functions/duties; (v) a strong control environment, which is required to mitigate fiduciary risks; (vi) highly independent and well-trained internal auditors (vii) full alignment with the government own FM system but with some important enhancements and controls.

18. The key issues noted within the PFMUs were unretired advances and inadequate documentation for incurred eligible expenditures. These were mainly the result of application of government no retirement policy on advances and the inadequate understanding of Bank FM requirement. To mitigate the risks arising from these issues, adequate procedures for the handling of advances against expenses including remedial actions in the event of default will be elaborated in the Financial Procedures Manual (FPM) and an indicative check list of appropriate supporting documents for incurred eligible expenditures developed and included in the FPM.

19. Planning and Budgeting: Budget preparation will follow the Federal or State Governments procedures as appropriate. On an annual basis, the Project Accountant (in consultation with key members of the implementing unit) will prepare the budget for the fiscal year based on the work program. Detailed procedures for planning and budgeting will be documented in the FPM.

20. Funds Flow. Project funding will consist of IDA credit. IDA will disburse the credit and the grant through Designated Accounts (DA) opened with reputable commercial banks acceptable to IDA which will be managed by NPCU/FPFMD and SPCU/PFMU at the Federal and State levels respectively. The specific banking arrangements are as follows:

NPCU

21. **NPCU Designated Account A**: The Designated Account A will be managed by the Federal Project Financial Management Division (FPFMD) within the Office of the Accountant General of the Federation (OAGF) for the National Project Coordination Unit (NPCU) at the National Planning Commission (NPC).

22. One Current (Draw-down) account in Naira to which draw-downs from the DA for NPCU will be credited in respect of incurred eligible expenditures, maintaining balances on this account as close to zero as possible after payments.

SPCU *Designated Accounts B, C, D, and E*

23. The Designated Account B will be managed by the Delta State PFMU; Designated Account C will be managed by the Edo State PFMU; Designated Account D will be managed by the Rivers State PFMU. Designated Account E will be managed by the Bayelsa PFMU.

24. One Current (Draw-down) account in Naira to which draw-downs from the DA will be credited in respect of incurred eligible expenditures, maintaining balances on this account as close to zero as possible after payments.

Currency of Designated Account is US Dollars and the account will be segregated.

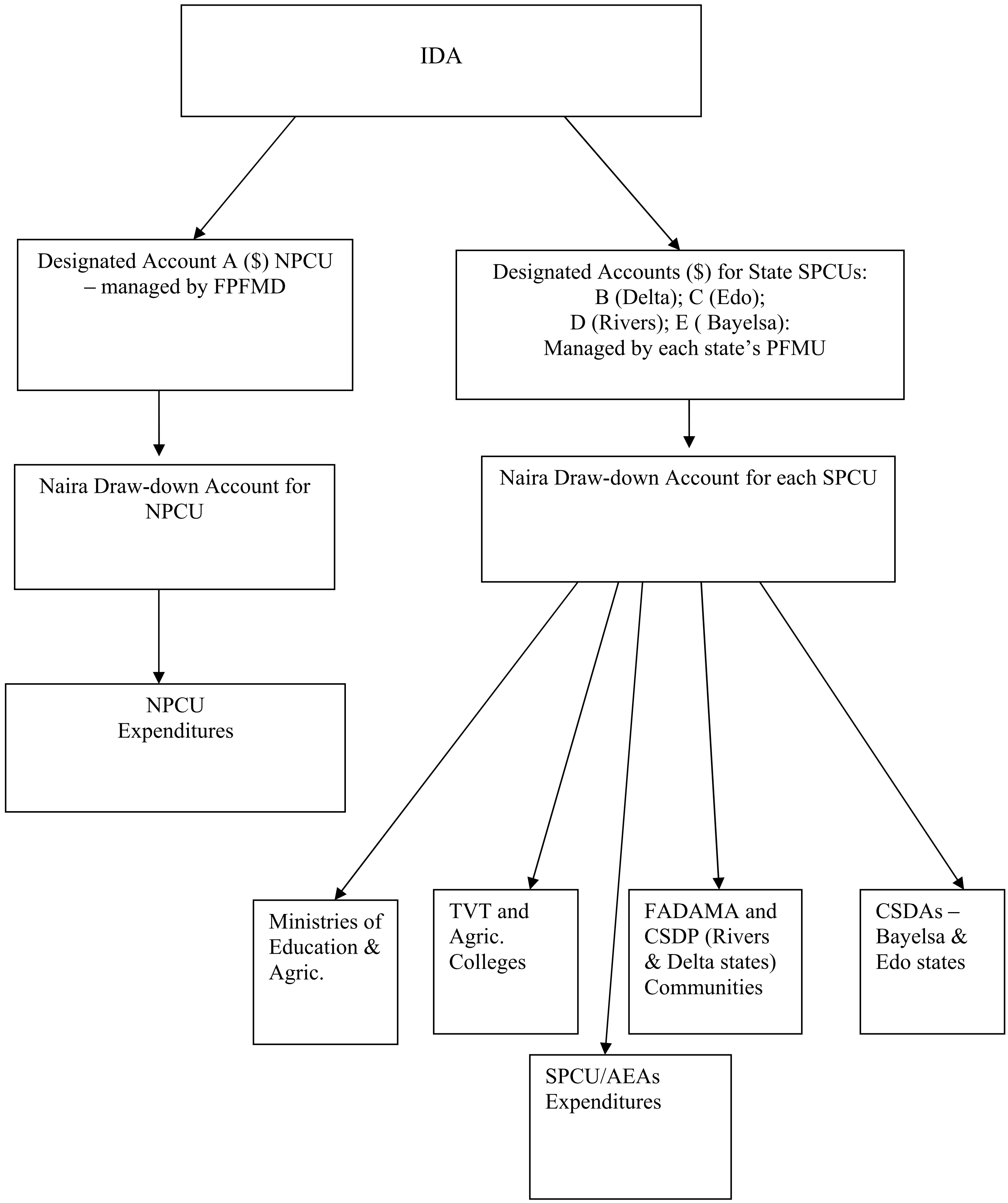
25. Accounting: IDA funds will be accounted for by the Project on a cash basis. Computerized accounting system will be used, utilizing flexible accounting software currently in use at the PFMUs. The software will be expanded to include the project activities. Annual financial statements will be prepared in accordance with relevant International Public Sector Accounting Standards (IPSAS). All accounting and control procedures will be documented in the FPM, a living document which will be subject to review as appropriate.

