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**INTERNATIONAL DEVELOPMENT ASSOCIATION
COUNTRY PARTNERSHIP STRATEGY
FOR THE
FEDERAL REPUBLIC OF NIGERIA**

(2010-2013)

July 2, 2009

**African Development Bank
UK Department for International Development
United States Agency for International Development
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CURRENCY EQUIVALENTS (June 12, 2009)

Currency Unit	=	Nigerian Naira (₦)
US\$1	=	₦ 148.0
1 Naira	=	0.01 US\$

FISCAL YEAR
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ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities	LSMS	Living Standards Measurement Survey
ADF	African Development Fund	M&E	Monitoring and Evaluation
AfDB	African Development Bank	MSME	Micro, Small Medium Enterprises
BPP	Bureau of Public Procurement	MTE	Medium Term Expenditure
BRT	Bus Rapid Transit	MTSFS	Medium Term Sector Financing Strategy
CAE	Country Assistance Evaluation	MDAs	Ministries, Department, and Agencies
CBO	Community Based Organizations	MDGs	Millennium Development Goals
CBN	Central Bank of Nigeria	MOU	Memorandum of Understanding
CCT	Conditional Cash Transfers	NACA	National Agency for the Control of AIDS
CDD	Community Driven Development	NBS	National Bureau of Statistics
CIR	Country Impact Review	NCAA	National Civil Aviation Authority
CPIA	Country Policy and Institutional Assessment	NEEDS	National Economic Empowerment and Development Strategy
CPS	Country Partnership Strategy	NERC	Nigeria Electricity Regulatory Commission
CPSCR	Country Partnership Strategy Completion Report	NGO	Non Governmental Organization
CSO	Civil Society Organizations	NER	Net Enrollment Rate
DFID	Department for International Development	NEITI	Nigeria Extractive Industries Transparency Initiative
DPOs	Development Policy Operations	NPC	National Planning Commission
DSA	Debt Sustainability Analysis	NSDS	National Statistics Development Strategy
ECA	Excess Crude Account	PEPFAR	President's Emergency Plan for AIDS Relief
ECOWAS	Economic Community of West African States	PER	Public Expenditure Review
EFCC	Economic and Financial Crimes Commission	PFM	Public Financial Management
EITI	Extractive Industries Transparency Initiative	PHC	Primary Health Care
EMCAP	Economic Management and Capacity Project	PHCN	Primary Health Care Network
ERGP	Economic Reform and Governance Project	PPP	Public Private Partnership
ESW	Economic and Sector Work	PRG	Partial Risk Guarantee
FCT	Federal Capital Territory	PropCom	Promoting Propoor Opportunities through Agricultural Commodities and Service Market Project
FDI	Foreign Direct Investment	RAMP	Rural Access and Mobility Project
FGN	Federal Government of Nigeria	SACA	State Action Committee on AIDS
FMoF	Federal Ministry of Finance	SAVI	State Accountability and Voice Initiative
FSS	Financial System Strategy	SDPO	State Development Policy Operation
GDP	Gross Domestic Product	SEEDS	State Economic Empowerment and Development Strategy
GEF	Global Environmental Facility	SGCBP	State Governance and Capacity Building Project
GEMS	Growth and Employment in States	SJG	Security, Justice and Growth
GEP	Girls' Education Program	SNAP	Strengthening the National Assembly Program
HD	Human Development	SPARC	State Partnership for Accountability, Responsiveness and Capacity
ICP	Investment Climate Program	SWAp	Sector-Wide Approach
ICT	Information and Communication Technologies	TA	Technical Assistance
IDA	International Development Association	TPA	Ten Point Agenda
IEG	Independent Evaluation Group	UNICEF	United Nations Children's Fund
IFC	International Finance Corporation	USAID	United States Agency for International Development
IGR	Internally Generated Revenue	VCT	Voluntary Counseling and Testing
JMT	Joint Management Team		
JS	Junior Secondary		
LEEMP	Local Empowerment and Environmental Management Program		
LPS	Lagos Partnership Strategy		

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THE FEDERAL REPUBLIC OF NIGERIA
COUNTRY PARTNERSHIP STRATEGY (2010-2013)

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NIGERIA: SUSTAINING THE MOMENTUM FOR REFORM

EXECUTIVE SUMMARY

1. ***Since 2003, Nigeria has been carrying out an ambitious agenda of reforms.*** The most far-reaching of these was to base the budget on a conservative reference price for oil, with excesses saved in a special account. Other significant reforms were launched in public finance, banking, oil and gas, power, telecommunications, ports, steel, and mining. The economy responded with strong growth between 2003 and 2007, but slowed in 2008, in the wake of the global economic crisis. The Nigerian economy remains dominated by oil, which accounts for 95 percent of export earnings and 85 percent of government revenues; with oil prices dropping to roughly one-third of their 2008 peak, the near term prospects for economic growth and fiscal balances have weakened.
2. ***Nigeria faces significant short-term challenges.*** The global economic crisis is affecting the economy through decreased international financial flows—direct foreign investment, private foreign lines of credit, and remittances—as well as a lower price of oil, which has a large impact on Nigeria’s trade and fiscal balances.
3. ***Medium term development challenges are equally large, however.*** Poverty is significant in Nigeria, and reducing it will require strong non-oil growth and a focus on human development. Constraints have been identified to enhancing growth, including the investment climate; infrastructure, incentives and policies affecting agricultural productivity; and quality and relevance of tertiary education. In spite of successful initiatives in human development, Nigeria is off-track for meeting most of the Millennium Development Goals (MDGs), with a particular focus required on Northern Nigeria.
4. ***Underpinning these challenges is the core issue of governance.*** While Nigeria has undertaken important governance reforms—in public financial management, in reducing public corruption—improving governance remains the main challenge at all levels of government, and in particular at the state level. Fiscal decentralization provides Nigeria’s 36 states and 774 local governments considerable policy autonomy, control of 50 percent of government revenues, and responsibility for delivery of public services. Capacity is weak in most states, and improving governance will be a long term process.
5. ***The donor partnership is expanding under the second phase.*** Based on good experience under the previous country partnership between the Bank and Department for International Development (DFID), this strategy will include the Bank Group, DFID, United States Agency for International Development (USAID), and the African Development Bank (AfDB). The Country Partnership Strategy (CPS) partners account for over 80 percent of Nigeria’s development assistance.
6. ***The CPS covers FY10-13 and focuses on three themes to transform and diversify Nigeria’s economy:*** (i) improving governance; (ii) maintaining non-oil growth; and (iii) promoting human development, identified by the Government and reaffirmed in the stakeholder consultations. To achieve better governance, the new CPS will focus on how Bank group and

partners can help the government strengthen its own systems over the long term—going beyond fiduciary controls over our own funds given that we are a small player in Nigeria. Governance will be both a core theme and a cross-cutting theme, an integral part of virtually every form of support. Each partner will focus on these three areas, with varying degrees of emphasis. The partnership will also provide support to the government to deal with the impact of the global crisis.

7. ***Overall governance is central to this CPS.*** Governance support will be addressed in five areas: (i) transparency and accountability; (ii) participation; (iii) sector governance; (iv) capacity development; and (v) judicial reform and democratic governance. All partners will engage in strengthening government systems to improve outcomes in human development and growth, but in the interest of selectivity, only DFID and USAID will focus on judicial reform and democratic processes.

8. ***Maintaining non-oil growth will involve focus on sector governance and targeting interventions*** in: (i) infrastructure to support growth clusters; (ii) promoting private sector involvement by investment climate improvement through efforts to streamline bureaucracy in areas such as land registration, planning approvals and building permits (DFID support to land registry and Joint World Bank-DFID Investment Climate Assessments); (iii) technical and vocational education to address the skills gap in employment-intensive value chains (sub-sectors); and (iv) reducing import bans and high tariff barriers. The International Finance Corporation (IFC) will seek opportunities in agribusiness and infrastructure (power), and diversification within the financial sector. The elements prominent in IFC strategy are: (i) advisory services to improve the business environment; (ii) diversification within financial markets to new product lines such as trade finance, housing finance, insurance, small and medium enterprise finance and increased power generation and distribution, developing local fixed income capital markets and credit bureaus.

9. ***Support for human development*** will aim to improve access and utilization of services. Support to education will have a particular focus on girls' education in the North, while in health the priority will be on support to maternal and child health. Partners will also support vertical disease programs on a more modest scale than in the past and with greater emphasis on health systems. The partnership will also focus on increasing the access and utilization of services by the *extreme poor and vulnerable*.

10. ***To support Government's response to the global financial crisis, the Bank is preparing a Development Policy Operation (DPO) of \$500 million for approval in early FY10.*** The proposed credit is intended to provide budgetary support to the Federal Government of Nigeria (FGN) to offset the fiscal impact of the crisis and support the government in maintaining its current economic reform path in the financial sector, fiscal policy and management, and governance. IFC is undertaking initiatives, including an examination of the capital requirements of selected banks, and potential equity investments by the Bank Capitalization Fund, one of the IFC crisis response initiatives.

11. ***Partnership assistance at the Federal level will be across all three pillars.*** In *governance*, for example, support will continue for on-going initiatives to strengthen procurement, public financial management, civil service reform, and statistical capacity building.

Under non-oil economic growth, the partnership will engage in policy dialogue and projects such as DFID's and Bank's joint Growth and Employment in States (GEMS) project and USAID projects including MARKETS II and Trade Capacity Development. Under *human development*, the partnership will focus on the social safety net agenda, both to respond to global crises and to improve targeted programs such as the Conditional Cash Transfer program (CCT) and the Youth Empowerment and Employment Program.

12. ***The lead state approach to concentrate resources in a few performing states in the previous CPS raised issues, in particular of geopolitical balance among Nigeria's six zones.*** For this CPS, partners will no longer seek to agree on a single set of lead states among all partners. Rather, state selections will be based on states' needs, agreement with Government, state level governance capability and commitment, geopolitical balance (across all six zones), and existing state programs.

13. ***Lending instruments will be tailored to the conditions of each state.*** In states with poor human development indicators, for example, but with weak public sector, the partnership will continue to use project-based lending and grants. In states with a stronger track record on governance/fiduciary systems, the partnership will develop state-wide sector programs for financial and technical support. In the Niger Delta, the partners have been seeking opportunities to work with state governments demonstrating commitment to reform and better governance. The Bank and USAID are currently implementing Community Driven Development (CDD) projects in the core states of Niger Delta and the Bank has recently had a good discussion with Bayelsa state. The partnership will consider supporting a process of harmonizing national CDD approaches.

14. ***Drawing on experience of other countries, governance could be addressed by use of State Development Policy Operations (SDPOs).*** In states that have a relatively good track record on public sector reforms, a reasonably strong fiduciary system and low debt levels, the Bank will consider the use of SDPOs, possibly twinned with Technical Assistance (TA) operations; other partners will consider moving to programmatic support. Providing reformist states with DPO support could also provide incentives for other states to follow their example, even if the DPO amounts are relatively modest compared to the states' other resources.

15. ***Partnership support.*** The indicative amount from the International Development Association (IDA) over the FY10-13 period is \$4.5 billion. DFID is proposing to increase its support in FY10-11 to £120-£140 million per year, AfDB has a loan of UA80 million in its lending program, and USAID has not yet defined the financial envelope. Partners will focus on all three pillars but selectively under each pillar. In many areas, partners will work jointly (DFID, USAID and the Bank in investment climate, enterprise development, health systems, HIV/AIDS, girls' education in Northern Nigeria; and with AfDB in energy and transportation). Further integration of trust fund activities will be expanded over the CPS period.

16. ***The partnership strategy for Nigeria contains a number of risks.*** The magnitude and duration of the impact of the global financial crisis on the Nigerian economy is uncertain. Second, the risk of policy reversals or reform slowdown must be taken into account. The deterioration in the law and order situation in the Niger Delta could shift the government's focus from economic matters, as could the upcoming presidential and legislative elections in 2011.

These risks can be mitigated by ensuring broad support for programs both at Federal and state levels and strengthening government institutions so that success becomes less dependent on individuals, but the presence of strong champions within the government will also be important to maintain a steady pace of progress in reforms, as well as sustained efforts to end militancy in the Delta.

NIGERIA: SUSTAINING THE MOMENTUM FOR REFORM

I. COUNTRY CONTEXT

A. Political Economy

1. *The last decade has been the first period of continuous democracy in Nigeria.* Since independence, Nigeria has experienced a series of military regimes, a devastating civil war and several democratically elected governments unable to complete their terms in office, until 1999, when President Obasanjo was elected, and then re-elected in 2003. With the election of President Yar Adua in 2007, one democratically elected government handed power over to another for the first time in Nigeria's history. Recent violence over local elections point to continued tension, however, in many areas of the country.

2. *Nigeria emerged in 1999 from a long period of mismanagement and important reforms were enacted from 2003.* Before 1999, successive governments at Federal, state, and local levels systematically mismanaged the economy. Starting in 1973, export revenue and government resources were dominated by oil revenues, which increased more than nine-fold over a seven year period. Successive regimes spent the large budget receipts when oil prices were high and did not reign in spending when oil prices were low, resulting in boom-bust cycles, macro instability, and massive accumulation of debt. Although large investments were made in the 1980s and 1990s in infrastructure and services, corruption was rampant, infrastructure was not maintained and services deteriorated. Poverty increased, and social indicators declined or remained stagnant. Nigeria's outlook was bleak. After the peaceful transition to democracy in 1999, and especially after 2003 with the adoption of widespread reforms, this outlook changed.

3. *From macro-management to sector reforms, the agenda was ambitious.* The most fundamental reforms were in fiscal management. In 2003, a team of technocrats introduced far-reaching changes in Nigeria's planning, budgeting and financial management system, and took firm steps to deal with corruption. Most importantly, Nigeria's budget was de-linked from fluctuations in oil revenues by introducing in 2004 a budget system based on a conservative reference price for oil, with excesses saved in a special account (the Excess Crude Account (ECA)). The largest debt relief in the history of the Paris Club was secured for Nigeria in 2005, providing fiscal space to increase social expenditures. Other ambitious initiatives were launched to increase transparency and to reduce corruption in the management of public finance and civil service reform was begun, although progress in this area has been mixed. The Economic and Financial Crimes Commission (EFCC) successfully convicted high-level politicians of corruption and recovered embezzled funds.¹ Significant sector reforms were also undertaken,²

¹ Between 2005 and 2008, for example, convictions increased from 20 to 200 cases and recovered assets from less than \$1 billion to more than \$5 billion, but this momentum has not been sustained.

² Nigeria was among the first countries to adopt and implement the Extractive Industries Transparency Initiative (EITI) to improve governance of the oil and gas sector; an audit of the sector from 1999 to 2004 was carried out, although recommended reforms have not yet been implemented. In the financial sector, banking supervision was strengthened and the banking system was consolidated. The telecommunications sector was deregulated and the power sector was unbundled into 18 companies for generation, transmission, and distribution. Privatization and concessioning were initiated in the ports, steel, mining, and petrochemicals sectors. The pension system was replaced with a fully-funded contribution system.

but important gaps remain between legislation and implementation and progress has not been steady. Significant challenges remain at both the federal and especially the state levels.

4. ***Economic performance in 2003 to 2007 was strong.*** The success in de-linking the budget from the fluctuations in oil revenues was central to the turnaround in Nigeria’s economic performance. Public expenditures were contained, budget deficits were turned into surpluses, and inflation rates of 40 percent per year in the 1990s were reduced to 14 to 18 percent in 2001-2005 and to single digits in 2007.

5. ***The non-oil economy grew rapidly.*** Benefiting from the reforms, the non-oil economy grew by 9 percent per year in 2003-07, in contrast to 3.5 percent per year between 1997 and 2000 (see Table 1). Growth was driven largely by the agriculture and services, which dominate the economy, with particularly strong growth in general commerce and telecommunications.³ While manufacturing has also grown rapidly, its contribution to the Gross Domestic Product (GDP) is modest, at some 4 percent. This growth likely occurred independently of the high oil prices during the period, because the adoption of an oil—price based fiscal rule since 2003 de-linked expenditure from oil prices.

Table 1: Key Economic Indicators, 1997-2008

	<i>Average annual percent</i>		
	<i>1997-2000</i>	<i>2003-07</i>	<i>2008</i>
GDP growth*	2.9	7.6	5.3
GDP non-oil growth	3.5	9.0	7.7
Agriculture	4.2	7.0	6.8
Manufacturing	0.1	9.2	8.8
Services	3.2	13.6	9.0
Inflation	8.0	12.0	11.2

*A statistical break in national accounts distorts growth rates for 2002; 2001 and 2002 data are therefore excluded from this table. 2008 is estimate.

Source: IMF.

B. Recent Macroeconomic Developments

6. ***Following robust growth in 2007, Nigeria’s economic growth decelerated in 2008, in the wake of the global economic crisis.*** The GDP grew by an estimated 5.3 percent in real terms in 2008—compared with 6.4 percent in 2007. Oil output declined by 5.5 percent—owing to growing unrest in the Niger Delta. However, non-oil growth remained buoyant at 7.7 percent, reflecting growth in all sectors of the economy.

7. ***The overall fiscal balance of the consolidated government in 2008 was a robust 4.9 percent of GDP.*** Total consolidated government expenditure in 2008 fell marginally from 29.5 percent of GDP in 2007 to 27.8 percent in 2008. While federal government expenditure is estimated to have fallen from 15.9 per cent of GDP in 2007 to 13.5 percent in 2008, states and local government expenditure is projected to have risen from 12.4 percent to 13.8 percent.

8. ***The federal government was effective at resisting pressure from the states to share savings from ECA.*** In the first half of 2008, a total of \$6.8 billion was shared from the ECA with states. Also in June 2008, \$5.3 billion from the ECA were allocated to the power sector, but the necessary approvals have not yet been given by all state legislatures.

³ Shares of agriculture and services in GDP are 40 percent and 30 percent, respectively.