26. Financial Reporting: Calendar semester Interim Financial Reports (IFRs) will be prepared by the NPCU and the SPCUs. SPCUs will submit IFRs to the NPCU not later than 45 days after the semester while the NPCU will consolidate IFRs for all SPCUs and the NPCU and submit to IDA within 60 days of the end of each calendar semester. The formats of IFRs will be developed at appraisal and agreed at Negotiation. Consolidated annual project financial statements will be prepared and submitted to the Bank within 6 months of the end of the government fiscal year by the NPCU. Regular periodic returns will be made to the Federal and States Accountants General for consolidation in the government accounts.

27. Internal Control: Adequate internal controls are in place at both PFMUs and FPFMD. The control features include robust FM procedures manual, relevantly qualified staff that are well trained in relevant Bank procedures and requirements, including procurement; robust segregation of functions/duties and highly independent and well-trained internal auditors – the FM staff are appointed by each State Accountant-General and the Accountant General for the Federation. Those risks mitigation measures incorporated in FADAMA and CSDP community sub-projects and the school grant in Lagos EKO project including tranching of disbursement, FM supervision integrated with M&E to validate expenditures and physical verification of sub-projects by PIA/COO will be documented in the FPM.

28. The project will be audited by an independent external auditor appointed based on Terms of Reference acceptable to the Bank to audit the entire project and certify the consolidated financial statements for the project. The auditor will express an opinion on the Annual Consolidated Financial Statements in compliance with International Standards on Auditing (ISA).In addition to the audit report; the external auditors will prepare a Management Letter. Copy of the audited financial statements along with the ML will be submitted to IDA not later than six months after the end of each financial year.

Figure A3.2: Illustrative Funds Flow Arrangements for IDA Funds



Financial Management Action Plan

29. Actions to be taken for the project to further strengthen its financial management system are as follows:

Table A3.1: FM Action Plan

Ref No.	Action	Date due by	Responsible
1	Agreement of format of Interim Financial Report (IFR), Annual Financial Statement and External Auditors Terms of Reference	Done	SPCU/PFMU and NPCU/FPFMD with support and guidance of IDA task team.
2	Train staff in Bank FM procedures and Disbursement Guideline.	Within 90 days after effectiveness	SPCU/PFMU and NPCU/FPFMD
3	Appoint external auditor	Within 90 days after Effectiveness	NPCU/FPFMD
4	Update computerized accounting system	180 days after effectiveness	SPCU/PFMU and NPCU/FPFMD

Disbursement Arrangements

30. Designated accounts will be opened in commercial banks in Abuja, Nigeria for the NPCU; and for the States in the state capital: Benin City (Edo State); Asaba (Delta State); Yenogoa (Bayelsa state); and Port Harcourt (Rivers state), all acceptable to IDA. The project will use the transaction-based disbursement procedures at effectiveness. When project implementation begins, the calendar semester IFRs produced by the project will be reviewed. Where the reports are found adequate and produced on a timely basis and borrower request conversion to report-based disbursements, a review will be undertaken by the Bank project team to determine if the project is eligible for report-based disbursement. Details of the disbursement arrangement will be in the Disbursement Letter.

Disbursement Categories

31. The table below sets out the expenditure categories and percentages to be financed out of the credit proceeds.

Table A3.2: Expenditure Categories

Category	**Amount of the Credit Allocated expressed in SDR**	**Percentage of Expenditures to be Financed (inclusive of Taxes)**
(1) Goods, works, non-consulting services, consultants' services, training and workshops for Part A.1 of the Project	44,700,000	[100%]
(2) Goods, works, non-consulting services, consultants' services, Training, Capacity Building and Workshops and Operating Costs for Part B of the Project	31,200,000	[100%]
(3) Goods, works, non-consulting services, consultants' services, Training, Capacity Building and Workshops and Operating Costs for Part C of the Project	10,100,000	[100%]
(4) Grants for Subprojects under Part A.2 and Part A.3 of the Project	35,300,000	[100% of amounts payable under the applicable Grant Agreement]
(5) Refund of Project Preparation Advance	1,600,00	Amount payable under Section 2.07 of General Conditions
(6)Unallocated	3,300,000	
TOTAL AMOUNT	126,200,000	

Conclusion

32. The Financial Management Assessment conclusion is that subject to the mitigation measures and the action plan to be implemented as per agreed time frame, the project has met the minimum FM requirement in accordance with OP/BP 10.02. The identified actions are meant to provide guidance during implementation and a road map without being directly covenanted. Further, this objective will be sustained by ensuring that strong and robust financial management arrangements are maintained for the project throughout its duration. Detailed financial management reviews will also be carried out regularly, either within the regular proposed

supervision plan or a more frequent schedule if needed, to ensure that expenditures incurred by the project remain eligible.

Procurement Arrangements

A. General

Country Environment

33. Nigeria has been implementing a procurement reform program based on the recommendations of the 2000 Country Procurement Assessment Review (CPAR). A review of the progress made on the 2000 CPAR recommendations as reflected in 2007 PEMFAR shows that reforms has brought about substantial improvements in obtaining value for money in the public expenditure. It further introduced some level of transparency into the country's procurement process which has led to substantial reduction of contract prices. The regulatory agency, the Bureau of Public Procurement, has been established while the National Council on Establishments issued a circular in 2008 for the creation of procurement professional cadre at both the Federal and State levels. The States are now in the process of establishing such cadre in their civil service. The Public Procurement Act was promulgated in Nigeria in May 2007 to improve the legal and regulatory framework for public procurement, which has often been the subject of abuse and corruption. The Act adheres to the principles of the UNCITRAL model law, and outlines the principles of open competition, transparent procurement procedures, clear evaluation criteria, award of contract to the lowest evaluated tender, and contract signature. The legislative framework is applicable to all procurement categories (suppliers, contractors, consultants) and must be applied for all public funds regardless of value. The Act has provisions for exceptions to competitive tendering. Also, Government has already prepared relevant implementation Regulations, Standard Bidding Documents (SBD) and Manuals for the Procurement of Goods, Works and Consulting Services, which describes the minimum contents of the tender and proposal documents. The essential elements are in line with internationally acceptable procurement standards. The Procurement Act also provides for complaints and appeals mechanism to be established to enhance accountability.

34. Three of the participating states (Bayelsa, Delta and Rivers) have enacted the public procurement law while Edo State is in the process of doing so. The State laws are modeled on the Federal law and therefore the weaknesses in the current Federal law have been passed down to the State laws. As a result, there is need to amend some of the provisions of the laws for them to meet internationally acceptable standards.

35. ***Procurement Risk at the Country level*****:** with the substantial progress in procurement reforms as described above, procurement risk such as capacity, fraud and corruption etc are being addressed. The BPP has organized series of trainings and awareness workshops to sensitize the stakeholders about the current procurement processes. Currently, the Government Procurement Reform Program is being supported by an IDA Credit-ERGP with a substantial component focusing on procurement reforms. There are also three IDF Grants, to assist Federal and two State Governments address the weak procurement capacity in the public sector and to build appropriate partnership with the private sector, while up to 16 states are also supported under two IDA projects – State Governance and Capacity Building I and II. The project instrument has been used by the government to prepare the relevant procurement tools mentioned above.

36. ***Implementation Arrangement at Federal Level***: The NPCU at the National Planning Commission will have overall responsibility for project coordination. The main responsibility of the NPCU is detailed out in paragraph 11 of Annex 3. A procurement subunit will be established within the NPCU which will be responsible for handling procurement for the NPCU. States will handle their own procurement.