9. ***In 2008, inflation increased well above the single digit range, reaching 15.1 per cent (year-on-year) in December.*** This hike was due not only to the increase in food prices during the year, but also a rise in core inflation, reflecting the rapid expansion of liquidity. Monetary growth continued to accelerate in 2008, largely due to an increase in credit to the private sector, concentrated in a few sub-sectors: oil and gas, telecommunications, and wholesale and retail trade, although individuals and households increasingly benefited from consumer and mortgage credits. Credit growth slowed significantly at end-2008 as a result of the global economic crisis, which affected both foreign trade credit lines to Nigerian banks and Nigeria's stock market, to which Nigerian banks are exposed.

C. Impact of the International Financial Crisis

10. ***Nigeria's economy is affected by the global financial crisis through falling commodity prices, reduced net capital inflows (in particular foreign direct investment (FDI) and remittances), and the drying up of trade finance and international lines of credit.*** Oil continues to play a dominant role in the Nigerian economy. The fall in oil prices from a peak of \$147/bbl in July 2008 to around \$40/bbl presents tremendous macroeconomic challenges for Nigeria. Although oil revenue has been managed carefully over the past years with government building up savings in the ECA, falling oil prices, production problems, and the deteriorating fiscal outlook have reduced international confidence and triggered a reduction in Nigeria's sovereign credit rating outlook. Also, large portfolio outflows beginning in early 2008 had triggered a decline in the stock market which further accelerated in the wake of the crisis. The smaller oil revenue inflows, weakening confidence, and lower net capital inflows have put increasing pressure on the Naira, further deterring investments. In combination, these factors led to liquidity pressures within the banking system in late 2008 and the first months of 2009. Confidence in the banking system has eroded due to concerns about the true level of capitalization of the banks and the impact of the slowdown in growth of the stock market on asset quality. Recent years' growth in the banks' lending portfolios also presents a challenge to the banks in managing their credit risks and to the authorities in ensuring adequate reporting and disclosure by the banks. The CPS addresses these concerns both through the policy actions relating to bank accounting, reporting and supervision which are central to the proposed DPO as well as ongoing and intended further policy dialogue and technical assistance support to the authorities.

11. ***Non-oil growth projections have been revised substantially downwards to 4 and 3 percent in 2009 and 2010, respectively, from 7.7 percent in 2008, thus ending the sustained, broad-based expansion that Nigeria enjoyed since 2001.*** Compounded by the continuous decline in oil output, overall growth in 2009 and 2010 is expected to fall to 2.9 and 2.7 percent respectively, down from 5.3 percent in 2008. In addition to falling commodity prices, the growth outlook reflects the impact of the anticipated second-round effects of the global economic crisis on Nigeria, as declining remittances and FDI inflows lead to a weakening of aggregate demand.

12. ***Nigeria's current account balance is projected to move from a surplus of 4.5 percent of GDP in 2008 to a deficit of 9.0 percent of GDP in 2009 and 3.5 percent of GDP in 2010, reflecting significantly lower oil export earnings.*** External reserves are projected to continue to decline from a peak of \$62 billion in September 2008 to \$39.6 billion (about 8.8 months of import cover) by end-2009 and \$37 billion (about 7.5 months of import cover) by end-2010.

13. ***The fall of oil prices and declining capital inflows have led to a substantial reduction in foreign currency inflows and triggered a depreciation of the exchange rate.*** In an effort to stem the depreciation of the exchange rate, the Central Bank of Nigeria imposed temporary exchange restrictions in January 2009 and suspended the operation of the interbank foreign currency market. These measures have had the effect of stabilizing the exchange rate in the Central Bank official window. However, they have also resulted in increased activity in the parallel market for foreign exchange: between end-November 2008 and end-March 2009, the spread between the parallel market and the official rate was about 38 percent, but recently it has declined to around 24 percent. The Central Bank also imposed caps on lending rates, a measure that could distort the credit markets and erode confidence in the government's policy responses to the crisis. The Central Bank has recently announced that it will eliminate restrictions within 3 months, including through the liberalization of the foreign exchange market, the licensing of bureau de change, and other measures.

14. ***The overall fiscal balance is projected to turn from a surplus of 5 percent in 2008 to a deficit of 8.4 percent in 2009 and 3.4 percent in 2010*** (see Tables 2 and 3). The projected widening of the fiscal deficit is based on a conservative oil price of \$45/bbl. The primary balance as a percentage of non-oil GDP is expected to improve from 27.8 percent in 2008 to 25.1 and 22.0 percent in 2009 and 2010 respectively, reflecting the fact that much of the increase in the overall deficit is due to higher capital expenditure. In response to the crisis, the 2009 budget caps recurrent expenditure, and makes a determined effort at targeting major growth bottlenecks through higher allocations for capital spending in priority sectors. In percent of non-oil GDP, recurrent expenditure will decline by 1.3 percentage points in 2009 reflecting cuts in overhead expenditure (reduced international travel and transport, workshops, and meal entitlements). Capital expenditure will increase by 2.4 percentage points of non-oil GDP in 2009, mostly in the area of works, housing, agriculture, transport and power.

Table 2: Key Economic Indicators, 2008 and 2009

	<i>2008 (Estimate)</i>	<i>2009 (Projected)</i>
	<i>Average annual percent</i>	
GDP growth	5.3	2.9
Non-oil growth	7.7	4.0
Fiscal balance/GDP (%)	4.9	-8.4
Current account balance/GDP (%)	4.5	-9.0
External reserves (months of imports)	11.3	8.8
External debt/GDP (%)	2.1	3.0

Source: IMF World Economic Outlook, April, 2009.

15. ***Financing the 2009 budget will meet significant challenges.*** Financing needs for the federal government are estimated at Nigerian Naira 1.2 trillion or \$8 billion (at the official exchange rate). The government has already decided to draw \$1.5 billion from the ECA. The government is committed to exercising considerable caution in the use of the ECA to avoid its rapid depletion, since withdrawals must be shared with other tiers of government and could lead to sharp increase in overall government outlays that may result in a decline in foreign reserves, putting further pressures on the exchange rate.

Table 3: Key Economic Indicators, 2010-2013

	<i>Projected</i>			
	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Real GDP Growth (at 1990 factor cost)	2.7	4.9	5.8	6.3
Oil and Gas GDP Growth	0.5	5.4	7.3	6.4
Non-oil GDP Growth	3.0	4.8	5.5	6.3
Production of crude oil (million barrels per day)	2.02	2.12	2.25	2.39
Consumer price index (annual average)	10.1	8.5	8.5	8.5
Overall fiscal balance (percent of GDP)	-3.4	-2.4	-1.4	-0.7
Non-oil primary balance (percent of non-oil GDP)	-22.0	-22.3	-22.6	-22.7
Excess crude account (US\$ billions) ¹	16.1	14.0	...	...
Current account balance (percent of GDP)	-3.5	-2.7	-1.8	-1.6
Terms of trade	18.8	5.8	2.3	0.8
Price of Nigerian oil (US\$ per barrel)	62.5	67.5	70.5	72.5
External debt outstanding (US\$ billions)	5.5	6.1	6.7	7.2
External debt outstanding (percent of GDP)	2.9	3.0	3.0	3.0
Gross international reserves (US\$ billions)	37.0	39.5	44.2	49.1
(equivalent months of imports of goods & services)	7.5	7.5	7.9	8.3

Source: IMF staff estimates and projections.

¹ Including the naira-denominated component.

D. Macroeconomic Outlook: CPS Period (2010-2013)

16. *Nigeria's economy is expected to follow the world economy in a gradual recovery starting in 2010, helped by fiscal stimulus, monetary easing and financial sector measures.* Real GDP growth is projected to improve from 2.7 percent in 2010 to over 6 percent in 2013 with non oil growth at 6.3 percent in 2013 (see Table 3). Following the expected strengthening of oil prices over the period, overall fiscal balance would improve from a deficit of 3.4 percent in 2010 to 0.7 percent in 2013, while the external balance will improve from a deficit of 3.5 percent in 2010 to 1.6 percent in 2013. Gross international reserves are projected to increase from \$37 billion (7.5 months of imports) to \$49 billion (8.3 months of imports).

E. Progress Towards MDGs

17. *Nigeria is currently off-track in achieving most of the MDGs.*⁴ Table 4 shows Nigeria's current status on the MDGs and likelihood of attaining the 2015 goals. National statistics also mask strong regional variations; progress towards the MDGs is slowest across Northern Nigeria.

18. *Nigeria aims to achieve universal primary education and gender equality at the primary level by 2015, but significant challenges remain.* Primary school enrollment increased rapidly from 19.2 million in 2001 to 23.0 million in 2005. However, in both the North East and North West regions net and gross enrollment rates are very low with less than one in every two children of the appropriate age in primary school. In addition, quality and learning outcomes are poor.

⁴ More recent progress on MDGs will be available with results from the 2008 Nigeria Demographic and Health Survey in 2009, the Education Data Survey in 2010 and a new Nigeria Living Standards Survey, also in 2010.

Table 4: Progress toward the MDGs

<i>MDG</i>	<i>MDG target 2015</i>	<i>Current Status</i>	<i>Likelihood of attainment</i>
1. Poverty and Hunger			
- Halve percentage of people living in poverty	31	54	Not likely
- Eliminate hunger (percent of children under 5)	18	28.7	Not likely
2. Achieve universal primary education			
- Increase net enrolment rate in primary education	100	90	Attainable ¹
- Increase primary school completion rate	100	70	Not likely
- Increase literacy rate of 15-24 years old	100	84	Attainable
3. Promote gender equality			
- Raise ratio of girls/boys in primary and secondary schools to 100 percent	100	85	Attainable
4. Reduce under 5 child mortality			
- Reduce infant mortality rate by two-thirds	30	110	Not likely
- Reduce child mortality in children under 5 by two-thirds	64	201	Not likely
5. Improve maternal health			
- Reduce the rate of maternal mortality (per 100,000) by three-fourths	75	828	Not likely
6. Combat HIV/AIDS			
- HIV prevalence in female population, age 15-49	XX	3.2	?
7. Sustainable access to basic needs			
- Double proportion of population with access to safe drinking water	85	60	Not likely
- Double proportion of population with access to improved sanitation	80	38	Not likely
- Proportion of land area covered by forests	20	12.6	?

Source: Nigeria's MDG Midpoint Assessment: Overview, September 2008

¹ The Education for All Monitoring Report suggests that states' primary net enrollment rate is 63 percent. If this is correct, the MDG will not be attainable.

19. ***In health, some initiatives have met with success but the MDGs will be hard to attain by the target date of 2015 or even by 2020.*** In recent years, for example, the government has taken considerable measures to improve routine immunization, eradicate polio, lower the incidence of malaria, and combat HIV/AIDS. In 2007, the lowest polio incidence since 2002 and the lowest incidence ever of Type 1 polio were recorded, but in 2008 polio incidence increased dramatically and remained high despite progress in 2009 against socio-religious objections and improved campaigns involving better supervision of vaccinators.⁵ Because of significant challenges in the national effort to interrupt wild polio virus transmission, Nigeria contributes the highest number of polio cases in the world. The second phase of the malaria booster program launched in December 2008 and the recent distribution program supported by all development partners should help Nigeria to expand malaria prevention, care and treatment programs, and to sharply reduce the incidence of malaria related deaths. The focus is now on use of bed nets which studies show is still low. Finally, there has been a decline in the rate of HIV/AIDS in women between the ages of 15 and 49 from 5.8 percent in 2001 to 3.2 percent in 2007. About 92 percent of sex workers report condom use with recent clients.

20. ***Attaining the MDG on gender equality is also a challenge, especially in the Northern states.*** Nigeria has a poor performance record on gender equality measures. On the Gender Development Index it ranks 123rd out of 140 countries. Discrimination against women has contributed to persistent gender disparities in key social indicators. In education, a small

⁵ As of December 2008, 797 polio cases had been recorded in 26 states, which was almost three times the number of cases for the same period one year earlier. Kano State leads the country with 272 cases (60 cases in 2007), followed by Zamfara State, both in the North West Zone, with 85 cases (five cases in 2007).

improvement in the primary and secondary school gender ratio in recent years from 80 percent in 2002 to 85 percent in 2005 masks wide regional inequalities. Maternal mortality rates are high across the country (828/100,000 live births), and catastrophic in the North East and North West zones. In Kano state, for example, the rate is three times higher than the country average (2,400/100,000 live births). These rates are closely linked with women's adult literacy (20 percent) and the median age of first marriage (14.6 years) in the North West zone.

F. Poverty and Inequality

21. ***Nigeria's prospects to halve income poverty by 2015 relative to 2000 will not be clear, because of absence of good data, until the next Living Standard Measurement Survey (LSMS) is completed in 2009.*** Strong growth in the non-oil economy, however, especially since 2003, suggests that poverty may have fallen substantially over the last five years (from over 54 percent), particularly because growth has been widespread across all sectors. A recent analysis of data of General Household Surveys since 1999 and of the 2003 LSMS indicates that real incomes in the formal and informal sectors rose significantly, especially in the rural informal sector. Nevertheless, halving income poverty by 2015 would require an acceleration of non-oil growth to about 12-13 percent, a rate which at the present time seems unrealistic.

22. ***Rates of poverty vary significantly between urban and rural and Northern and Southern areas of the country.*** According to the 2003-2004 National LSMS, 54 percent of the population lives below the poverty line. In urban areas, the poverty incidence is 43.1 percent compared to 63.8 percent in rural areas. Over 75 percent of agricultural households in the north live below the poverty line, while the South-South Region with 59.3 percent poverty has the highest rate for the South. Among the states, Jigawa has the highest percentage of the population below the poverty line (91 percent) and Oyo state has the lowest (21 percent).

23. ***Rates of poverty correlate strongly with educational attainment.*** Families with heads of households with some university level education have an average expected consumption 38 percent (in rural areas) to 45 percent (in urban areas) higher than families with heads of households without any education. Completing secondary schooling in rural areas brings a 13 percent gain versus no schooling and in urban areas, the gain is 15 percent. Completing primary school brings no significant advantage in urban areas, and a gain of 12 percent in rural areas.

24. ***Nigeria's level of inequality is higher than in Ethiopia and India, but lower than in Brazil and Madagascar.*** The average masks a large disparity among States, however (Gini coefficient of .33 in Sokoto, .64 in Lagos). There is no major difference between rural and urban areas in terms of inequality. In terms of regional profile, a belt of states across the middle of the country have the highest levels of inequality, while states in the Niger Delta have moderate levels. States with high poverty levels are not necessarily the states with high levels of inequality: Jigawa and Kebbi, for example, both among the poorest states, have low levels of inequality, but Bayelsa and Oyo, with lower than average poverty levels, also have low levels of inequality.

G. Nigeria as a Regional Player

25. *A number of factors strategically position Nigeria as a potential regional and continental hub.* Nigeria is Africa's most populous nation (148 million), and its economy is the second largest in sub-Saharan Africa and the largest in West Africa. It is richly endowed with natural resources, notably oil and gas, and is the world's sixth largest oil exporter. Within the region, Nigeria's role is pivotal in free trade agreements, and it is an important player in both the African Union and the Economic Community of West African States (ECOWAS). It serves as a peace agent for conflict resolution in countries such as Liberia and Sudan. Nigeria provides a potential large market for smaller neighboring countries and is a potential supplier of goods and services for the sub-region. Nigeria's role in strengthening regional integration, its efforts at financial market integration, at ports and customs modernization, to improve access to energy and sustainable land and water resources, and to align trade regimes to regional agreements are all important for the region's development.

II. OPPORTUNITIES AND CHALLENGES FOR GROWTH

A. Sustaining and Accelerating Non-oil Growth

26. *Challenges to non-oil growth and reducing poverty are high* in spite of good progress in macroeconomic reforms. Recent agricultural growth has been driven mainly by expansion in area, while yields of most crops have declined from two decades ago. The growth was fueled by increased domestic demand from the urban middle class, higher international prices, and restrictive trade policies. The challenge in this sector is to increase agricultural productivity, both in staples for local and regional consumption, and in the longer term, for products for export. In manufacturing and services sectors, and in spite of the large domestic market, only a few producers have been able to develop into sizeable businesses and to compete internationally. Thus, the first challenge is to remove constraints that will allow firms to grow to meet domestic demand. This will allow them to improve their cost structures, become more competitive, and eventually compete on a regional and international scale. A binding constraint common to the diversification of the economy into agriculture, manufacturing and service sector, and to reducing poverty is infrastructure, in particular energy and roads. In energy, with only 3,000 MW of generation available against an estimated requirement of 10,000 MW, the country is facing long power outages, poor quality of supply, and low access to electricity. Only about 60% of Nigeria's population has access to electricity, electricity consumption per capita has fallen to a low figure of about 155 kWh in 2007, among the lowest in the world. In the road sector, over 90% of surface transport of goods is by road but the network has decayed with decades of inappropriate maintenance due to funding shortages and lack of institutional capacity. Estimates from Federal Ministry of Transport show that the share of federal roads in good condition is only 15%. The situation for rural roads is equally poor, with more than 30 million rural inhabitants for whom the nearest road is further than 2 kilometers, hampering agricultural productivity and access of rural communities to education and health.

27. *Nigeria faces a growing unemployment crisis, which should be addressed by policies aimed at removing constraints to improving productivity in high potential areas.* The recent report, Employment and Growth, identified a number of sectors with potential for further growth and employment creation, including, for example, construction, wholesale and retail trade, Information and Communication Technologies (ICT), and light manufacturing. The report also identified significant constraints to further development of these sectors: (i) inadequate physical

infrastructure, especially in power and transportation; for ICT, inadequate bandwidth; (ii) lack of access to finance; (iii) poor investment climate; (iv) shortage of skilled staff; and (v) restrictive trade policies, including import bans that increase the cost of inputs. In addition, significant challenges are posed by the rapid urbanization of large cities such as Lagos and environmental issues such as climate change and gas flaring.

28. *The challenge of increasing agricultural productivity.* In the past, government-led special initiatives, implemented with strong community involvement, have demonstrated good results. These include the CDD Fadama project that focuses on smallholder production (supported by the Bank), DFID's PropCom, and USAID MARKETS that supported market-based agricultural programs.⁶ More frequently, however, agricultural policies and programs changed with political leadership. The challenges will be to adjust sector policies and programs to provide the incentives and the means for farmers to adopt better technology, to scale up from subsistence to commercial agriculture, to encourage public-private partnerships (PPP) in irrigation, and to invest in related infrastructure, including roads and power.

29. *Improvements to the investment climate are crucial.* Nigeria ranks poorly on Doing Business indicators: in 2008, Nigeria was ranked 118 out of 181 countries on the investment climate. An interesting analysis at the sub-national level has shown that potential exists within Nigeria for states to improve their investment climates by following policies and practices of the best-performing states (see Box 1).

Box 1: DFID/WBG Investment Climate Program (ICP) and the Rise of "Nigeriana"

The Investment Climate Program is the first program in Sub-Saharan Africa to analyze the investment climate at a sub-national level. Combining state level investment climate assessments with analysis from Doing Business, the ICP found large differences among states. While Nigeria's overall ranking in 2008 was 118th among 181 countries, the most exciting finding of the analysis was that if a hypothetical state of "Nigeriana" were to use the practices of the states with the best score in each category, Nigeriana would rank 51st, alongside Taiwan, Italy, Kuwait and Botswana. This means that if states were to adopt the business regulations and practices from the top ranking states within Nigeria, their investment climate would improve to international standards.

For example, the cost of obtaining building permits varies widely across Nigeria, from some 826% of per capita income in Lagos to 25% of per capita income in Sokoto, the fourth best in the world. There are also substantial differences in the time and cost to enforce a commercial contract: court performance, a significant factor in recovery of commercial debts, is better in states that have implemented the new High Court Rules, such as the Federal Capital Territory (FCT), Lagos and Kaduna. Registering a business has become much easier across Nigeria, thanks to computerization of the registry and establishment of zonal branches of the Corporate Affairs Commission and Stamp Duty Offices, but it is fastest in FCT, where its headquarters are located.

Performance of all Nigerian states is weakest in the area of registering property (land and fixed assets). The main source of delays and high costs relates to the requirement to obtain the Governor's consent to approve mortgage applications, using land as collateral. All Nigerian states are low in this area in the global doing business ranking. Nigeria's top performer on this indicator, FCT, would rank only 157th out of 178 countries worldwide. This situation could be improved if Governors agreed to waive this consent requirement for mortgages.

Further findings from enterprise surveys indicate that enterprise competitiveness and performance are hindered across the country by high costs and inadequacy of infrastructure and modern technology. These findings, both for the country as a whole and among states, can inform the design of partnership support for non-oil growth.

Source: Joint WB/DFID Investment Climate Assessment.

⁶ PropCom focuses on livelihoods of the poor, facilitating development of viable agricultural and service markets with focus on rice and soya value chains. The MARKETS project aims to improve technologies and management practices by farmers and strengthen market linkages.

30. ***Improving skills development and implementing a more liberal trade policy will be essential.*** In skills development, Nigeria has particularly low quality of science and technology education, a smaller number of enrolled and graduates in tertiary education compared to Nigeria's population and comparator countries such as Brazil, Malaysia, and Korea. In *trade policy*, Nigeria's trade regime has been liberalized in recent years, with the partial adoption of ECOWAS' Common External Tariff (CET) which lowered tariff rates and phased out some non-tariff barriers. Nonetheless, Nigeria's trade regime remains heavily protectionist, resulting in distortions to the domestic production structure, and constraining development of employment-intensive sectors of the economy. Greater availability of cheaper imports and enhanced access to export markets will be critical to a restructuring of the Nigerian economy towards competitive and employment-intensive sectors.

31. ***Challenge of improving the financial sector.*** As a result of banking consolidation, Nigeria's financial sector was strengthened. Most banks were, until the recent crisis affected them, well capitalized, liquid and profitable. Both deposits and bank credit to the private sector had grown rapidly. The financial sector now faces increased risks, however, including: (i) through the banks' lending portfolios and their increasing presence abroad which presents challenges to the banks in managing their risk exposures and to the authorities in ensuring adequate reporting and disclosure by the banks; (ii) the increased exposure to the stock market, which heightens the potential for contagion between the banking sector and capital markets; (iii) the increase in foreign investor presence in the domestic treasury bills and bond markets; and (iv) the risks that arise when banks become eager to deploy capital in risky activities to maintain historically high returns on equity. The CPS addresses these concerns both through the policy actions relating to bank accounting, reporting and supervision which are central to the proposed federal level Development Policy Operation as well as ongoing and intended further policy dialogue and technical assistance support to the authorities.

32. ***Sustaining growth will also require addressing the serious challenges posed by the development of mega-cities, Lagos in particular.*** Its contribution to Nigeria's GDP is 12 percent but it also has one of the highest rates of poverty and inequality in the country. By 2010 Lagos, with over 20 million inhabitants, will be one of the ten most populated cities in the world.

33. ***Strategies are needed to mitigate adverse environmental impacts.*** Climate change will affect agriculture and food security in the coastal areas. In the more sub-humid and semi-arid zones, climate change is expected to reduce the rate of agricultural growth and welfare because of lower rainfall, shorter growing seasons, and accelerated land degradation, leading to increased loss of soil fertility and desert encroachment. Gas flaring is also a major environmental hazard, causing serious local pollution and contributing to climate change. More gas is flared in Nigeria than anywhere else in the world. Despite regulation introduced more than 20 years ago to stem the practice, most associated gas is still flared. The oil and gas operators have been investing in flare reduction projects for many years, but the pace has been slow. Constraining factors include a worldwide shortage in the expertise required to design, engineer, and implement the associated gas utilization projects; the inability of Nigeria National Petroleum Corporation, which holds 60 percent interest in each oil concession, to fund its share; and security concerns in Delta region.

B. Human Development

34. ***Key challenges remain in improving the delivery of social services and social indicators.*** As discussed above, poverty and inequality remain high; the progress on economic growth rates is relatively recent. The poor have lower school enrollment rates and lower utilization of health services, and across all social service delivery issues is the underlying challenge of improving state-level governance. While the current strategy addresses this governance challenge through many initiatives, the approach will of necessity be incremental and take years to effect significant change.

35. ***The main challenges in the education sector include high cost to students and poor quality.*** School fees are the largest education expenditure for primary school students, especially among the poorest, followed by books and supplies, and uniforms. Only about half of the primary school students pay fees,⁷ but as these fees tend to be large it is a major reason that poor students drop out of school. At the junior and senior secondary levels, school fees are important but not as significant as the cost of transportation. The quality of education is also a challenge: surveys cited the lack of text books and supplies and low quality of facilities (as well as high fees); only two out of every three schools have access to water and fewer than one in two has access to electricity. Other problems include lack of teachers or their poor deployment, poor quality of teaching, poor supervision, low motivation and inadequate incentives. There is an absence of accountability/quality mechanisms and limited capacity for policy making, management, planning and monitoring and evaluation. Many children leave primary and junior secondary schools without adequate literacy, numeracy and life skills. An education sector strategy to be supported under the CPS will point to the systems reform in this sector and will inform partner support.

36. ***Health outcomes are determined by a number of factors.*** These include: (i) increasing maternal education to increase knowledge of health practices and attendance of skill personnel at birth; (ii) reducing the costs (and physical accessibility) of health services which are higher for rural than for urban residents; (iii) addressing the cultural factors which lead to lower utilization in the Northern regions particularly in North West and North East zones; (iv) reducing preventable deaths from malaria, diarrhea; (v) increasing vaccination rates; (vi) coordinating with the parastatal agencies and vertical programs, particularly at the federal level, which also intervene across the different levels of services; and (vii) focusing on the inadequate drug supply and equipment in public sector facilities, particularly Primary Health Care (PHC) services.

37. ***The community-based organizations (CBOs) and CDD can play a positive role in influencing health outcomes.*** CBOs include traditional and kinship institutions, community associations, occupational associations, women's groups, ethnic associations, faith based groups, and more formal non-governmental organizations (NGOs). Going forward there should be a greater emphasis on leveraging community based interventions in addition to facility based service delivery. Box 2 describes how CDD was useful in Bayelsa, one of the Niger Delta states, in dealing with conflict and as a successful intervention for poverty reduction.

⁷ The National Living Standards Survey asked for expenditure in "school fees and registration", but did not specify the type of fees (e.g. tuition, school development levy, exam fees, or other). The Demographic Household Survey 2003 indicated that about 30 percent of children pay tuition fees (12 percent in the poorest quintile), 34 percent pay school development fees, and 48 percent, exam fees.

Box 2: CDD Experience in Bayelsa State of Nigeria - The Case of the Local Empowerment and Environmental Management Project (LEEMP)

CDD gives control of decisions and resources to community groups. It links participation, community management of resources, good governance and decentralization principles of development. In the Niger Delta, the Bayelsa State LEEMP uses the CDD approach to facilitate the implementation of micro-projects in some 110 communities. LEEMP-supported communities are able to prioritize, implement and operate projects to serve their needs; hire, pay and discipline those who provide services; charge user fees, be accountable to their people and enable women and youth to participate in their development agenda. This is important for a region noted for militancy of the youth. The communities have implemented micro-projects like potable drinking water, teachers’ quarters, classroom and administrative blocks, health centers and equipment, internal concrete walkways, concrete bridges and culverts, town halls, auditoriums, rural electricity, cleaning water hyacinths and building toilets.

LEEMP has succeeded in building considerable social capital even in the remote riverine communities of the State. In Ogu community, for example, the CDD approach was used, without project funds, to build a residential lodge for Youth Corpers. The LEEMP staff trained community members in book keeping, operation and maintenance, participatory monitoring and evaluation, project management, and community procurement, which has been applied to other aspects of community life. The Ayibabiri community rented Evira Lake, for example, to the highest of three bidders, after competitive bidding. Community members are now interested in how funds earmarked for their communities are spent, and demand accountability and transparency. In one community, the project management committee members had to repay funds that had not been used as intended.

Because one of the criteria for participating in LEEMP is that the community must show cohesion, the CDD approach has provided an incentive to reduce conflicts; it is now common to see communities resolve differences during community gatherings for Needs Identification and Prioritization, Election of Community Project Management, and Community and Micro-project Launch. “Youth Vanguard” give special consideration and “passage” to such LEEMP gatherings. LEEMP is highly regarded even among warring factions and communities in the State.

The LEEMP experience in Bayelsa State shows that even in a restive environment such as in the Niger Delta, community members can become initiators, collaborators and resources on which to build poverty reduction interventions in a transparent and accountable manner.

Source: LEEMP Annual Report-2008.

C. Governance for Results

38. *Nigeria has achieved progress in recent years on measures of corruption and public resource management.* Since 2005, some, but not all, of the Bank’s Country Policy and Institutional Assessment (CPIA) ratings have improved (Table 5). Measures include the passage of the Procurement, Fiscal Responsibility and EITI Laws in 2007. The passage of the procurement law was followed by the establishment of the Bureau of Public Procurement (BPP),

Table 5: Governance in Nigeria, 2002-2008

	<i>World Bank, selected CPIA indicators rating</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
Economic Management			
Fiscal policy	4.0	4.0	4.5
Debt Policy	3.5	4.0	4.5
Public Sector Management			
Quality of budget management	3.0	3.0	3.0
Quality of public administration	2.5	2.5	3.0
Transparency, accountability, & corruption	3.0	3.0	3.0

Source :

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTDATA/0,,contentMDK:21115900~menuPK:2935553~pagePK:64168445~piPK:64168309~theSitePK:2875751,00.html>

development of procurement tools, and creation of procurement cadre in the civil service to enhance procurement capacity. Competitive bidding in federal contracts is now widespread with significant savings being made but no official statistics.

39. ***Challenges remain, however, in implementing effective governance, especially at the state level.*** With a population of over 148 million people, 200 ethnic groups, 500 languages, and two main religions, the size and complexity of the country creates huge challenges. Fiscal decentralization provides Nigeria's 36 states and 774 local governments considerable policy autonomy, control of 50 percent of government revenues, and responsibility for delivery of public services. Only a few states are making progress in procurement legislation—Bauchi state has passed the law, while, Kaduna, Cross River and Lagos States have draft laws. Some States have put in place public procurement offices but few have legislation to provide standards and safeguards that incorporate good national and international practice. There are also major shortcomings in public financial management at the state level.

40. ***The states and local governments are characterized by particularly weak institutional capacities.*** Improving governance will require intensified focus at the state level and will be a long-term process; it will require support for implementation of policy and not just policy development. Governance reforms will need to include expansion of the role of the private sector and a redefinition of the contractual relationships between the public sector, the private sector and citizens. Other challenges include: limited transparency and accountability in management of public resources at all levels of government, exacerbated by weak sanctions; low capacity of the civil service to implement government programs and the need for wide-ranging civil service reform; an ineffective judiciary system; limited ability of state houses of assembly to play an effective role and absence of social accountability mechanisms that ensure citizen's feedback on government performance and service providers.

41. ***A major challenge to improving participation in the public sphere is the lack of Freedom of Information Bill.*** The information bill has been outstanding since 2007; lack of information impedes the ability of civil society and other organizations in the public sphere to demand accountability, transparency and a more responsive government.

III. LESSONS AND RECOMMENDATIONS OF THE COUNTRY PARTNERSHIP STRATEGY (2005 CPS)

A. The 2005 CPS

42. ***The 2005 CPS was the first full World Bank Group strategy, after several interim strategies, in over a decade.*** It was also a joint partnership strategy of the Bank Group and UK's DFID. In spite of the modest size of the partners' contribution relative to Nigeria's oil revenues over the 2005 CPS period, the government increased its borrowing from the Bank and use of grants from DFID. Bank investment lending rose steadily from an average \$500 million commitment per year over FY05-08 to over \$1 billion in FY09. DFID's grants rose from £80 million to £100 million over the period of the CPS.

43. ***The 2005 CPS had a strong focus on results.*** It had three pillars, consistent with the National Economic Empowerment and Development Strategy (NEEDS) framework: (i)

improving service delivery for human development (NEEDS: empowering people); (ii) improving the environment and services for non-oil growth (NEEDS: promoting private enterprise); and (iii) enhancing transparency and accountability for better government (NEEDS: changing the way government works). The 2005 CPS progress report adjusted the strategy at the federal level to increased emphasis on infrastructure, particularly in the power sector.

44. *In addition, the 2005 CPS reflected four key strategic elements.* First, it focused on areas where the Bank could have “quick wins” to establish the Bank’s role, after a relatively modest presence in Nigeria. Second, it used a lead states approach, which involved selecting states with committed and capable leaders, and which was to serve as incentives for other states to improve their governance. Third, the strategy was a formal partnership with DFID. Finally, the strategy envisaged a gradual increase in IDA resources as governance and capacity improved.

45. *Partners chose a lead state approach to concentrate and leverage resources at the state level to increase impact, strengthen demand and commitment for reforms.* The rationale was that: (i) the partners’ limited resources could not have significant impact if spread thinly over the country’s 36 states and 148 million people; (ii) aid effectiveness could be achieved through concentration of resources in selected states with greater potential for success; and (iii) success in a few states could be replicated and scaled up through leveraging Nigeria’s own public resources.

B. Results of the 2005 CPS

46. *In terms of development objectives, the overall outcome was assessed as moderately satisfactory by the 2005 CPS Completion Report (CPSCR, Annex 2).* Moderately satisfactory progress was made on human development indicators (good on HIV/AIDS, immunization coverage, primary school enrollment and gender ratio, but stagnation in maternal and child mortality rates); satisfactory progress on non-oil growth (which included a successful privatization and port concession program, and other sector specific outcomes), and moderately satisfactory progress on governance at the federal level, with huge challenges remaining at both the federal and especially the state levels.

47. *The strategy was successful in establishing a good partnership among donors, underpinning both lending and, for the first time in Nigeria, non-lending activities.* The partnership between the Bank and DFID was expanded in 2006 when USAID aligned its programs with the 2005 CPS. In the governance area, key initiatives of the partnership include supporting the Federal Ministry of Finance (FMoF), National Planning Commission (NPC), Debt Management Office and the BPP. Focused support to states on public financial management was provided by the Bank and DFID under their respective lending operations. The Nigerian EITI, ahead in the Africa sub-region with recovery of about \$1 billion owed to the government by oil companies, was supported by DFID and the Bank under a multi-donor Trust Fund. A state level initiative on the investment climate was undertaken jointly by the Bank Group and DFID (Box 1). In health, education and HIV/AIDS, USAID forged closer relationships with the CPS partners, and concentrated investments in Cross River (Kano and Lagos were already USAID focus states) and signed Memorandum of Understanding (MOUs) in the lead States of Kano and Cross River. USAID staff participated in the mid-term review and contributed to the selection of CPS performance indicators and activities.

48. *The lead states approach may have provided incentives to other states to improve governance.* After intense policy dialogue, five states were selected in early 2006, but the process took longer than expected. It has been under implementation for fewer than three years and it is still too early to assess whether the approach has been effective in concentrating efforts or in serving as a catalyst to other states. Some states, in an effort to be categorized as a lead state in the future, made efforts to enhance transparency and accountability and to improve fiscal performance and the quality of service delivery.

49. *On the other hand, the lead state approach and process raised issues.*⁸ The five lead states were in only four of the six major geo-political zones and, from a political standpoint, in a setting where the federal government strives for balance among the six zones, the selection did not provide sufficient political balance. In addition, the selection of the five states excluded the poorest, although the five lead states covered some 21 percent of the population and 23 percent of Nigeria's poor.⁹ Third, some state governors whose states had not been selected as lead states urged the federal government to change or abandon the lead state strategy. Fourth, additional time was needed to design project interventions and to build capacity to implement them in the states. Fifth, support to one of the lead states was scaled down and suspended in 2006 when a joint Public Expenditure and Financial Accountability Review found evidence of misuse of funds. Finally, there was no exit strategy for the partnership in the event that a state fell out of compliance with the selection criteria.