37. **Implementation Arrangements at State Level**: Each participating State will constitute State Steering Committee (SSC) chaired by the Governor or his/her representative which will provide overall oversight for the project in the state. The SSC will comprise of the Commissioners or heads of key implementing MDAs, Head of State Civil Service, the Accountant – General of the State, the State Auditor – General, two representatives each of Civil Society (including main public service trade union in the state) and State House of Assembly. Details functions of the SSC are as presented in paragraph 4 of Annex 3. Also a State Project Coordinating Unit headed and managed by a full time, qualified and experienced State Project Coordinator has been established in the participating States. The SPCU will be responsible for day to day oversight of operations, compliance with procedures and relations with FPMU, SSC, and IDA. A procurement subunit will be established within the SPCU.

38. **Implementation Arrangement for the CDD component**: The Implementing Agencies in Bayelsa and Edo States will be the Fadama and CSDAs in the states. The Bayelsa and Edo CSDAs are already implementing Bank funded CSDPs and are thus familiar with the Bank Procurement Guidelines. The implementing arrangements for the CDD- social in Delta and Rivers States will be determined based on the assessment of existing MDAs responsible for community development in the two states.

39. A Local Government Review Committee (LGRC) will be established in each participating LGA (where this does not currently exist) and will serve as an institutional mechanism to establish and nurture a partnership between the LGA and communities. The Committee will have functions similar to those of the LGRC of CSDP.

40. The day to day implementation of project activities particularly community micro-projects, will be managed by the communities. Each community that will receive funding from the credit through the State Agencies will need to demonstrate to the satisfaction of the State agency that it has the capacity and satisfactory implementation arrangements to execute the activities as described in its proposal. Implementation activities at the community level will also follow as much as possible acceptable procurement practices and regulation within the predefined procurement manual for community based projects adapted from the Bank's procurement, Financial Management and Disbursement Procedures under CDD projects and similar to the one for the CSDP and FADAMA III. As much as practicable, communities benefiting from the credit will install bill-boards at site of their micro-project intervention showing information such as name of beneficiaries, scope and amount of subproject, management committee contact information, start and end date of subprojects. The cost for this should be included in the proposal submitted by the beneficiaries to ensure that this provision is adequately funded and complied with.

A. Guidelines

41. Procurement under the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants" dated January 2011 and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants" dated January 2011 and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the World Bank in the Procurement Plan. Procurement under the proposed EU grant will also use the same guidelines as the IDA credit. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

42. **Procurement of Works**: Procurement of works is not envisaged at Federal level; however there will be procurement of small works at the state level in form of small public works, like maintenance of township roads, construction of culverts and drainages, etc. Procurement of these small public works will be carried out using the shopping procedures as detailed in paragraph 3.5 of the Guidelines: Procurement under IBRD Loans and IDA Credits" & Grants dated January 2011, and the Guidance on Shopping Memorandum" issued by IDA, June 9, 2000 or as may be amended from time to time. Although the shopping procedure will be used, it will be important to ensure that appropriate documentation is attached to the solicitation letter. Such documentation will include: bills of quantity, technical specifications, drawings and draft contract. The use of shopping procedure is intended to serve the objective of ensuring that employment is provided to the local people.

43. **Procurement of Goods**: Goods procured under the project would include vehicles, office equipment, computers for the NPCU and SPCUs. Procurement of Goods will be carried out using the Bank's SBD for all ICB. The National SBD already developed and in use at the Federal level will be adapted by the States and be used for NCB. Procurement for readily available off-the-shelf goods that cannot be grou*ped, or standard specificatio*n commodities for individual contracts of less than US$50,000 equivalent, may be procured under shopping procedures as detailed in paragraph 3.5 of the "Guidelines: Procurement under IBRD Loans and IDA Credits" January 2011); and the Guidance on Shopping Memorandum" issued by IDA, June 9, 2000 or as may be amended from time to time. The procurement procedures and SBDs to be used for each procurement method, as well as model contracts for works and goods procured, are presented in the *Project Implementation Manual.*

44. **Procurement of Information Technology:** Procurement of information technology system under the project will include the State Integrated Financial Management Information System. This will be carried out using the Bank's SBD for Procurement of Information Systems – single stage, since the use of off-the-shelve application software packages with appropriate configuration is being envisaged.

45. **Selection of Consultants**: Consultancy services that will be provided under the project and includes the following categories: software development, studies, staff audit and verification, service-wide data collection, development of service data standards for publi**c**

service, development of standard documents, etc., from firms and individuals would be selected using Requests for Expressions of Interest, short lists of consultants and the Bank's Standard Request for Proposals (SRFP), where required by the Bank's Guidelines, "Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants" dated January 2011. Short lists of consultants for services estimated to cost less than US$200,000 equivalent per contract may comp*ose entirely of national cons*ultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. The appropriate selection method for each consulting contract would be established in the Procurement Plan. All terms of reference for consultancies shall be submitted to IDA for clearance.

46. **Operating *Costs:*** The operating costs shall include staff travel expenditures and other travel related allowances with prior clearance from IDA; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; utilities and com*munication expenses; and bank* charges. Operating Costs financed by the project will be procured using the federal/NPC's and individual State's administrative procedures that are acceptable to the Bank.

47. **Training, Capacity Building and Workshops**: The NPCU and the SPCU shall submit their annual training plans to IDA for clearance. The plans shall include among other things the names of the officers to be trained, the training institutions/facilitators, the course content, justification for the training, the estimated cost, etc.

C. Assessment of the agency's capacity to implement procurement

48. A capacity assessment of the following agencies was carried out: National Project Coordinating Unit at the National Planning Commission; and the State Project Coordinating Units in Rivers, Bayelsa, Edo and Delta States that will implement the project. The assessment was carried out in relation to organization, facilities and support capacity, staffing, professional experience, record keeping and filing system, and capacity to meet the Bank's procurement reporting requirements.

49. In Delta, Rivers and Edo States, the designated Procurement Officers have some knowledge of procurement but have no specific experience in World Bank procurement; as a result it will be necessary to engage the services of Procurement Consultants with experience in World Bank procurement for the first year of project implementation to set up the Procurement Unit and give hands on training to the Procurement Officers. The Procurement Officers will require training on continuous basis. In Bayelsa State, the designated Procurement Officer previously worked on two World Bank funded project as assistant Procurement Officer and has cumulative experience of nine years in Bank's procurement. He will, however, need refresher course in Bank's procurement, having been redeployed to the main ministry at the close of the project where he worked as procurement officer.

50. The National Planning Commission has partially set up the National Project Coordinating unit, but the NPCU has to be fully staffed and trained by project effectiveness. The Procurement Officer is not experienced and needs to be trained. The NPC is currently implementing an ERGP component but procurement capacity is very weak. Therefore, a Procurement Consultant with experience in World Bank procurement should be engaged for the NPCU for the first year

of project implementation to set up the procurement and train the procurement officers that will be identified by the National Planning Commission.

Table A3.3: Procurement Risk Assessment and Mitigation Action Plan

S/N	RISK	MITIGATION ACTION	Responsibility	Action Due Date	Remarks
1	Inadequate procurement capacity	Recruit Procurement Consultants to support Procurement Officers	NPC/Rivers/ Edo/Delta States	Within 3 months of effectiveness	Bank's clearance required
2	Poor Record Keeping System	Establish a procurement records management system and train staff in records management	NPCU/All SPCUs	Within 3 months of Effectiveness	Training will be Continuous
3	Lack of procurement manual	Prepare Procurement Manual as part of the Project Implementation Manual (PIM)	NPCU/All SPCUs and Communities	Before Effectiveness	
4	Inadequate procurement skills of the existing procurement staff	Train Procurement staff through workshops and institutional training	NPCU/All SPCUs	Immediately after credit effectiveness and during project implementation	Continuous
5	Lack of contract administration skills	Organize contract administration training for staff	NPCU/All SPCUs	Not later than 3 months into project implementation	To improve project staff contract administratio n skills
6	Lack of knowledge on the Bank's procurement tracking system	Train procurement staff on Procurement tracking system	NPCU/All SPCUs	By Effectiveness	

D. Procurement Plan

51. The government, at appraisal, drafted an 18-month procurement plan for project implementation which provides the basis for the procurement methods. This plan was concluded and agreed on by the government and the project team at negotiations. It will be available in the project's database and in the Bank's external website. The Procurement Plan will be updated annually in agreement with the Project Team or as required to reflect the actual project implementation needs and improvements in institutional capacity.

52. **Publication of Results and Debriefing:** Publication of contract awards would be required for all ICB, NC, Direct Contracting and Selection of Consultants for contracts exceeding a value of US$200,000. In addition, where prequalification has taken place, the list of prequalified bidders will be published. With regard to ICB, and large value consulting contracts, the implementing agencies would be required to publish of contract awards as soon as the Bank has issued its "no objection" notice on the recommended award. With regard to Direct Contracting and NCB, publication of contract awards could be aggregated and published on a quarterly basis in local newspapers. All consultants competing for an assignment involving the submission of separate technical and financial proposals, irrespective of its estimated contract value, should be informed of the result of the technical evaluation (number of points that each firm received), before the opening of the financial proposals. The implementing agencies of the Borrower would be required to offer debriefings to unsuccessful bidders and consultants.

53. **Fraud, Coercion and Corruption**: All procuring entities as well as bidders, contractors, suppliers and consultants shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with the "Guidelines on Preventing and Combating Fraud and Corruption in Projects financed by the IBRD loans and IDA credits and Grants", dated October 15, 2006 and revised January 2011.