C. Recommendations for the Bank from the Completion Report of the 2005 CPS

50. *The Completion Report recommended that the Bank focus on:* (i) power and transport to stimulate non-oil growth; (ii) human development efforts at state level, supporting health systems instead of concentrating resources in vertical disease programs; (iii) CDD approaches that integrate local and state governments to ensure sustainability and maintenance of infrastructure, while promoting participation and better governance; (iv) use of more flexible instruments such as SDPOs in states that have a track record of reform combined with related investment lending to build capacity or undertake other investments; (v) move away from a lead state approach; and (vi) expand the partnership by bringing other development partners on board.

D. Recommendations for the Bank from the Independent Evaluation Group's (IEG) Country Assistance Evaluation (CAE)

51. *The country team also benefited from an evaluation of the Bank's performance over 1998-2007 prepared by IEG.* The CAE found that during this period, the Bank provided important assistance to the government, including advice that was considered objective and valuable and that positively influenced perceptions about Nigeria in the international community. During the period to mid-2003, however, the Bank had difficulty in clarifying its role. A large number of lending operations were started, often with an insufficient base of local knowledge; at the same time the Bank was slow to invest in analytic work. After 2004, the Bank began to provide more effective support. IEG recommended the use of development policy credits to support states, scaling up

⁸ This description is based largely on the paper by Darren Kew, "Lead State Strategy Review", draft prepared for USAID/Nigeria, January 18, 2009.

⁹ Figures from Nigerian Population Census 2006, National Bureau of Statistics, and Nigeria Poverty Assessment 2007, National Bureau of Statistics.

efforts in the power sector, and fine tuning the lead state approach (see Box 3). The CAE also found that the partnership was able to draw on each agency’s comparative advantage—the Bank’s capacity to work multi-sectorally and bring its fiduciary discipline to programs, and DFID’s speed of response and presence on the ground outside Abuja. It recommended that the Bank make greater use of the potential of the DFID offices at the state level to help design and implement programs. The proposed strategy takes elements from all of these recommendations.

Box 3: Recommendations for the Bank from IEG in CAE

The Nigeria Country Assistance Evaluation, the World Bank in Nigeria 1998-2007, prepared by IEG, offered the following recommendations (Bank response in parentheses):

- ***The Bank should help re-engineer the system of fiscal transfers to state governments*** to provide greater incentives to states to spend resources efficiently. The Bank should consider Development Policy Operations focused on these transfers, with triggers linked to improvements in state-level budgeting, expenditure controls, and service delivery (the Bank is moving towards new instruments such as SDPOs and Sector Wide Approaches (SWAs) to address budgeting and service delivery).
- The Bank needs to fine-tune the lead state approach, increasing its policy engagement and its analytical work at the state level, in order to improve service delivery at the state level. A possible evolution would identify states based on economic importance and adopt a consistent approach to support in these states. Because the Bank does not have the staff and budget to put teams in each state, it should make more use of its partnership with DFID (the Partners have moved away from lead states approach to engagement with states based on a combination of quality of governance, critical needs, and growth potential).
- ***The Bank needs to scale up its efforts in the power sector***, with the objective of expanding power distribution. (Bank is scaling up efforts in the power sector).

Source: IEG: Nigeria Country Assistance Evaluation, The World Bank in Nigeria 1998-2007, June 2008.

E. Recommendations for the IFC from IEG’s Country Impact Review (CIR)

52. ***The IEG also conducted a review of IFC’s performance in Nigeria from July 1998—December 2007, and examined obstacles to private investment in the country.*** The CIR found that IFC had achieved strong impact, more so than either a global or Africa regional average, but did so in a limited range of sectors, with a particular focus on the financial sector (Box 4).

Box 4: Recommendations from IEG’s CIR for IFC

The Nigeria CIR of IFC in Nigeria 1998—2007, by the IEG, offered the following recommendations:

- Diversify areas of intervention in Nigeria to: (i) help address development challenges related to poor infrastructure (in particular power and roads) and excessive dependence on the oil sector; (ii) contribute to trickle-down effects of oil-driven growth; and (iii) expand viable IFC private sector activities beyond the present narrow confines of operations in terms of sectors. This would involve: (i) more strategic and effective deployment of advisory services, particularly in infrastructure and related areas; and (ii) close cooperation with the World Bank to help improve the business environment.
- Improve the process of developing country assistance strategies for key countries such as Nigeria by: (i) strengthening the country focus of IFC’s strategy process including enhanced coordination with the World Bank; (ii) formulating country objectives in terms of expected development impacts; and (iii) linking objectives with the allocation of organizational resources.
- Ensure that proper priority and resources are given to the supervision of environmental and social effects in Nigeria. IFC should fully integrate the environmental and social supervision into the portfolio-management process, and ensure accountability.

Source: IEG: Nigeria Country Impact Evaluation, The International Finance Corporation in Nigeria 1998-2007, June 2008.

IV. GOVERNMENT STRATEGIC PRIORITIES AND OUTCOMES OF CONSULTATIONS

53. *In keeping with his inaugural pledge to continue the reform agenda of the previous administration, President Yar'Adua's administration has articulated a seven-point agenda that builds on the earlier administration's NEEDS and is aimed at "transforming Nigeria into a modern economy and an industrial nation by 2015 and one of the top 20 economies by 2020". The current CPS priorities are driven by the Seven Point Agenda (critical infrastructure, the Niger Delta, food security, human capital, land tenure changes and home ownership and wealth creation) (see Box 5).*

Box 5: The Government's Seven Point Agenda

- **Critical Infrastructure** –The critical infrastructure includes power, transportation, national gas distribution and telecommunications. In power: develop an integrated, lowest cost, expansion plan for the development of the Nigerian electricity industry in the medium and long-term; upgrade and reinforce distribution networks; develop appropriate gas policy to encourage production and supply of gas for electricity generation; develop gas production and supply infrastructure; and develop a policy on IPPs. In transport: provide platforms for PPP, with capacity building in Ministries and agencies. In roads, explore mechanisms to ensure funding for maintenance investments. In railways, revive the system and involve the private sector. In aviation, the priority is to establish the National Civil Aviation Authority as the cornerstone of reform, including a recertification project
- **The Niger Delta** - The Niger Delta region, more than any other region, faces a number of physical and geographical challenges including environmental degradation, pollution, oil spills and human, economic, social and political problems. The 7-Point Agenda aims to address the existing issues in the Niger Delta region through the implementation of the existing Master Plan and appropriate funding of the Niger Delta Development The implementation of the plan will also result in improving the living standards of the people, as well as improved governance at the grassroots level.
- **Food Security** - Going forward, the emphasis of this government is on the production and development of the agricultural sector. Improvements in this sector will include the use of modern technology in agricultural development and financial injection into research which together will lead to an increase in yield and production. The reforms in the agricultural sector will lead to massive domestic and commercial outputs and the technological knowledge transfer to local farmers.
- **Human Capital** -The provision of health, education and social protection is core to empowering the population to achieve sustainable national development under the 7-Point Agenda. In education: improve the efficiency and effectiveness of funds in MDG and Universal Basic Education program implementation, particularly at the state level; design and implement education reforms at the state level based on Federal education reforms. In health: define and coordinate health care responsibilities at the federal, state and local government levels; revitalize the primary health care system; utilize potential of PPP; increase access to Anti-retroviral drugs; reduce infant and child mortality rates; achieve 100 percent success rate in child immunization; and provide Nigerians with easy access to health insurance.
- **Land Tenure Changes and Home Ownership** - Nigeria ranks as the most populous country in Africa, with approximately 64% residing in the rural areas. The pressure of rural-urban migration is currently impacting on the social amenities and infrastructure in the major metropolitan areas and as such urgent action is required to provide sufficient affordable housing. The 7-Point Agenda proposes changes in the land laws.
- **National Security** - Addressing the country's security is a high priority of the present administration. In this regard, the government plans to create a Central Directorate of Intelligence and also encourage more neighborhood policing to curb the crime rate The general welfare and conditions of service of the men and officers of the Police Force will be improved as a morale boost to discourage corruption.
- **Wealth Creation** - To reduce the level of poverty, the government is determined to create more wealth by creating an enabling environment for economic growth and increase in the personal incomes of individual citizens. The government will concentrate on areas such as skills development for productivity and wealth creation, facilitating access to credit for small to medium sized businesses and the self employed.

Source: Federal Ministry of Information and Communications.

54. *Consultations were held with federal and state level government officials and representatives of Civil Society Organizations (CSO) in September 2008, in preparation for this CPS.* The recommendations from these meetings (Box 6) agree for the most part with those of the CPSCR and IEG. They presented different options for engaging with states, with geopolitical representation, and using transparent, well publicized criteria. They requested stronger communication between the government and civil society, the government and the private sector, and donors and civil society.

Box 6: Voices of the Stakeholders

Meetings with stakeholders produced the following recommendations:

- ***Improving governance is at the top of the list of priorities.*** Most stakeholders thought that the development partners should focus on ensuring effective use of oil revenues, and greater accountability of government agencies. The need for improved governance and capacity at the state and local government levels was a strong theme.
- ***Lead state selection should be reviewed.*** Options include: (i) select one state from each of the six geopolitical zones and within each zone, rank the states on their policies and ability to deliver on their commitments; (ii) work with states that have already implemented service delivery; or (iii) work with states where there is little or no government presence. Whatever criteria are used, they should be well publicized.
- Development partners should focus on energy, implementation of MDGs and implementation of recently passed laws.
- ***Better communication*** is needed between government and civil society, government and the private sector, and donors and civil society.

55. *The consultations were followed up by meetings at the highest level with the FMoF in April 2009 and the Minister of Planning, NPC in May 2009.* The Ministers welcomed the flexibility in supporting the government, particularly during the financial crisis, endorsed the participation of a larger number of partners in the current CPS, and the three pillar approach, with governance as both a pillar and cross-cutting theme (which is the same approach followed by NPC in its long term development plan for Nigeria—Vision 2020). They also endorsed the focus on agriculture in stimulating non oil growth and on reducing maternal and child mortality rates. They made specific suggestions which have been reflected in this CPS as follows: (i) adopt lessons learned from the 2005 CPS; (ii) ensure clarity on what the partners will do, donor coordination and utilization of resources in a targeted way to achieve impact; (iii) include support for customs reform, revenue enhancement, public sector reform, carbon credits and country-level Monitoring and Evaluation framework for Vision 2020; (iv) focus on domestic led growth, which should lead to increasing Nigeria’s competitiveness in international markets; (v) emphasize infrastructure, particularly power, and support for PPP to leverage resources; (vi) include state level indebtedness in eligibility criteria for state level development policies loans; and (vii) disseminate strategy with states at governors’ forum.

56. *The Federal government confirmed the need for enhanced focus at the state level in the strategy but also a move away from the lead state approach* towards broader coverage of states with particular attention to geopolitical representation. Officials preferred that CDD and Human Development projects cover all states. While they agree that focus on Northern states for human development is appropriate, they do not want other states to be deprived of these resources. Officials also support more resources for health systems but not at the cost of less support for vertical disease programs. They also showed a keen desire to learn from the

experience of other countries for example, through South-South exchanges. The officials emphasized the need for faster and more effective support from the Bank.

V. COUNTRY PARTNERSHIP STRATEGY (2010-13)

A. Emphasis on Flexibility

57. *The situation in Nigeria has changed considerably since the outset of the strategy formulation.* When work began on formulating the CPS in September 2008, the global crisis was just beginning to emerge and had not yet touched Nigeria. Since then, as discussed in Section I, the Nigerian economy has begun to feel the effects of the crisis. As a result, the partnership is supporting the government, as an integral part of its assistance program, in dealing with the impact of the global crisis.¹⁰ The Bank is proposing a federal level DPO in early FY10 to support the government's response to the financial crisis (see para. 91 for discussion of this operation); the DPO is presented with the CPS. Going forward, if the government requests Bank support for continued policy reform, the Bank would respond by adjusting the program to include programmatic DPOs at the federal level, as well as capacity building through technical assistance to deepen financial sector and budgetary reforms. Obviously, significant support directed at mitigating the impact of the global crisis or strengthening the financial and public sectors will have implications for the remainder of the support program, because of limitations on both the total financial envelope and human resources available for the program of support. Thus the indicative, detailed support program laid out below may be modified in light of demand for crisis-mitigation related assistance. Any significant changes to the program described below would be reported in the Progress Report for this CPS.

B. The Partnership

58. *Under this CPS, the partnership will be expanded to include the AfDB and USAID as well as DFID and the World Bank Group, in line with the government and CPSCR recommendations.* The partners account for over 80 percent of Nigeria's development assistance. By agreeing to a single joint strategy, partners will strengthen the likelihood of increasing development effectiveness. Partners will also continue to coordinate closely with Nigeria's other main development partners, including the UN funds, programs and agencies, Japanese International Cooperation Agency, the French Agency for International Development, Canadian International Development Agency and the European Commission. Some of these partners expect to join the partnership during the CPS period.

59. *Unlike a number of other countries in Sub-Saharan Africa, donor presence is small in Nigeria and division of labor is relatively straightforward.* The concentration of official agencies in Abuja makes for easy and effective collaboration among the donor community. While the Bank is engaged in a relatively large number of sectors, within these sectors it is engaged in few areas (for example only roads in the transport sector). Within each sector, the donors are identifying an appropriate division of responsibility based on each agency's comparative advantage; the sector groups meet periodically to coordinate activities. For example, in the transport sector, the AfDB and the Bank are co-financing the rehabilitation and

¹⁰ Government is also in consultation with the IMF on a possible Policy Support Instrument but has not yet agreed on scope and content.

maintenance of the Federal road linking Nigeria to Cameroon and supporting the government in the implementation of the Rural Travel and Transport Policy; and the Bank and AfDB are financing a Rural Access and Mobility Project in different states. In the energy sector, DFID supported the Bank Energy Policy Notes on governance and performance benchmarks, USAID financed gas policy analysis, and AfDB and the French Development Agency are proposing significant investment with the Bank in the power sector. In private sector development, DFID has supported the analysis for the Bank's GEMS project (FY10), and has worked with the Bank in the ICP (Box 1). In education, DFID, USAID, and the Bank are currently supporting girls' education in Northern Nigeria, each focusing on a different aspect. In health, DFID and the Bank are coordinating their response to HIV/AIDs.

C. Strategic Focus

60. *In addition to support in response to the global crisis, the partnership will focus on the three themes of (i) improving governance, (ii) maintaining non-oil growth and (iii) promoting human development (i.e., as identified in the Seven Point Agenda and reaffirmed in stakeholder consultations) to transform Nigeria's economy.* Governance will be both a core theme and, because it is fundamental to achieving results in the other two areas, is also a cross-cutting theme, an integral part of virtually every form of support. Each partner will focus on these three areas, with varying degrees of emphasis.

c.1 Governance as a core theme

61. *To achieve better governance, this CPS will focus on how we can help the government strengthen its own systems over the long term and will cover five focal areas.* Based on stakeholder consultations, and the comparative advantage of partners, those five areas will be: (i) transparency and accountability in the use of public resources; (ii) participation of communities in decision making and oversight of public resources; (iii) governance reforms in high priority sectors to promote diversification of the economy, non-oil growth, private sector participation and human development; (iv) capacity development in the public service; and (v) judicial reform and democratic governance. All partners will engage in strengthening government systems to improve outcomes in human development and growth, while only DFID and USAID will focus on work in judicial reform and democratic processes. These five areas are discussed next.

62. *Strengthening transparency and accountability will involve building on progress under the previous CPS to strengthen federal and state systems for procurement, internal auditing and internal control functions, statistical capacity and public financial management to allow Nigeria to better manage its resources.* Current achievements include publication of a large percent of federal government's contract awards above a threshold and establishment of the Bureau of Public Procurement, both important steps to improving value for money at the Federal Government level. In line with the strategy of strengthening government systems, the current CPS will continue to focus on improving effectiveness of anti-corruption institutions, value for money and transparency in the public procurement system, and improving budgeting and auditing and accounting at the federal and state levels. The strategy sets monitorable results expected to be achieved for the CPS period (Annex

1, pillar 3).¹¹ It will also continue to support EITI, the global initiative to support good governance and transparency in resource rich countries. The objective will be to help Nigeria complete the EITI validation process and therefore become EITI compliant.

63. ***Greater participation calls for improvement in the public sphere through the involvement of CSOs, CBOs, and other stakeholders in the governance reform process (e.g., monitoring budget expenditures and service delivery at the state and federal levels).*** This approach has been piloted in some states and will continue in education, health, power, transport, as well as in public procurement. Building on the solid foundation of the successful CDD approach, the current CPS will include increased CSO and community monitoring and evaluation, planning and budgeting at sector and local levels, and will pilot new participatory approaches for monitoring and evaluation and service delivery at the local levels. Regular consultations will be planned with CSOs, including NGOs, academic institutions and the private sector, on the design, implementation and supervision of projects and AAA as appropriate. To enable them to play their roles more effectively, the partners will support systematic initiatives to strengthen the capacity of CBOs, CSOs, and the media, and will encourage government to pass the Freedom of Information Bill.

64. ***Governance reforms in high priority sectors include health, education, power, agriculture and water.*** The areas to be covered are public expenditure management, development of sector strategies, strengthening of sector institutions and improving the policy and regulatory environment (Box 7).