E. Procurement Reviews and Thresholds:
Thresholds

Table A3.4: Thresholds for Procurement Methods and Prior Review

No	Expenditure Category	Contract Value Threshold** (US$)	Procurement Method	Contracts Subject to Prior Review (US$)
1	Works	C > 5,000,000	ICB	All Contracts
		100,000 < C ≤ 5,000,000	NCB	None
		C ≤ 100,000	Shopping	None
		All values	Direct Contracting	All contracts
2	Goods and Services (other than Consulting Services	C ≥ 750,000	ICB	All Contracts
		50,000 ≤ C < 750,000	NCB	None
		C< 50,000	Shopping	None
		All values	Direct Contracting	All Contracts
3	IT Systems, and Non-consulting Services	C ≥ 750,000	ICB	All Contracts
		50,000 ≤ C < 750,000	NCB	None
4	Consulting Services	C ≥ 200,000 firms	All	All Contracts
		C < 200,000	All	Only TORs
		C ≥ 50,000 individuals	IC	All contracts
		C < 50,000 individuals	IC	TORs
		All Values	Single Source Selection	All Contracts
5	Training, Workshops, Study Tours	All Values	To be based on Annual Work Plan & Budgets	
	[Community Participation in Procurement acceptable to the Association and described in the PIM]			

**These thresholds are for the purposes of the initial procurement plan. The thresholds will be revised periodically based on re-assessment of risks.

F. Frequency of Procurement Supervision

54. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended supervision missions at least once a year to visit the field to carry out post review of procurement actions. The procurement post-reviews should cover at least 20 percent of contracts subject to post-review.

Annex 1: Operational Risk Assessment Framework (ORAF)

NIGERIA: State Employment and Expenditure for Results Project

---

1. Project Stakeholder Risks	Rating	Moderate		
Description: The Federal Government recognizes the Niger Delta region as one of its key priorities and the project has support from both federal and state levels. However, commitment at federal level is evolving. Some donors (e.g. EU and DFID) and international oil companies (IOCs) have shown interest in the project and its objectives. The EU has committed to providing complementary financing of about 80 million Euros to be managed by the Bank. DFID is interested in financing some parallel activities in social accountability and under the GPF. Unemployed youths and communities are key stakeholders; some youths and communities may feel left out create and conflict.	Risk Management: The team will review other donors' support, seeking to build synergies and complementarities. The EU's grant is being processed and will complement the IDA credit. However, the achievement of the PDO is not dependent on the EU grant. The Financing Plan and targets in the results framework will be adjusted accordingly when the grant is available. No commitment to partnership with OICs at this stage and position will be reviewed during implementation. The project will develop a communication strategy to explain the criteria for choice of beneficiaries and why it is not possible to address the needs of all stakeholders by this project. Develop conflict management mechanism at project level			
	Resp: Bank and Client	Stage: Implementation	Due Date : on-going	Status: ongoing
3. Implementing Agency Risks (including fiduciary)				
3.1. Capacity	Rating:	Substantial		
Description: *Capacity:* Uneven capacity of implementing agencies across states. Some implementing agencies are relatively new to Bank projects, especially on FM and procurement issues	Risk Management: The project itself will finance capacity building in implementing agencies and provide technical assistance. The project will support capacity building in critical areas such as procurement, FM and M&E, including use of short-term consultants to provide hands-on support. PPA will be used initially to provide capacity building support prior to effectiveness. Procurement, FM and Project implementation manuals have been prepared to guide project teams in implementation prior to effectiveness. Existing CDD project arrangements will be used to implement the CDD component and grants to schools will be guided by operational manual in the use of grants. School-based management committees will be trained to oversee use of grants.			
	Resp: Client	Stage: Preparation &	Due Date : July 2, 2012	Status: on-going