65. ***Capacity development in the public service at the federal, state, and local levels.*** CPS will provide support for public sector reform, strengthening the capacity of government to formulate and implement policy and serve as regulators. Government planning and statistical capacity building will also be important. The partnership will also support selected universities and think tanks to undertake analytic work to inform public policy. It will promote exchange of experiences through South South exchanges.¹²

66. ***Justice sector reform and democratic governance*** will be supported by DFID and USAID building on existing programs (including USAID/DFID Strengthening the National Assembly Program (SNAP), and DFID Security Justice and Growth (SJG), and USAID's Local Governance Program). Strengthening the efficiency, equity and accessibility of Nigeria's justice sector promotes growth by providing efficient property and contract law, ensuring security for people and property. Support to strengthen democracy, including electoral reform in Nigeria through work with the national and state assemblies, media, and civil society on key issues, will increase the public's voice and enable citizens to articulate its demands to government for quantity, quality, and timelines of services. This will in turn increase government accountability.

¹¹ DFID's State Partnership for Accountability Responsiveness and Capability (SPARC) program and State Accountability and Voice Initiative (SAVI) will improve accountability and transparency in five states (Kano, Lagos, Kaduna, Enugu, Jigawa), where SPARC has facilitated a Public Expenditure and Financial Accountability Assessment. Support from SPARC will vary between states, but will cover areas including budget preparation, budget execution, cash and debt management, audit and procurement. USAID's Advocacy Awareness and Civic Empowerment, Local Governance and Decentralization, and Media Strengthening Programs will work to increase the capacity of civil society and the media to advocate and report on key policy reforms such as revenue and budget transparency, access to information, electoral reform and to fight corruption through public oversight, agencies, and initiatives in up to four states.

¹² The Bank established a new South-South Experience Exchange Facility, a multi-donor trust fund promoting the idea that development success in one country can be relevant for reducing poverty in another.

Box 7: Governance to Promote More Effective Use of Public Resources is Central to this CPS

Federal level: In the area of public financial management, a Fiscal Responsibility law and new procurement law were passed in 2007 at the federal level and similar laws are being adopted in all states. The Accounting Transactional Recording and Reporting System was rolled out, and a computerized federal payroll management system was launched. Preparations for the adoption of the Government Integrated Financial Management Information System are being made and an E-payment system introduced in 2008 promises to increase transparency and accountability further.

Cross-cutting themes in sector governance are: (i) accountability and transparency; (ii) participation; and (iii) capacity building. Sectors have been addressing these themes as follows:

Education: School-Based Management Committees have been supported by Bank and DFID projects to ensure the proper use of resources and hold service providers (teachers and schools) accountable for good quality education of children. A major area that will strengthen governance will be the support to CSOs to enable them monitor disbursements especially under the Universal Basic Education act. Scaling up the Community Accountability and Transparency Initiative will go a long way to improving governance in the education sector

Health: Under the Health Systems Development Program, village development committees have been established to jointly manage with the local governments the renovated health facilities as well as plan for the delivery of health services. Similarly, under the Malaria Booster Project, communities are being encouraged to manage the distribution of bed nets and malaria medicines.

Water: The implementation of the World Bank National Urban Water Reform Projects and analytical work on the “Governance of Service Delivery”, and USAID support for local governance to provide water and sanitation services will enable the development of frameworks for assessing accountability and responsiveness. The aim will be to develop measurable service standards for State Water Boards.

Power: The Bank is undertaking AAA in the energy sector covering sector governance, institutional issues, finances, tariffs and subsidies and on the political economy of the electricity sector. The Bank is also providing a partial risk guarantee (PRG) to encourage private sector participation in the energy sector. Through the PRG, Governance and Anti-Corruption measures will be addressed by promoting transparency and commercial benchmarks in transactions, introducing anti theft and loss reducing pilots, and supporting the regulatory framework. The Ministry of Power is also expected to convene a bi-annual stakeholder consultation to facilitate dissemination and discussion on overall power sector reform, and project implementation and safeguard issues.

Civil Society: “TA carried out in this CPS will include the design of social accountability initiatives to improve citizens’ involvement in public procurement process at state and local levels, DFID support through its Coalitions for Change program will focus on key governance issues including constitutional reform, anti-corruption, and climate change. USAID’s is working with nation-wide coalitions and local CBO alliances on public expenditure tracking, fiscal responsibility, Nigeria’s Extractive Industry Initiatives, conflict mitigation and management, and advocacy on key issues including the Freedom of Information and Public Procurement bills. The “Governance for Service Delivery” AAA planned under this CPS would support mechanisms to track service delivery in sectors such as water, health, education and power.

Financial Sector: A Banking sector review recommended that Nigeria adopt International Financial Reporting Standards to improve accounting and auditing standards. The Bank also recommended that Nigeria move to a consolidated financial year end which would improve transparency and accountability and the Central Bank of Nigeria (CBN) announced in April 2009 that it would do so. The Bank is supporting new microfinance banks that publish quarterly reports on: (i) number of customers; (ii) loans outstanding; (iii) non-performing loan levels; and (iv) profitability. In addition, the Bank will review Development Finance Institutions to assess their governance structures and procedures.

c.2 Sustaining and accelerating non oil growth: promoting private sector led growth

67. **The focus will be on removing key constraints, in a targeted manner, to private sector growth.** In the near term, Nigerian firms have potential to continue to grow to meet domestic

demand, and to become internationally competitive within the next few years. The objective of the assistance would be to provide the environment where Nigerian firms could increase efficiency so that they would be able to compete in regional and international markets in the longer term. The focus of the growth strategy will therefore be on removing identified constraints to improving agricultural productivity, critical for poverty reduction, and promoting fast growing sectors (entertainment, ICT, meat and leather, construction, wholesale and retail trade and hospitality) where there is also potential for employment creation. This will involve targeting interventions in: (i) physical infrastructure to support growth clusters in identified geographic areas, such as in Lagos (Annex 5) and Kano-Kaduna; (ii) investment climate improvement through selective efforts to streamline bureaucracy in land registration, planning approvals and building permits; (iii) technical and vocational education to address skills gaps; and (iv) reducing import bans and high tariff barriers. The ongoing micro, small and medium enterprise project supports performance and employment in these enterprises in selected non oil industry sub-sectors. The access to finance component has successfully established five new microfinance institutions and has provided loans of more than \$35m. This component of the project could be scaled up in a follow-on financial sector project.

68. ***IFC's strategy over the next few years emphasizes diversification through increased focus on agribusiness and infrastructure, in particular power (Annex 3).*** Three elements are prominent in the strategy:

- a) Increased diversification through: (i) proactive project and business development, (ii) developing new investment and partnership opportunities with existing IFC clients and partners in Nigeria and within Africa and (iii) strategic engagement through advisory services to improve the business environment. Priority will be on power and agribusiness activities, in line with the government's priorities. Other sectors of interest include health and education, and local content business within oil, gas and mining, the predominant industry in the Niger-Delta region.
- b) Diversification within financial markets, from traditional banking credit lines to new products such as trade finance, housing finance, insurance, Micro, Small Medium Enterprises (MSME), finance, microfinance and structured finance products, targeting agribusiness, health and education sectors. IFC will also work with Nigerian financial institutions to respond to the impact of the global recession, and ensure their continued financial strength.
- c) Advisory and investment services to enhance private sector development in Nigeria, including addressing key investment climate constraints such as increased power generation and distribution, capacity building and developing the local fixed income capital markets, and credit bureaus. These services can also directly support IFC investments such as project development and sustainability initiatives. IFC will continue to support the ICP with IDA and DFID.

c.3 Improving human development

69. ***The partnership will support improvements to increase the access, quality, efficiency, equity, and utilization of the services for human development with an intensive focus at the***

state level. The strategy is selective and tailored to take into account the significant diversity of health and education needs across the regions. In education, the focus will be to assist the government in designing a strategy that defines the role of the government at all three levels and entry points for the private sector-- recognizing that the government and public resources alone will not be able to address the poor quality of education and learning outcomes identified in section 1. Another area of emphasis in line with the non-oil growth strategy is skills development under the New Economy Skills for Africa Program in Information and Communication and Technologies (NESAP-ICT) initiative, support to Vocational and Innovation Enterprise institutions, continued focus under the current project on science and technology and cooperation with South Korea to learn from its highly successful technical and vocational systems (para 102). Focus will also be on girls' education in the North (Box 8). In health, the priority will be reducing maternal and child mortality rates. Partners will, however, continue to support specific initiatives in vertical disease programs, although on a more modest scale than in the past and with greater emphasis on health system strengthening.¹³ The partnership will also pay attention to increasing the access and utilization of human development services by the extreme poor and vulnerable. Nevertheless, these approaches are of necessity incremental and given the size of the challenges at the state level, outcomes of partner activities are likely to be modest over the four years of the strategy's implementation.

Box 8: Giving Girls A Voice in Northern Nigeria: Three-pronged Strategy to Address Girls Education

Northern Nigeria has particularly large gender inequities in participation rates in school and cultural/religious issues that pose barriers to girls' enrollment and primary school completion. Nigerian education and gender MDGs are off-track due mainly to the situation in the Northern States like Kano, Jigawa, and Bauchi.

The partners, UNICEF and civil society (such as Action Aid) propose three strategies. *First*, support for the Islamiyya, Qur'anic and Tsangaya Education integration strategy, to integrate secular and religious schooling demands in the Northern States. In Kano, this means forming partnerships between Islamic schools (23,135 schools) and the formal public secular schools (4,000 schools) to: (i) support the integration of a basic curriculum for literacy and numeracy into Islamic schools; and (ii) provide religious education in state schools, which reduces the need for separate evening Islamic schools. This satisfies parents' demand for Islamic education while increasing demand for secular education, and will help bring boys and girls, but girls in particular, into the secular schools.

Second, target improvements in quality and access to education. This will be done through the Bank's State Education Sector Project, DFID's Education Sector Support Programme in Nigeria (ESSPIN), DFID-UNICEF Girls' Education Programme (GEP), and USAID's Northern Education Initiative and Teacher Training Initiative. These programs will pilot innovative ways to support decentralized, community-level responses to improve access and quality of basic education, particularly for girls. These will build on successes in advocacy and community mobilization developed in the DFID-UNICEF GEP, USAID's Action Aid's programs, which built coalitions for greater accountability and responsiveness in the delivery of public services, particularly for disadvantaged groups such as girls in Northern Nigeria.

Third, to address demand side issues by promoting CCT for girls education and orphans in Kano and Bauchi, with support of the MDG Fund, Bank, DFID and UNICEF. The CCT is a demand-side intervention which has successfully brought junior secondary schooling to a generation of girls, and which has been successfully implemented in Pakistan, Bangladesh, and Turkey (World Bank, forthcoming, 2009). For example, as a result of CCT, there are more girls than boys in secondary schools in Bangladesh—a dramatic reversal from just 10 years ago. For Kano the CCT for Girls Education will be piloted immediately under the Bank's education project.

¹³ Even in vertical disease programs, such as the national malaria control program, partners are moving towards a more programmatic approach, with support channeled to national strategic plans. This will enable partners to recognize the financial contributions of other partners in geographical and technical areas, and to be more selective in their choice of States/areas to support.

D. Partnership Support at the Federal and State levels

d.1 Support at Federal Level

70. ***In governance, the partnership is engaged in a number of initiatives to strengthen procurement, public financial management, and civil service reform.*** These initiatives will be continued in this CPS under the Economic Reform and Governance Project (ERGP) jointly funded by the Bank and DFID, two regional Institutional Development Funds for the Forum of Accountant Generals and Auditor Generals in West Africa and the Association of Accountancy Bodies West Africa and USAID's Local Governance and Decentralization Program. Partners will continue to fill critical gaps.¹⁴ DFID will work with the Governors Forum and partners to develop an approach to supporting states with the preparation and implementation of Fiscal Responsibility and Public Procurement legislation. The Federal Government with DFID technical assistance has prepared a National Strategy for Public Service Reform, with which this strategy is aligned. Support for public financial management reform will include:

- Modernizing the internal audit function and improvement in internal controls at federal and state levels;
- Strengthening the capacity of external audit and Public Accounts Committees at state and federal level to enable them perform their oversight roles more effectively;
- Strengthening the financial reporting infrastructure;
- Updating the Finance (Control and Management) Act and the Audit Act which will improve accountability and clarify roles and responsibilities for the various PFM functions. The required standards and disclosure requirements will support transparency for the use of public funds in a timely manner; and
- Strengthening and consolidating procurement systems and practices.

71. ***The partnership will continue to support statistics*** through strengthening national, zonal and state capacity to collect, compile, analyze, and publish statistical information and coordinating statistical activities between National Bureau of Statistics (NBS), zonal offices, the states and Ministries, Departments and Agencies (MDAs). In the 2005 CPS, DFID has been supporting NBS through the Bank's ERGP project (see Annex 4 for partner support on statistical capacity building. The results matrix (Annex 1, pillar 3) sets milestones expected to be achieved under this CPS for strengthening of the national statistical system.

72. ***The partnership will engage at the Federal level in policy dialogue to identify constraints, critical cross-sector and institutional linkages, and needed reforms.*** Examples of the cross-sector nature of reforms include the need for simultaneous reform of gas and power tariffs, improved management of unbundled energy companies, and strengthened implementation of infrastructure projects. Bank support will continue to coordinate with DFID's Nigerian Infrastructure Advisory Facility. Other initiatives at the Federal level will consist of investments and institutional changes in

¹⁴ As an example of this: following states' commitments in 2007 to pass state fiscal responsibility and procurement laws, the Bank and partners held clinics to familiarize state officials with the laws and underlying concepts. In 2008, the partners agreed to support a secretariat to the Governors' Forum to: (i) assemble information on fiscal policy and associated reforms at the state level and (ii) manage technical assistance to build capacity at the state level. This process could play an important role in strengthening fiscal federalism in Nigeria.

energy, transport, tertiary education, and ICT, all of which will support non-oil growth. The Bank will also support business climate and capacity building, through on-demand AAA and policy notes, IFC advisory services and training, drawing on best practices and lessons adapted from global experience to the Nigeria setting. Strengthening knowledge and training institutions in selected universities and think tanks to undertake analytical work that inform public policy; and support to the Lagos Business School and public service training institutions will continue.

73. ***The partnership will focus on addressing investment constraints in sectors with the highest growth and employment potential, including the promotion of cluster-based growth and skills development.*** Analysis suggests that light manufacturing, ICT, construction, wholesale and retail, entertainment, agriculture, meat and leather and the financial sector may be particularly promising. The CPS will aim at addressing the constraints to growth through several projects including the DFID's and Bank's joint GEMS project and USAID projects including MARKET II and Trade Capacity Development. The analytic work carried out by the partnership on the investment climate will inform interventions. Important aspects of stimulating non-oil growth will be the development of a national skills development framework and the reform of trade policy, which have been elaborated in the Employment and Growth study. The ongoing Bank Science & Technology in Post Basic Education Project and Lagos Eko Secondary Education projects are both directed at skills development. The Science and Technology project is targeted to post basic education level including vocational and technical education and Lagos Eko Secondary Education to secondary schools including vocational and technical colleges in Lagos state. In addition, the FY08 Federal Roads project will support the Federal Government's aim to promote private sector participation in the provision and upkeep of roads and will enhance the impact of the rural roads projects planned under this CPS as well as Fadama III (FY09). IFC will play a catalytic role in the growth of Agribusiness and Infrastructure (particularly Power).

74. ***Support for PPP will be scaled up.*** Grant funding for diagnostic work and upstream capacity building ongoing since 2008 has positioned Nigeria for more in-depth support for PPP investments through a project in FY11. This project—building on the achievements and lessons learned from the Privatization Support Project scheduled to close in 2009 would enable Nigeria to access top transactions advisory expertise, and to twin this with focused capacity building and technical assistance in the key MDAs at federal and sub-national levels that will develop, implement and oversee the PPP pipeline. As part of this project, given the importance of risk mitigation and commercial viability to successful PPP initiatives the Bank, including MIGA and IFC, are also examining the potential to deploy risk guarantees and other form of financing to complement government investments and to crowd-in other sources of private sector and official funding.

75. ***To promote agricultural growth,*** the partnership will support government goals to eliminate fertilizer subsidies and improve agricultural finance, strengthen the agricultural input systems, support the introduction of agricultural support services, build a system of agricultural research at the federal and state levels and encourage public-private partnerships in irrigation. In addition, the partnership will support government goals to promote food security and integration of rural farmers into the market food chain, focusing on the use of inputs, improved varieties, and mechanization by poor farmers. A key focus will be to link producers to markets through expanded collaboration with agro-processors and supermarkets. And finally the World Bank in partnership with the African Development Bank will scale up access to rural roads to a larger number of states than those covered under the current rural access and mobility project.

76. ***Underscoring the need for measures to slow down climate change, a program of support on environmental risks will include components in operations such as in agriculture and support for government actions to reduce gas flaring.*** Recognizing that the low price of gas used domestically distorted incentives towards exporting and encouraged gas flaring, the government enacted a transitional domestic gas pricing framework that moves prices progressively to cost-reflective levels. Other measures being launched include Domestic Gas Supply Obligations for gas companies (meeting these before export) and the introduction of bilateral commercially enforceable contracts between international oil companies and all end-users, including power companies. These measures are expected to help reduce gas flaring and are being supported by the Bank under its FY09 Energy project and by USAID's FLARED project, also launched in 2009. Partnership between IDA and the Global Environment Fund (GEF) on a climate management project will address coastal flooding/erosion and disaster management, and sustainable land management.

77. ***Under human development, the partnership will also continue to support Federal programs through both lending and non-lending.*** Through diagnostic work, the partnership will work with the government on a social safety net agenda that can help respond to the global crisis as well as improve targeted programs such as the CCT and the Youth Empowerment and Employment Program. The existing Conditional Grant Scheme for MDG interventions, currently funded by Nigeria's MDG office in partnership with State and Local Governments, presents a credible platform for building a sustainable Social Safety Net Program. The partnership will also support the Federal Ministry of Health and the Federal level parastatals to strengthen their role as stewards of the sector. A programmatic AAA on 'Governance of Service Delivery' will underpin and highlight sector level governance issues. AAA on financing of Tertiary Education will also provide the basis to fashion appropriate support to students such as student loan schemes.

d.2 Partnership support at the state level

78. ***Partners will no longer seek to agree on a single set of lead states among all partners,*** or use the same process to identify states with which they engage, as partners are at slightly different stages and have different operational constraints. In line with government priorities, CDD will be available to all States and vertical programs will be increasingly integrated within health systems. Support for investments in economic growth (through GEMs) will be based on geographical clusters, as will partner programs dealing with food scarcity or humanitarian crises. For all other interventions, partners will use criteria for state-level engagement that include geopolitical balance, governance capability and commitment, need, existing programs and partner objectives (Table 6). Building on lessons learned in the 2005 CPS, including the relatively low capacity of most state governments to implement and sustain reforms, the governance criteria will be central to maximize effectiveness of development partner assistance (Table 6, column 2).

79. ***The criteria for state-level engagement reflect the Nigerian government's priorities and concerns and lessons from the 2005 CPS:*** (i) partners should focus their efforts on states with the greatest needs; (ii) reflect joint decision making with the government; and (iii) recognize that while not all donors can be in every state, donors should balance funds across Nigeria's six geopolitical zones. During the current CPS, partners will support states in each zone, or more if the state engagement of non CPS development partners is taken into account.

Table 6: Criteria for State-level Engagement in Focus States

<i>Nigerian Government priorities</i>	<i>Governance Capability and Commitment</i>	<i>Need</i>	<i>Existing programs</i>	<i>Adherence to partner mission objectives</i>
<ul style="list-style-type: none"> • President Yar’ Adua’s Seven Point Agenda. • Balance across six geopolitical zones. • Joint determination with NPC and MOF of choice of states in specific projects. 	<ul style="list-style-type: none"> • Performance of the state on projects funded by the partnership (primary criteria for World Bank for human development projects). • Completion of a public expenditure review and/or public expenditure and financial accountability review with follow-up action plans. • Drafts of Fiscal Responsibility and Public Procurement bills • Respect for opposition parties and human rights standards (USAID). 	<ul style="list-style-type: none"> • School enrollment and attendance rates. • Maternal and child mortality rates. • Access to water. • Weak institutional capacity for delivering services. 	<ul style="list-style-type: none"> • Working relationships between partners and state governments from previous work. • Presence of other programs. 	<ul style="list-style-type: none"> • Example: World Bank and DFID mission of poverty reduction. • A USAID foreign policy priority of oil security.

80. ***Enhanced governance-focused support will be provided to states which meet transparent and objective standards for improved governance.*** Partners will have governance-focused engagement with states from all six geopolitical zones. Partners will not necessarily provide assistance to the same states, although there is likely to be overlap in the larger states (Lagos and Kano), and in the states active in 2005 CPS (Kaduna, Enugu, Cross River). USAID plans to focus on Bauchi and Sokoto states. The remaining states will be selected from those that have requested support under the Bank’s State Governance and Capacity Development Project (SGCBP) II (FY10) based on the governance criteria in Table 6.¹⁵ Over the current CPS period, DFID will extend the coverage of its suite of state level programs into two new states, following the criteria in Table 6 for state selection.

81. ***In HD, performance under existing partner programs will be the primary consideration for the Bank.*** All states, for example, have received Bank CDD projects, but not all have had a satisfactory performance in financial management and procurement, essential for tracking and ensuring effective use of resources. Additional criteria will be: (i) low ranking on related indicators such as maternal and child mortality and school attendance rates, and therefore greatest need for state-based HD interventions; and (ii) demonstrated necessary commitment to sector reform. The partnership will explore the use of innovative approaches such as CCTs, performance-based reward system for the Youth Employment Scheme, Modernizing Secondary Education, Vocational Educational Training, and the Health Insurance Program. In FY10 the partnership will seek Education for All-Fast Track Initiative support to three or four additional states to develop education sector plans that can be financed using national and possibly partner resources.

¹⁵ SGCBP II will also provide funding to other states (outside the four selected) for preparation of draft fiscal responsibility and procurement bills as well as public expenditure reviews and public expenditure and financial accountability reviews, if they have not already been completed. This will prepare the states for more comprehensive support under SGCDP III from FY12, and eventually for state level development policy loans.

82. ***Partners will disseminate and replicate good practices across states.*** An example of this is DFID’s support to land registries (Box 9).

Box 9: State to State Replication of Land Registry Reforms

Replication can be designed into the current CPS projects from the outset. In DFID’s SJG program under the 2005 CPS, the intention was to support the most advanced registry (Lagos) to become a “center of excellence” which could then be used as an example to other states. Staff from other registries, both from states where the project was active but also from other states, was actively encouraged and supported to see the advances that Lagos had made. This “home-based” example was far more powerful than taking registry staff overseas to see “state-of-the-art” but ultimately unrealistic models. Lagos staff were also encouraged to speak at events both within Nigeria and internationally to outline the problems they had faced and the solutions they had developed. One of the links developed was between Lagos and Kano. Replication did not stop here; the work in Kano land registry was explicitly designed to increase Kano’s training capacity so that they could become the training hub for the northern states of Nigeria. This capacity now exists—not just for basic land administration and computing issues but also more advanced geographic information systems training, and Enugu, Jigawa and Bauchi states have benefited from this training. Further South, staff that had been trained under the SJG program in Enugu has trained staff from Benue, and in this way the replication of process, capacity and skills has been completed.

83. ***To ensure accountability for service delivery, collaboration with civil societies and the private sector will be encouraged and incorporated within projects, program design, and implementation.*** MDAs and project implementation units implementing human development projects will be encouraged to involve NGOs and the private sector in the delivery and monitoring as well as evaluation of the impact of their interventions. Examples of how civil society and democratic governance support service delivery will be documented and shared among partners. The use of Citizen’s Score Card, Beneficiary Assessment and Report, Civil Society Independent Evaluation and other participatory feedback mechanisms will be emphasized in project design and implementation—especially through the supervision of ongoing operations. Partners will: (i) support the development and implementation of service standards; (ii) strengthen complaints handling mechanisms; and (iii) support public expenditure reviews.

84. ***Enhanced donor coordination on the ground will increase the effectiveness of partner assistance.*** Donors will coordinate efforts better within states where more than one donor is working. Donors will speak to Federal and State Governments with one voice to minimize transaction costs, and will work to develop State-level MOUs to monitor progress and enable mutual accountability. Donors will jointly determine with NPC and Finance which states they work in.

85. ***Lending instruments will be tailored to the conditions of each state.*** In states selected based on poor HD indicators or potential for growth, but with a relatively weak public sector reform track record, the partnership will continue to use project-based lending and grants, while using these projects as entry points for broader reforms (for example, states supported under the SGCBP I and II could become eligible for broader multi sectoral reforms with state level development policy loans). In states with poor HD indicators that have embarked on public sector reform and have a stronger track record on governance/fiduciary systems (e.g., Sokoto in the North or Osun in the South), the partnership will work with state governments to develop comprehensive, prioritized, costed state-wide sectoral plans/programs that will serve as an overall framework for financial and technical support to the state from the partnership. Also,

building on the lessons learnt and inputs from the states regarding the effectiveness of the project-based approach for challenges and issues that cut across multiple sectors (Annex 5), the Bank would consider other instruments/options when dealing with multi-sector issues.

86. ***Given the importance of improving governance at the state level, and the relative autonomy enjoyed by states in policy making and budgetary and fiscal management, enhanced governance assistance could be effectively addressed by use of SDPOs.*** In states that have a relatively good track record on public sector reforms, a reasonably strong fiduciary system and low debt levels, the Bank will discuss with FMOF the use of SDPOs, possibly twinned with TA operations; other partners will consider whether and when to move to programmatic support. Providing reformist states with SDPO support could also produce incentives for other states to follow their example, even if the SDPO amounts are relatively modest compared to the states' other resources.

87. ***At present, Lagos appears to be the best candidate for a "pioneer" SDPO, given the quality of its PFM-system, the reform-orientation of the state government, the importance of the state for Nigeria and the inadequacy of fiscal resources (Annex 5).*** The design of SDPOs would include cross-sectoral policy reforms, linked to the federal agenda. Given the federal programs already initiated aimed at improving fiscal and public financial management, the SDPOs would have a strong focus on these areas as well. At a second stage, SDPOs could be expanded to states with minimum acceptable fiduciary standards, with a more challenging agenda of policy reforms; a third stage could cover poorer and lower-capacity states.¹⁶

88. ***Introducing SDPOs has risks.*** Institutional structures in most states are not strong and further changes in the political environment could affect the sustainability of reforms. This calls for a strong government buy-in and for starting SDPOs at the beginning of a political cycle. Second, the quality of the state's PFM-system will need to meet a necessary degree of transparency and accountability. It will be important to assess the quality of PFM-systems in each state before a SDPO can be put in place. Finally, the statistical capacity at the state level will need to be sufficient to monitor results of the SDPO.¹⁷

89. ***In the Niger Delta, the approach will be attentive to the particularly fragile circumstances of the area.*** Sustainable development in the Niger Delta will be difficult in the absence of a peace settlement acceptable to all parties. Nevertheless, the Bank, DFID, USAID and the AfDB have worked closely to agree on a joint position on the Niger Delta. Development partners will continue to seek opportunities to work with those state governments in the Niger Delta that demonstrate commitment to reform and better governance. The Bank is currently implementing CDD projects in the core states of Niger Delta (Fadama III and Community Social Development), as is USAID (Cassava Enterprise Development, Conflict Mitigation, and

¹⁶ This approach was successfully used in India, where over the years, the focus of SDPOs shifted to poorer states with lower capacity, yet with credible reform programs.

¹⁷ As state fiduciary systems improve, another approach with potential for sub-national lending in Nigeria is the use of investment lending instruments to support multi-sectoral multi-year SWAs. The SWAs would support programs with multi-year state budgets and results indicators. The first experience of this sort in Brazil in the Ceara State brought about important advances on fiscal management, public sector management and service delivery in key sectors, which led to the replication of the model in other states: Minas Gerais, Distrito Federal and Pernambuco.

HIV/AIDS). The Bank has also had good discussions with Bayelsa State on public financial management, education and local government, which creates a solid basis for development of a closer relationship; the US Government is also working closely in Bayelsa State. A number of IFC projects have direct bearing on the Niger Delta, including a program co-funded by the Nigerian and Norwegian Governments to upgrade the capacity of local fabrication companies to undertake complex local content provision to the oil and gas industry which is dominant in the Niger Delta region. The Federal Government created a new ministry in September 2008, which is expected to be responsible for implementing the 15 year, \$50 billion Niger Delta Regional Development Master Plan. Partners will work closely with the Ministry and its parastatals on future support to the Niger Delta.

VI. PARTNER SUPPORT

A. World Bank Lending and AAA

90. *The Bank portfolio currently comprises 28 IDA projects and 2 GEF projects*, with a volume that has more than doubled from US\$1.5 billion in FY05 to about US\$4.1 billion in FY09. Aside from support for the government's efforts to mitigate the effect of the global financial crisis (next paragraph), infrastructure and human development comprise almost two-thirds of the lending portfolio. The strong focus in the current portfolio is on project implementation for results. The IFC investment portfolio totals \$435 million in 29 projects; the advisory portfolio includes 13 projects with a budget of \$22.8 million.

91. *Bank support to emerging crisis.* The Bank will support Nigeria with a DPO of \$500 million early in FY10. The operation demonstrates the Bank's flexibility and responsiveness to Federal government needs. The proposed DPO is intended to provide budgetary support to the FGN to offset the fiscal impact of the crisis and support the government in maintaining its current economic reform path in the financial sector, fiscal policy and management, and governance. The focus of the DPO on strengthening the banking sector and on increasing government spending is fully aligned with the core themes of governance and increasing non-oil growth. The adoption of International Financial Reporting Standards, for example, will improve accounting and auditing standards, at the heart of improved banking sector supervision and governance in the financial sector (Box 7). The DPO complements other active and prospective operations that will help to mitigate the impact of the crisis, including two large CDD operations (Fadama III and Community Social Development Project) that are just starting, and support for safety net enhancements (CCT program). The Bank has also added \$50 million to the \$100 million credit approved for the Commercial Agriculture Development Project for basic staple crops (maize and rice) production to address rising food prices.

92. *IFC support to financial crisis.* IFC is undertaking initiatives focused on the financial sector, including an examination of the capital requirements of selected banks, and potential equity investments by the Bank Capitalization Fund, one of the IFC global crisis response initiatives. IFC will accelerate implementation of a number of advisory services programs, including programs to improve corporate governance practices of Nigerian banks and to stimulate fixed income securities market, particularly given the decline in the equities market. Furthermore, IFC is planning the issuance of a Naira Currency bond which will amongst other

objectives serve as a demonstration transaction for non-equity securities. These are in addition to Risk-Sharing Facilities which IFC plans to pilot with banks.

93. *The remainder of the World Bank program for FY10-13 responds to the strategy of support for the three pillars* (V, Section C) by intensified focus at state level and use of a broad range of innovative approaches (CCT) and instruments (Energy project, SDPOs/SWAs). The support exploits the Bank’s comparative advantage as: (i) an important source of financing for states; (ii) a conveyor of development assistance through partnership with a large number of development agencies;¹⁸ (iii) a provider of policy advice and technical expertise (support to Nigeria’s EITI initiative to complete the validation process, disseminate the 2005 EITI report, and complete the 2006-08 audits); (iv) integrator of knowledge and financial support (the ICP has been instrumental in the design of the GEMS and PPP projects under this CPS); and (v) an agent to transfer global knowledge, experience and technical expertise among countries and adapt them to the needs of Nigeria (best practice experiences from Latin America will be applied through a Pilot CCT for Girls Education in Northern States).

94. *The Bank’s lending program and AAA have been enhanced through support from trust funds.* As of June 2009, 37 trust funds are supporting Nigeria, of which 22 are Bank Executed and 15 Recipient executed. The total grants amount to \$99 million, of which \$50 million are currently available for disbursement. Trust funds support the promotion of good governance (including corporate governance), health issues (polio, HIV/AIDS), infrastructure (Lagos Metropolitan Development and Governance, National Energy), and rural projects (Commercial Agriculture, Fadama II, and CDD harmonization), provided co-financing (Economic Reform and Governance, and GEF Local Empowerment and Environmental Management), and funded free-standing complementary activities, such as the ICP, the first sub-national investment climate reviews in Sub-Saharan Africa.

95. *IDA Availability.* The CPS implementation will be over FY10-13 which includes the IDA 15 replenishment period for FY10-11 and the first two years of IDA16. For IDA 15, the indicative resources for Nigeria were larger (at SDR 2,073.7, see Table 7) than during IDA 14 because of an improved country performance rating and the larger size of the IDA15 envelope.

Table 7: IDA Allocations (indicative for FY12-13)

	<i>IDA 15</i>		<i>IDA 16</i>
	<i>FY09</i>	<i>FY10 -11</i>	<i>FY12-13</i>
SDR mn	665	1,408.7*	1,408.7*
US\$ mn equivalent	1,014	2,276*	2,276*

* Indicative

¹⁸ As an example, during a joint partner mission convened by the Bank to launch phase II of the global Malaria Booster Project, a detailed joint plan of action was agreed by the government and the partners to saturate the country; agreements were reached on a new national strategic plan, an implementation plan, rationalization and harmonization of the approaches, and tools and indicators to be used by the partners.

96. *The indicative amounts for FY12-13 will depend on IDA 16's available resources.* Actual allocations during the CPS period will be in accordance with the Performance Based Allocation System which takes into account: (i) total IDA resources; (ii) Nigeria's country performance relative to the performance of other IDA borrowers; (iii) financing terms; and (iv) the number of IDA eligible countries. Table 7 assumes that IDA allocations in FY12-13 will remain the same as in FY10-11.

97. *A debt sustainability analysis conducted in 2008 by Nigeria's Debt Management Office found that Nigeria's debt outlook was robust.* The results were confirmed by Bank and Fund staffs' calculations. Despite the significant changes in oil prices since the completion of the last DSA, in view of very low debt servicing ratios, the risk of debt default over the medium term remains low. Under a scenario of a prolonged oil price shock (calibrated as one standard deviation of Brent crude prices over the period 1970-2006) Nigeria's external debt ratio could reach 37 percent of GDP by 2027, but debt service payments would remain low at around 1 percent of exports. The bulk of current outstanding external debt is to multilateral creditors, and government continues to reiterate its desire to contract any future borrowings on concessional terms. The stock of domestic debt of the federal government has increased only modestly since 2005, mostly as a result of the securitization of budget and pension arrears.

98. *The indicative IDA lending program is shown in Table 8.* It is based on the following principles: (i) address all three pillars selectively and in a targeted manner; for example, under human development focus on primary education and health in the North (State Health and State Education) with more resources for primary health care and education, more community participation, training of service providers in basic health care package and revitalization of routine immunization; for both non-oil growth and human development scale up infrastructure investments in energy and transport, continue focus on tertiary education and skills development (ii) scale up lending in areas that have achieved results (RAMP II, Lagos Urban Transport II, SGCBP II and III); (iii) respond to emerging government priorities; for example, a fast-track DPO (early FY10) in response to the impact of the global crisis; (iv) adopt innovative financing mechanisms (the FY11 Energy Project builds on the FY09 Energy sector project which includes many "firsts" in Nigeria including catalyzing private sector finance;¹⁹ (v) support the government's PPP agenda, for example, the FY11 PPP project addresses binding infrastructure constraints that limit firm productivity and employment generating growth; (vi) facilitate access of Nigeria to Carbon Finance, Climate Investment Funds: The Bank has facilitated an initiative in the power sector where the Transmission Company is claiming carbon credits for gas emission reductions in its network and further support in FY12; and (vii) flexibility for determining where intensified focus on states will be, based on state specific needs, commitment to sector reform, and improved governance (SDOs).