		implementation		
3.2. Governance	Rating:	High		
Description: Ownership and commitment is relatively strong, especially at the state level. Elections are expected in Edo and Bayelsa states in 2012 and could potentially distract Government attention and slow down project implementation. PFM and accountability systems are relatively weak.	Risk Management: Regular engagement with Government counterparts and meetings with relevant technocrats to track progress. There is complementary TA to engage civil society to monitor progress. SEEFOR will support PFM reforms. Decision makers/Heads of MDAs in key IAs form the State Project Steering Committee to provide oversight and demand accountability of IAs. Involvement of CSOs in project monitoring. Regular FM and Procurement reviews and supervision.			
	Resp: Bank Team and SPCUs	Stage: Preparation and Implementation	Due Date : Ongoing	Status: ongoing
4. Project Risks				
4.1. Design	Rating:	Substantial		
Description: Complex multi-sectoral project with several activity implementing agencies. Coordination is complex. M&E capacity is weak and may be a risk to project monitoring.	Risk Management: Project design and components are based on successful projects in Nigeria portfolio. The implementation and supervision of the project will be decentralized to teams in SDN and HDN with a lead for each sub-component. PPF will be used to strengthen project management capacity and other preparatory needs prior to effectiveness. This will include strengthening M&E capacity in the SPCU and in the AEAs. Complex components such as IFIMIS will be implemented in phases with a few MDAs as pilots.			
	Resp: Bank & Client	Stage: Implementation	Due Date : ongoing	Status: ongoing
4.2. Social & Environmental	Rating:	Low		
Description: The project is a category B project and the potential environmental and social impacts are expected to be minor, non-cumulative and site specific that can be managed to acceptable level. There are adequate legal and institutional frameworks in the country to ensure compliance with World Bank safeguard policies triggered	Risk Management: An Environmental and Social Management Framework and a Resettlement Policy Framework (RPF) have been prepared, consulted upon, and disclosed in-country and at Info-Shop. The ESMF includes a social assessment that highlights key issues and mitigation measures. The project will allocate funds for implementation and monitoring of safeguards			
	Resp: Client	Stage: Implementation	Due Date : ongoing	Status: ongoing
4.3. Program & Donor	Rating:	Low		
Description: The project is consistent with the Nigeria Country Partnership Strategy (2010-2013), jointly prepared by the Bank, UK DFID and USAID. The EU is complementing IDA's $200m finance with a grant of about $110m. DFID plans to provide TA on PFM to support EDO State DPO for a year as stop-gap arrangement until SEEFOR is effective.	Risk Management: As much as possible the project will be coordinated with other donor interventions in the same area. The EU grant will be used to scale up Components A and B without a risk to the PDO if it fails to materialize. The financing plan and results framework will be adjusted when the EU grant is made available.			
	Resp: Partners/Bank	Stage: ongoing	Due Date :ongoing	Status: July 2, 2012
4.4. Delivery Monitoring & Sustainability	Rating:	Substantial		
Description: Both the state and federal governments are keen that the Bank provides support to the Niger Delta states. M&E capacity is weak but would be developed. Weak maintenance culture poses a risk to assets beyond project closing. States have made financial commitments but this	Risk Management: The project will make significant investments in strengthening the technical and institutional capabilities of the implementing agencies and their staff, including training and logistic support. For financial sustainability, the states have committed to making contributions and will be required to budget for recurrent and maintenance costs ahead of project closing date. States have committed to contributing $650,000 to $1miilion			

need to be in the budget to secure sustainability.	per year per state to SEEFOR and will be encouraged to increase this in the last two years of the project.			
	Resp: SPCUs and NPCU	Stage: Implementation	Due Date : ongoing	Status: ongoing
4.5. Other: Security in the Niger Delta Region	Rating: High			
Description: Despite the amnesty, the Niger Delta region remains volatile; sporadic militant actions and insecurity may affect project implementation and supervision in affected areas.	Risk Management: Alternative implementation support arrangements will be made, including inviting project teams to more secure locations outside affected states. The team will continue to monitor the situation and adjust supervision and implementation strategies if necessary.			
	Resp: World Bank team	Stage: implementation	Due Date : TBC	Status: TBC
5. Implementing Risk Rating : High				

Annex 5: Implementation Support Plan

NIGERIA: State Employment and Expenditure for Results Project

1. A Strategy and approach for Project Implementation Support (ISP) has been designed to address client implementation capacities and characteristics. The approach takes into account the varying capacities across the participating states and the NPCU, the political economy context and risks and challenges mentioned in the ORAF. In particular the following dimensions have been considered in the design of the strategy:

Key aspects to be considered in the design of the ISP strategy included:

(a) The level of decentralization of project management and implementation with states and activity executing agencies responsible for implementation in each state and a national project coordinating unit at the federal level responsible for inter-state coordination and support.
(b) The main operational risks are related to capacity and fiduciary risks, as well political environment. Although all the states have Bank-funded projects most of the implementing agencies and project units are relatively new to Bank FM and procurement systems. Each State has established PFMU to project manage funds.
(c) Flexibility in design and financing plan to take account of what states are doing themselves and incentives to performance in project implementation.
(d) The level and frequency of Bank fiduciary oversight and implementation support, including arrangements for prior and post reviews.

2. Specific provisions have also been considered to guarantee sound fiduciary and safeguard oversight:

- **Procurement:** Procurement implementation support by the Bank will include: i) providing training to the NPCU and SPCU; ii) providing detailed guidance on the Bank's Procurement Guidelines to the Procurement Units in each state supporting the project to prepare detailed procurement manual; iii) reviewing procurement documents and providing timely feedback to the SPCUs and NPCU; iv) monitoring procurement progress against the Procurement Plan; and (v) States engaging procurement consultants to support SPCUs for at least first 6 months of project implementation.

- **Environmental and Social Safeguards:** The Bank team will closely supervise implementation of the Environmental Management Framework, e.g. related activity screening and EA processes, Environmental Management Plans (EMPs) and Resettlement Policy Framework. The team will provide timely guidance to address any safeguards related issue that might rise.