¹⁹ Energy project includes many "firsts" to illustrate: (i) a PRG in support of gas supply agreements with international oil companies to ensure adequate gas supply to sustain power generation; (ii) a first guarantee operation to underpin gas market reforms as opposed to support for specific greenfield or privatization; (iii) reliance on national regulations to address impacts of upstream investments by these oil companies, and existing downstream infrastructure; and (iv) provision of technical assistance to build capacity for enforcement gaps in environmental and social compliance. Going forward the Bank might explore the use of IBRD guarantees if appropriate.

Table 8: Proposed IDA Financing FY10-13 Consistent with IDA Envelope

<i>Fiscal Year</i>	<i>Proposed Operations</i>	<i>Amount (US\$ million)</i>
2010	Federal level DPO	500
	RAMP Phase II	100
	Growth Empl. & Markets	175
	State Gov, & Capacity Building II	100
	Additional Financing For First Urban Water	100
	Second Urban Water Additional Financing	80
	Lagos Urban Transport II	150
2011	Conditional Cash Transfer	100
	Public/Private Partnership	300
	State Health	300
	Energy	200
	Agriculture Competitiveness	100
	State DPO	200
2012	Climate Risk Management	100
	Rural Access and Renewable Energy	100
	Electricity Transmission and Distribution	200
	Development	100
	Youth Employment Scheme	150
	State Education III	200
	Maternal Child Health Nutrition	200
	Malaria II	100
State DPO		
2013	SGCBP III	100
	State DPO I (different state)	200
	State DPO I (different state)	200
	Agriculture Productivity	200
	Transport Infrastructure	300

99. *More selectivity will be used in AAA.* Over the CPS period, these will become more strategic, based on strong government ownership (see Box 10 for example of good practice), to inform lending, policy dialogue, and build capacity (Table 9). A Climate Assessment in FY11 would provide the analytical underpinning for a new operation to address climate change-related risks (FY12); it would cover: (i) major sources and extent of greenhouse gas emissions; (ii) vulnerability of Nigeria to climate variability and change; (iii) capacity of Nigeria policy, legal, and institutional framework to address adaptation to climate change, and options for Nigeria's economy to become more resilient to climate change; (iv) identification of opportunities for Nigeria to reduce emission through mitigation options across sectors, and (v) identification of potential funding to complement Bank support, including from the carbon market, Climate Investment Fund, and the Clean Technology Fund. The Community Based Health and Nutrition and Governance in Service Delivery will inform water, health and education projects and the Agricultural strategy in FY10 will form the basis for Agricultural Competitiveness credit in FY11. The Education Sector Strategy will develop a more systematic approach to education at all three levels of government, and will examine the role of public and private sector as providers of education. An agriculture project from FY09 is financing studies on irrigation which may lead to financing some irrigation works under the agricultural productivity project.

Box 10: Successful Ownership and Dissemination: Financial System Strategy (FSS) 2020

In September 2006 the CBN asked the Bank to assist in developing a Financial System Strategy (FSS) 2020. Following the successful completion of the consolidation of the banking system, the aim of FSS 2020 is to transform Nigeria into the financial hub of Africa by becoming the safest and fastest growing financial system among emerging market countries.

Crucial to the success of FSS 2020 is that the strategy and process have been owned and managed from the outset by the Nigerian authorities. The development of the strategy involved representatives of all the regulators, industry participants, academics, donors, etc. The CBN set up a coordination unit supported by experienced local consultants, and a Steering Committee comprised of the Minister of Finance, the CBN Governor and Deputy Governors, the Director General of the Securities and Exchange Commission, the Insurance and Pensions Commissioners, as well as key private sector representatives. From the outset ‘focus groups’ were organized for various sub-sectors.

At the request of CBN, the Bank helped to organize an international conference in June 2007, to present the vision outlined by FSS 2020. It was opened by the recently-elected Nigerian President and included international experts in the financial system from larger emerging economies. Following the conference, the CBN Governor's immediate priority was to define an action plan for FSS 2020 and further diagnostic work to set the baseline for the strategy’s implementation. Grant funding is being used to support this second phase. Diagnostic work in 2008 included capital markets, insurance, pensions, housing finance and social housing, SME access to finance, microfinance, creditor rights & corporate insolvency and the banking sector.

In an effort to maintain a results-oriented focus, the Bank is also assisting the CBN in putting together a Monitoring and Evaluation framework for FSS 2020 and advising the project implementation unit in organizing the transition to an implementation office reporting to the Steering Committee to be appointed by the President.

Table 9: Analytical and Advisory Activities (FY10-11)¹

<i>Fiscal Year</i>	<i>Analytical and Advisory Services</i>
2010	<i>Policy Dialogue</i> Fiscal Federalism Phase II Transport Dialogue ICT Policy Dialogue (ongoing) FSS 2020 Phase 2 (on-going) <i>Policy dialogue and lending (in parenthesis)</i> Lagos PER Governance of Service Delivery Phase II (FY 10 water and FY11 State Health) Community Based Health and Nutrition (FY12 Maternal and Child Health) Investment Climate Assessment (SDO in later years) Poverty Monitoring Assessment (all lending) Energy Sector Policy Analysis (Energy lending in FY12) Agriculture Strategy & NACRDB Restructuring (Agricultural Competitiveness in FY11) <i>Capacity Development</i> Results Based M&E for Vision 20/20 Projects Procurement Capacity Building (ongoing) EITI Mgt./Gas & Oil (ongoing) Communications Outreach (ongoing)
2011	<i>Policy Dialogue and lending</i> State Level PER Skills Development Education Sector Strategy Climate Risk Assessment Poverty/Growth Assessment Custom Reform/Revenue Enhancement Regional Integration AAA

¹ For FY12 to 13, many of the FY 10/11 AAA will continue and new AAA added in FY 12 and 13 will be based on client demand.

100. *At the state level, AAA has been used as an entry point to engage in dialogue with the governor in Bayelsa in the Niger Delta, first in the conflict zone.* The Public Expenditure Review could form the basis for further collaboration between the Bank and the Bayelsa State government. This engagement could also potentially be expanded to Rivers state in the Niger Delta.

101. *Support for Regional Programs:* In recognition of Nigeria's potential as a regional and continental hub and driver of growth, the Bank is supporting regional initiatives to foster regional economic and political integration, including: (i) West Africa Gas Pipeline to secure reliable access to cheaper and environmentally cleaner gas from Nigeria, in lieu of liquid fuel for power generation and other industrial and commercial uses, in Ghana, Benin, and Togo; (ii) the Abidjan-Lagos corridor scheduled for FY10, which promotes an integrated approach to combating the spread of HIV/AIDS; (iii) collaborative efforts in West and Central Africa to improve air transport safety and security; (iv) joint management of shared water resources for multi-purpose utilization in the Niger River Basin and Lake Chad; and (v) the ECOWAS Common External Tariff. There is tremendous scope for dialogue and for resources to regional programs during the CPS period. These opportunities include involvement in the follow up to the Niger Basin Water Resources Development and Sustainable Ecosystems Management Program, programs for regional infrastructure and posting of a Bank staff in Abuja to work on regional issues and with ECOWAS.

102. *Support for South-South Cooperation.* Under the current CPS, a number of initiatives will be explored. One example is Nigeria's cooperation with South Korea to learn from its highly successful Korean Technical and Vocational Systems and Tertiary Education Systems in both public and private sectors, to link education with the labor market and to improve student tests and institute learning achievement monitoring systems. Other opportunities for South-South cooperation are with Chile on its advanced monitoring and evaluation system, with Brazil and Mexico on CCT Programs (Brazil Bolsa Familia, Mexico Oportunidades) and with India on its Viability Gap Fund to fund PPPs where there could be a number of sources of financing but still not enough to fill the funding gap. Within Africa, Nigeria could cooperate with countries on conditional transfer schemes that are similar to its MDG conditional grants scheme, yet more mature and larger in scope, such as the Uganda local government development program or Kenya's Local Authority Transfer Fund. In the private sector, the IFC will continue to explore South-South opportunities by mining relationships with potential investors, following its experiences with its facilitation of the entry of Indorama from Indonesia as a core investor in Eleme Petrochemical plant.

103. *More focus on improving the country portfolio performance.* In late June 2009, the disbursement rate was 18.4 percent and projects at risk were 35.7 percent. The decline in performance since FY07 was due to: (i) a change in government at the Federal level and in many states in 2007, bringing in administrations unfamiliar with Bank projects (in-coming State governments removed key project staff and proposed funding ineligible activities); (ii) government revised priorities after project approval and requested substantial changes in project activities; (iii) a shift in the Bank portfolio towards states where project implementation and contract management capacities were weaker than expected; (iv) unrealistic disbursement schedules; and (v) Bank budget allocations not commensurate with the needs of working at state level. In response to the decrease in portfolio performance, Government and the Bank

have carried out intensive efforts to ensure increased disbursements and improve implementation to achieve results. Actions to increase state capacity for project implementation include training for procurement, financial management, monitoring and evaluation, management of contracts, and intensifying dialogue with State governments on project procedures.²⁰ Other actions include using smaller contracts that are faster to disburse and implement. Government and the Country Team have also been restructuring potential problem projects and reallocating resources. The Country Director is closely monitoring the portfolio through pre- and post-mission briefings, and in newly approved projects, asking for a monthly review of progress by Bank and counterpart teams to share lessons, fine tune the approach and meet the project readiness indicators.

B. DFID

104. *The DFID portfolio currently comprises 25 programs and an annual budget of £120 million in FY09/10 rising to £140 million in FY10/11.* The program fits within the current CPS framework of governance, human development and growth. Fifteen of DFID's programs are focused on state level activities which cover 29 states, but the majority of DFID support is concentrated within its focal states, the 2005 CPS lead states of Lagos, Kano, Kaduna, Enugu and Cross River, plus Jigawa. This support is summarized in Table 10.

C. AfDB

105. *The AfDB's current strategy is human capital development through interventions in the social sectors and stimulating private sector-led growth in the non-oil sector, through enhanced infrastructure, agricultural and rural development.* ADF-XI²¹ priorities are on infrastructure, good governance, private sector development and regional integration, which are in line with the CPS framework. Currently, the AfDB portfolio comprises 20 public sector projects totaling about US\$591.8 million and nine private sector projects amounting to US\$598 million. AfDB's projects cover on average 20 States. Table 11 outlines the indicative lending program.

D. USAID

106. *USAID's strategy will emphasize the three pillars of the CPS.* Improving governance will continue to be the foundation of the program in line with the priority in the CPS. USAID will work with civil society, the private sector, and partners to strengthen service delivery systems and increase transparency and accountability, harnessing states' own resources to deliver services more effectively to citizens. Specific priorities will remain state level fiscal policy and public procurement reform, human resources development, agriculture value chain development and food security, trade reform, and energy and climate change investments.

²⁰ To encourage oversight and management at the Federal level of state level Financial Management Units an IDF grant will establish a Federal Project Financial Management Unit.

²¹ AFD is the African Development Fund, the soft-window of AfDB, similar to the relationship between the Bank and IDA.

Table 10: Proposed DFID Support during CPS (FY 10-13)

<i>FY</i>	<i>DFID Proposed Operations</i>	<i>Indicative Program</i>
2010	<p>Growth: Enhancing Financial Innovation and Access (EFINA), Nigeria Infrastructure Advisory Facility (NIAF), Policy And Knowledge Facility (PAK), Investment Climate Programme (ICP), PropCom (agricultural commodities), UNDP Diaspora Trust Fund 2, Country Partnership Facility, Growth and Employment in States (GEMS), Enhancing Nigerian Advocacy for a Better Business Environment (ENABLE).</p> <p>Human Development: Partnership For Transforming Health Systems2 (PATHS 2) Health Reform Foundation of Nigeria (HERFON), Routine Immunisation (PRRINN), Malaria, Strengthening Response to HIV/AIDS (SNR), FGN/UNICEF Water and Sanitation Phase 2, Enhancing Nigeria's Response to HIV/AIDS (ENR), UK-Norway Project (MNCH), Education Sector Support Programme in Nigeria (ESSPIN), Girls' Education Programme (GEP).</p> <p>Governance: Coalitions for Change (C4C), Strengthening the National Assembly (SNAP), Strengthening Transparency and Accountability in the Niger Delta (STAND), Security, Justice and Growth (SJG), Public Sector Reform, Service Delivery, State Voice and Accountability Initiative (SAVI), State Partnership for Accountability, Responsiveness and Capacity (SPARC).</p>	£120m
2011	<p>Growth: Enhancing Financial Innovation and Access (EFINA), Nigeria Infrastructure Advisory Facility (NIAF), Investment Climate Programme (ICP), PropCom (agricultural commodities), UNDP Diaspora Trust Fund 2, Growth and Employment in States (GEMS), Enhancing Nigerian Advocacy for a Better Business Environment (ENABLE).</p> <p>Human Development: Partnership for Transforming Health Systems2 (PATHS 2), Health Reform Foundation of Nigeria (HERFON), Routine Immunisation (PRRINN), Malaria, FGN/UNICEF Water and Sanitation Phase 2, Enhancing Nigeria's Response to HIV/AIDS (ENR), UK-Norway Project (MNCH), Education Sector Support Project in Nigeria (ESSPIN), Girls' Education Programme (GEP).</p> <p>Governance: Coalitions for Change (C4C), Strengthening Transparency and Accountability in the Niger Delta (STAND), Public Sector Reform, State Voice and Accountability Initiative [SAVI], State Partnership for Accountability, Responsiveness and Capacity [SPARC], Federal Public Administration Reform (FEPAR), Justice for All (J4A), Deepening Democracy in Nigeria (DDiN).</p>	£140m
2012	<p>Growth: Nigeria Infrastructure Advisory Facility (NIAF), GEMS</p> <p>Human Development: Partnership for Transforming Health Systems2 (PATHS 2), Malaria, GN/UNICEF Water and Sanitation Phase 2, Enhancing Nigeria's Response to HIV/AIDS (ENR), UK-Norway Project (MNCH), Education Sector Support Project. in Nigeria (ESSPIN).</p> <p>Governance: State Voice and Accountability Initiative (SAVI), State Partnership for Accountability, Responsiveness and Capacity (SPARC), Federal Public Administration Reform (FEPAR), Justice for All (J4A), Deepening Democracy in Nigeria (DDiN).</p>	TBD
2013	<p>Growth: Growth and Employment in States (GEMS).</p> <p>Human Development: Partnership for Transforming Health Systems2 (PATHS 2), FGN/UNICEF Water and Sanitation Phase 2, Enhancing Nigeria's Response to HIV/AIDS (ENR), UK-Norway Project (MNCH), Education Sector Support Project. in Nigeria (ESSPIN).</p> <p>Governance: State Voice and Accountability Initiative [SAVI], State Partnership for Accountability, Responsiveness and Capacity [SPARC], Federal Public Administration Reform (FEPAR), Justice for All (J4A), Deepening Democracy in Nigeria (DDiN).</p>	TBD

Table 11: AfDB Public Sector Indicative Lending Program (2009-2010)*

<i>Projects</i>	<i>Indicative Approval Year</i>	<i>Indicative Amount by Source (million) UA</i>	<i>Status/Comments</i>
Multinational: Transport Facilitation Project (Nigeria-Cameroon Highway)	2008	Country ADF**: 32.75 Total Cost: 204.8	Loan Signature in May 2009
Water Supply & Sanitation for Taraba and Oyo States	2009	ADF Loan: 50.0	Expected Board Approval in 2009
Health System Development Program (Health V)	2009	ADF Loan: 30.0	To be prepared & appraised in 2009
Capacity Building for PPP and Energy Sector	2009	ADF Loan: 8.4	To be prepared & appraised in 2009
Reinforcement of Transmission System of Abuja Power Transmission Line Project	2010	ADF Loan: 80.0	To be prepared & appraised in 2009

* Other potential operations could alternatively include an Institutional Support Project and a Rural Access & Mobility Project II. These are yet to be decided.

** Consistent with ADF guidelines for financing multinational projects, whereby 1/3 is to be drawn from the country allocation.

107. ***To support non-oil growth, USAID will make agro-processors central to the value chain and sector development to increase rural incomes and jobs.*** The processors guarantee an output market and through linkages with financial institutions can provide the money needed to purchase inputs from private agro-enterprises. The financial institutions in turn get paid by the agro-processors when goods are delivered by farmers for processing. This model enables USAID to strengthen the agricultural private sector. Regional and international trade in agriculture based commodities will be the main companion objective of the focus on agriculture value chain. The priority subsectors will be to improve the capacity in trade policy, strengthen the transportation sector and reduce time and costs of trade, in addition to facilitation of customs modernization.

108. ***To improve health indicators, USAID will follow a systems strengthening approach in key northern states, integrating the public health services, basic education services and democracy and governance programs.*** USAID's public health services program will improve management, quality and utilization of maternal and child health, family planning and reproductive health and malaria services in all LGAs of two states in the north. USAID's new health strategy emphasizes greater geographical focus, and strategic integration of key program areas and resources.

109. ***In the education sector, USAID will assist the northern states to strengthen the quality of education management.*** This includes: the development of Education Management Information Systems (EMIS); building the capacity of state, local government and communities to implement and use the EMIS; and the capacity of the States to manage, allocate, disburse and track their education funds while meeting good governance benchmarks. Second, USAID will strengthen the development and implementation of policies such as the new Early Childhood Development Policy. Third, it will focus on the education civil service and teacher recruitment/training policy, and gender/girls education policy. USAID is playing a leadership role to reform existing policies on teacher training, teacher qualifications and national school-based data collection in support of the National Teacher Education Policy which took effect in January 2009. USAID will support up to five pre service teacher training colleges.