- **Financial management:** The Bank supervision team will: i) provide training to the SPCUs and NPCU financial management unit and the Project team; and ii) review the project's financial management system and its adherence to the Project Operations Manual, including but not limited to, accounting, reporting and internal controls. The States already have Project Finance Management Units (PFMUs) with qualified and trained staff.

Implementation Support Plan

3. **General Supervision inputs:** There will be up to 3 formal implementation support mission per year in the first 18 months of the project complemented by a series of trouble shooting missions to specific states with Bank staff deployed according to the issues and need. Apart from the TTL, the current team composition include sector specialists from PREM, HD, SD and fiduciary staff based in the Nigeria Country Office in Abuja will help to provide intensive project implementation support. In addition, team members based in the country office and at headquarters will provide regular supervision of all operational aspects, as well as coordination with the client and among Bank team members.

4. **Fiduciary inputs**: The project will provide training of project staff with the support of the Bank's financial management and procurement specialists before commencement of Project implementation/effectiveness. A Project Preparation Advance will be used to provide such support prior to project effectiveness. The Bank team will continue to support the NPCU and SPCUs to identify capacity building needs to strengthen overall Project implementation, with an emphasis on fiduciary aspects. Both the Financial Management and the Procurement Specialists are based in the Nigeria Country Office in Abuja and this will allow for timely support. Formal supervision of project implementation and financial management will be carried out three times a year in the first 18 months and then semi-annually or as needed, while procurement supervision will be carried out on a timely basis as required by the client. As indicated in the above approach, the proposed procurement approach will also allow reducing the proportion of procurement staff required for the supervision (after the initial phase of selection of contractors). The SPCUs and NPCU will be supported by experienced procurement consultants for at least 6 months.

5. **Safeguards inputs:** Inputs from Bank environmental specialists will be essential, though SEEFOR is a category B project. With respect to the environmental safeguards, supervision will focus on implementation of the ESMF and RPF as applicable. ESIAs/EMPs and/or RAPs will be prepared as and when necessary during implementation. All states have appointed safeguard officers that have cleared by the Bank and these officers will receive training and support from the Bank's environment and safeguard specialists.

6. **Sector & Technical inputs**. Given the fiduciary and implementation arrangements mentioned in the section approach, the supervision will be strongly focused on those Sector/Technical aspects. The objective of the team is to maintain continuity and a regular dialogue between the Government counterparts and the technical specialists. The main focus of implementation support is summarized in the table below.

Table A5.1: Implementation Support Summary

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	1. Develop contract administration skills at the state level SPCUs. 2. Effectively coordinate decentralized project implementation arrangement involving multiple MDAs. 3. Respond to uneven capacities of implementing agencies including capacity building in procurement, FM and monitoring and evaluation. 4. Provide support to State and federal procurement units 5. External auditing of project	1. contracts management skills for 10 project staff 2. Project Coordinators at the State levels with background knowledge and experience in procurement and project management 3. Procurement, FM, M&E and project management skills. 4. Procurement Consultants 5. Certified Accountant	70,000 150,000 At least 6 months consultancy support spread over 12 months. 30 days/year over 5 years USD 150,000	
12-48 months	6. Update computerized accounting system. Use of existing Bank approved firm/trainer	6. Requires skills in IT and accounting.	USD 100,000	
Other				

II. Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Public Sector Specialists (Budget, Tax and Legislations)	8(4x2)	2/3 per year	Based in Abuja office, 3 trips per year in the first 12-18 months, thereafter 2 trips per year
PFM Specialist (Audit, Accounting and SIFIMIS)	5	2/3 per year	Based in Abuja office; 3 trips year in first 12-18 months, thereafter 2 per year.
Education Specialist	5	2/3 per year	Based in Abuja office; 3 trips per year in first 12-18 months, thereafter 2 per year.
Employment /Labor Specialist	8	3 per year	Part of supervision team
Social Protection Specialist	4	2 per year	Based in Abuja Office/may combine supervision with CSDP
Procurement Specialist(Technical and public works)	4	2 per year	Based in Abuja Office
Agriculture Specialists	4	2 per year	Based in Abuja Office/may combine supervision with FADAMA project
Social Development/Social Accountability Specialist	4	As necessary	Based in Abuja Office
Environment Specialist	3	As necessary	Based in Abuja Office
FM Specialist and Disbursement Specialist	3	As necessary	Based in Abuja Office
Procurement Specialist (Fiduciary)	4	As necessary	Based in Abuja Office
M&E Specialist	3	As necessary	Based in Abuja Office
Task Team Leader	18	3 per year and as necessary.	3 per year in first 12-18 months. To be based in Nairobi with gradual transition to new TTL based in Abuja Office by end of 2012.

III. Partners

Name	Institution/Country	Role
European Union	Abuja Office	Will provide grants equivalent to about $100m to complement IDA credit for SEEFOR; participation in supervision missions, annual and mid-term reviews.