110. *In HIV/AIDS, USAID, as part of the U.S. Government interagency team for the President's Emergency Plan for AIDS Relief (PEPFAR), will assist in strengthening the Government of Nigeria's ability to assume ownership of the HIV/AIDS response and support HIV prevention, counseling and testing, care and treatment services in all 36 states of Nigeria and the FCT.* Despite the rapid expansion of HIV services across the country, coverage of essential prevention and treatment interventions remains low, and unmet demand is enormous. The response must be multisectoral and integrated, reducing duplication and building on synergies. Health systems, particularly at the primary level, are weak and require strengthening to expand access to critical services. The U.S. Government will work with the Government to develop a PEPFAR Country Partnership Framework Agreement that engages the public sector, civil society, inter-faith bodies and the private sector to address the issues of HIV/AIDS and to advance Nigeria's ownership of the fight against HIV/AIDS. The PEPFAR Nigeria Framework Agreement will seek to achieve the following objectives: a) intensify prevention efforts; b) integrate HIV/AIDS response into the health care system; c) strengthen health care system at all levels; and d) expand access to quality services in care and treatment. The Country Partnership Framework Agreements is expected to focus on three key areas: financing; policy reform; and measurable results. Such an Agreement would promote deeper integration of HIV/AIDS prevention, care, and treatment into broader health care and public health networks in both the private and government sectors.

111. *In the specific area of governance, USAID assistance will continue to support CSOs, election assistance, and the media.* For CSOs, USAID will focus on building their capacity to advocate for policy reform, strengthen CSO-Government partnerships to fight corruption, develop strategies for expanding CSO membership and their alliances with professional associations, media, and membership-based local associations. On election assistance, USAID will work on a two-track approach: one track will strengthen civil society and public oversight of the 2011 elections, and a second track will pursue longer-term reforms. For media, the goal is an effective media that will enable citizens to participate in the democratic process that comes from increased knowledge on issues that lead to greater transparency and accountability and better service delivery.

E. Results Monitoring and Management

112. *The results matrix of this CPS has drawn upon the priorities in this document and has been developed in close partnership with government.* However, in the absence of a national M&E framework which is under development, the CPS outcomes could not be tightly linked to government's indicators with baselines and targets. The CPS Progress Report will re-examine the alignment of the CPS matrix with the government's M&E system as it is developed. The results during the current CPS period will be largely achieved with the program already under implementation. Table 12 shows the selected CPS results from the results matrix to which the program of support during FY10-13 will contribute.

113. *The partnership has launched a number of initiatives. First, the partnership will focus efforts on improving statistical capacity and monitoring in a number of areas.* Efforts will continue to strengthen Nigeria's statistical capacity, which is key to ensuring availability of current data for policy making and monitoring. Following the adoption of the Statistical Master Plan for 2005-2009 in 2004, NBS was created, a new Statistics Act was enacted in 2007, giving

autonomy to the NBS and in March 2009 the Board of the NBS was constituted. The World Bank and DFID supported capacity development in NBS to improve the quality of the statistical base and the timeliness of information paving the way for bringing Nigeria into full compliance with the General Data Dissemination System requirements. NBS has also now produced new indicators of social statistics in a major publication, the “Social Statistics in Nigeria”. Going forward, more focus is needed in promoting coordination between the NBS zonal offices, state and Federal statistical systems as well as supporting statistics at the state level. A second priority will be support for the implementation of the National Statistics Development Strategy (NSDS), currently being developed with funding from the African Development Bank, as well as support to the National Population Commission to improve vital statistics. The World Bank has posted a statistician in the country office to oversee statistical capacity building and partners will work together to identify support for NSDS and vital statistics after the agencies present their plans and funding requests. In the current CPS, DFID and the World Bank will help Nigeria access the new Scaling up for Results Facility. Potential areas for partner support in line with focus on the state level could include:

- Costed, realistic state statistical strategies in at least 5 states;
- Establishing mechanisms for coordination of statistical activities between the NBS, zonal offices, the States and the MDAs;
- Developing a statistical template for the production of annual state statistical year books in selected states;
- Regular consultation with the state governments on statistical issues and concerns;
- Preparing states for passage of statistics act and its implementation.

114. ***Second, we will use the CPS results matrix during implementation to monitor CPS results.*** Under the previous strategy, outcome champions from DFID and World Bank had been nominated to report progress on results to the heads of the two agencies in joint management team meetings (JMT). While agency heads met regularly, there was insufficient discussion of results. For this CPS the partners have agreed to the following: (i) identifying pillar heads for each of the three pillars rather than outcome champions so that accountability and focus is on CPS pillars; and (ii) JMT hearing from pillars in rotation—each one quarterly on key issues on progress including specific achievements (for communications purposes as well as monitoring), major issues and risks and actions needed from JMT. To monitor World Bank contributions to CPS results, a Country Program Results Monitoring tool has been piloted and is about to be launched. Nigeria will be the second country within the World Bank’s Africa Region to use the tool to systematically capture and consolidate information on country results. So far, it has been presented to the World Bank’s country team and also to some key government officials. The key features of this tool include the ability to monitor the CPS outcomes and milestones and to produce useful management reports. It provides the capability to drill down to the active portfolio (and pipeline) and pick up indicators (including external sources) and project information. M&E arrangements and responsibilities at different levels, including with partners and the government, will be defined for data sources, collection and reporting. In addition, the CPS includes important efforts in capacity strengthening and building of in-country monitoring and evaluation capacity at the Federal and States levels. For example National M&E capacity will be strengthened at the Federal level under the ERGP and at the State level (for selected States) under SGCBP.

Table 12: Summary of CPS Results Based Framework

<i>Area</i>	<i>CPS Outcomes Indicators</i>
Pillar I: Achieving Sustainable and Inclusive Non-Oil Growth	
Critical Physical Infra-structure	<p>Energy</p> <ul style="list-style-type: none"> a. Increased power generation from 3000 MW in 2009 to 4500 MW by 2013. b. Reduced System Losses from 42% in 2009 to 29% by 2013. <p>Transport</p> <ul style="list-style-type: none"> a. Additional 1000 Km of selected unity roads rehabilitated to fair and good condition by 2013 (as a share of total classified roads). b. Additional 600 Km of selected rural roads rehabilitated to fair and good condition by 2013 (as a share of total classified roads). c. Average bus speed increased from 10 km/hour to 20km/hr on BRT corridors by 2013. <p>Public Private Partnership</p> <ul style="list-style-type: none"> a. Privately financed share of investment in infrastructure is growing. <p>Urban Water Supply</p> <ul style="list-style-type: none"> a. Number of people connected increases from 5 million in 2009 to 12 million in 2013 in urban and peri-urban communities in targeted states.
Agriculture	<p>Agricultural productivity</p> <ul style="list-style-type: none"> a. Increased net sales of agricultural products in targeted areas for selected crops. b. Income from agricultural produce in selected communities to increase from Nigerian Naira 135,000 per household in 2009 to Nigerian Naira 189,000 in 2013. <p>Environmental and climate change management</p> <ul style="list-style-type: none"> a. Early warning system for coastal disaster risk assessment, planning, and management established by 2013.
Investment Climate & Financial System	<p>Business climate and enterprise competitiveness</p> <ul style="list-style-type: none"> a. Improved performance in Doing Business Indicators in targeted states. b. Growth in private investment in selected industrial and agribusiness clusters by 10-30%. <p>Improved access to finance</p> <ul style="list-style-type: none"> a. Individuals that have access to financial services (savings, loans, insurance, leases) increase from 15% to 16.5% of the population by 2013. <p>Maintained confidence and stability in the financial system</p> <ul style="list-style-type: none"> a. Capital adequacy ratios remain above 15% through 2013.
Pillar II: Human Development	
Health	<p>Primary Health Care</p> <ul style="list-style-type: none"> a. Proportion of children under 2 years fully vaccinated with OPV increase by 20% by 2013. b. Proportion of births attended by skilled health personnel increase from 44% to 80% by 2013 in selected centers. c. Coverage of contraceptive services to meet unmet need. <p>HIV/AIDS</p> <ul style="list-style-type: none"> a. Percentage of persons aged 15 and older disaggregated by gender who received counseling and testing for HIV and received their test results increase from 73% to 90% in 2013. b. Percentage of adults and children with advanced HIV infection receiving Antiretroviral Therapy Increase from 16.7% to 50% by 2013. <p>Malaria</p> <ul style="list-style-type: none"> a. Percentage of under 5 children sleeping under insecticide treated nets increased from 2.5% to 40% in seven states. b. Percentage of under 5 children with fever treated with an effective anti-malarial within 24 hours from onset of symptoms increase from 10% to 60% in seven states.
Education	<p>Basic education</p> <ul style="list-style-type: none"> a. Primary Net Enrollment Rate (NER) increased by 5%, in targeted states by 2013. b. Junior Secondary (JS) NER increased by 5%, in targeted states by 2013. c. Transition rates from Primary to JS increased by 5% in targeted states by 2013. d. Average national math and reading test scores of primary 4 students improved by 4% in targeted states by 2013.

Table 12: Summary of CPS Results Based Framework

<i>Area</i>	<i>CPS Outcomes Indicators</i>
Table 12: Summary of CPS Results Based Framework	
(continued)	
<i>Area</i>	<i>CPS Outcomes Indicators</i>
	Post Basic:
	a. 11,000 senior secondary students passing the standardized tests in the selected state by 2013.
	b. Increase in the number of students obtaining grades B and above in Science and Technology disciplines in federal Post Basic Institutions from 15% in 2009 to 20% by 2013.
Utilization of HD services by the Poor	Equitable Utilization of HD services
	a. Increased number of poor households utilizing primary health care, basic education and rural water in targeted communities in selected states.
Pillar III: Governance for Results	
Anti-Corruption	Improved effectiveness of anti-corruption institutions
	Cumulative total amount proceeds of corruption recovered increase from \$5 billion in 2009 to estimated \$7 billion in 2013. (number to be refined going forward).
Performance management system in the civil service	Improved performance management system in the civil service
	a. No. of MDAs using new performance-based management system at Federal level increase from 0 in 2009 to 6 in 2013.
	b. Reduced discrepancy between personnel records and payroll records in database in 5 selected states from 15% in 2009 to less than 5% by 2013.
Public Financial Management	Improved Auditing and Accounting
	a. Time for submission of Annual Financial Statement of government by Office of the Accountant General reduced from 6-9 months to 3 months of year end.
	b. Time for issuing of audit report on Annual Accounts by Office of the Auditor-General reduced from 12 months to 6 months of year end.
	c. Use of multi-year budgeting in FGN and at least 5 states by 2013.
	Increased value for money and transparency in the public sector procurement system
	a. Public contracts awarded above threshold through open competition increased from 50% to 90% at the Federal level and from 25% to 70% in five selected states by 2013.
	b. Public contracts awards published increased from 30% to 100% at Federal level and from 0% to 60% in 5 selected states by 2013.
Statistics	Strengthened National Statistical System:
	a. Annual and monthly data disseminated by the NSS or NBS according to agreed pre-published release schedules.

115. *Third, through participation in the Africa Impact Evaluation Initiative Nigeria has been increasing its capacity to carry out impact evaluation on selected investments and to use the results for policy decisions.* To date, one impact evaluation has been completed (Fadama II) and two are on-going (FY09 Malaria Control Booster Project and the slum upgrading component of FY06 Lagos Metropolitan Development Project). Another four are in the design phase: FY09 Lagos Eko Secondary Education School Project, FY09 Commercial Agricultural Development Project, FY10 education conditional cash transfer for girls' education and FY10 Fadama III). Under the current CPS, Bank support will focus on capacity development for evidence-based policy making and technical assistance. Activities will include a country-based impact evaluation workshop with ministries.

F. Budget Implications of Strategy and Approach

116. *Increased engagement at the state level calls for more resources.* Increased lending support at state level in general, and the Northern states in particular, with no prior working experience with Bank projects will require more resources. More resources will also be needed

for capacity building, working with beneficiaries, other stakeholders and civil society participants, and developing strong monitoring and evaluation systems, to provide reliable information on project performance and development impact. All of these will take longer, with higher lending preparation cost than in the past. To allow for higher quality project supervision in the Nigerian context and to address the weaknesses that had emerged in the portfolio's performance, the Country Management Unit has started to allocate more resources to the project supervision; the need for higher supervision resources will intensify as the stronger lending support is provided at state level, particularly in case of weaker state

VII. RISKS

117. *Nigeria presents substantial opportunities, but these opportunities are not without risks.* The current CPS identifies six principal risks as articulated below.

118. *The risk to Nigeria of continuing impact of the global financial crisis.* Forging a four year assistance strategy in Nigeria at this juncture is fraught with uncertainties: how deep and how long the global financial crisis will last and what the full impact will be on the Nigerian economy and society. The federal government is mitigating this risk by continuing to exercise caution in using the ECA, maintaining efforts to strengthen the fiscal balance and reprioritizing government spending. In response to the crisis, the 2009 budget caps recurrent expenditure, and makes an effort to target major growth and poverty alleviation bottlenecks through higher allocations for capital spending in priority sectors (roads, agriculture/water, and power). In addition 6 percent of the capital budget is distributed as grants through the MDG office. It is also working on faster execution of works, power projects, and investment in priority sectors or distribution of grants which will have a direct employment effect, and will address longer-term supply bottlenecks

119. *The risk of policy reversals or governance reform slowdown must be taken into account.* The strong technocratic team in 2004 was instrumental in introducing far reaching changes in Nigeria's planning, budgeting and financial management system, and for taking aggressive steps to deal with corruption. In spite of a good track record on reforms over the past five years, progress has not been continuous or smooth. As one example, reforms in fiscal federalism to ensure that sound fiscal management becomes a responsibility of all levels of government has not been translated into solid public financial management at the state level. In addition, as mentioned earlier, the recent pressures on the exchange rate and rising interest rates have prompted the central bank to reintroduce foreign exchange control measures, a policy response that may create distortions and has reduced confidence in economic management. Especially under the current economic climate, pressures within Nigeria may be strong to increase protection on selected industries that are suffering from the global downturn, limit market mechanisms for foreign exchange, for example, and resist further tariff increases on electricity. Factors that may mitigate this risk include the growing importance of an emerging middle class that has benefited from economic growth resulting from reforms; and the relatively good relationship and close policy dialogue established with the Bank. But the presence of strong champions within the government will remain critical to a steady pace of progress in reforms.

120. *At the State level, the risk of lack of commitment and weak governance systems.* States will need to improve the quality of budget management, public finance management and

procurement. To mitigate the risk of lack of commitment and corruption, the partners will use governance capability and commitment criteria to ensure close partnership with states that have demonstrated strong reform commitment through implementation on the ground in improving procurement and public financial management. Partners will also strengthen citizens' capacity to demand transparency and accountability. The MOU between state governments and CPS partners will ensure greater clarity about the expectations on both sides, and provide a mechanism to monitor (and where necessary challenge) the level of commitment. In addition, the partnership will allocate more budget for project preparation and supervision but this will not fully eliminate the potential for corruption, necessitating adjustments as specific issues arise.

121. ***Risks related to institutional weaknesses and capacity constraints in states.*** These weaknesses are likely to be more serious in the Northern states. An increase in the share of resources going to these states is likely to raise the overall risk profile while offering the potential for higher rewards in terms of progress in human development indicators. This increase in risk may be somewhat counterbalanced by investments in low-risk sectors or repeater financing for tested approaches.

122. ***Political risks and absence of strong reform champions could also affect CPS implementation.*** If the presidential and legislative elections in 2011 are accompanied by a long electoral campaign during which government will focus on politics at the expense of its reform program, or by violence and social unrest, implementation of CPS support could be slowed down or jeopardized. Flawed elections in 2011 would undermine accountability at the highest level, and could further weaken accountability at all levels. Another risk is absence of strong reform champions. The positive impact during 2003-2007 was to a large extent due to a strong technocratic reform team that introduced far-reaching changes in Nigeria's planning, budgeting and financial management system, and took steps to deal with corruption. If strong reform champions don't emerge at the highest levels, the implementation of the current CPS pillars will be adversely affected. These risks can be mitigated by ensuring broad support for and ownership of programs both at Federal and state levels and working with partners to strengthen government institutions so that success becomes less dependent on individuals.

123. ***Risk of deterioration in the security and law and order situation, which could shift government's focus from economic matters.*** So far conflicts in the Niger Delta, Plateau state and elsewhere have been confined in their respective areas. However, this risk cannot be directly mitigated. The operation would rely on the government's commitment to improved security, as confirmed by the renewed efforts to end militancy in the Delta. Improved security is one of the points of the President's seven-point agenda. The government has also shown its commitment in this area by the recent creation of a ministry for the Niger Delta.

ANNEX 1: NIGERIA CPS (FY10-13) RESULTS FRAMEWORK

<i>Government's Key Objectives</i> 7 Point Agenda	<i>Major Issues and Obstacles</i>	<i>CPS Outcomes and Indicators</i>	<i>CPS Milestones</i>	<i>World Bank and Partner Program</i>
CPS Pillar I: Achieving Sustainable and Inclusive Non-Oil Growth				
Critical Infrastructure	<ul style="list-style-type: none"> • Poor state of existing physical assets. • Deficient regulatory framework and institutional capacity to attract/undertake quality PPP investment projects at Federal and State levels. • Inadequate investment climate to foster private sector investments in physical infrastructure, power, energy and transportation. • Poor gas supply for energy generation. • Poorly maintained roads and weak institutional capacity for maintenance and development. • Inadequate road access in rural areas. • Dilapidated railway infrastructure & declining market share. • Poor aviation safety and security. 	<p>1. Increased Access to Critical Physical Infrastructure</p> <p><i>Energy</i></p> <p>Improved Power Generation Capacity</p> <p>a) Increased power generation from 3000 MW in 2009 to 4500 MW by 2013.</p>	a-1) Gas supply Agreements to produce 200 mscfd of additional gas supply per day for power generation by 2011.	<p><u>World Bank</u></p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • National Energy Development Project • Niger Basin I • IFC Geometric Power <p><i>Pipeline:</i></p> <p>NEGIP</p> <p><i>Other partners:</i></p> <ul style="list-style-type: none"> • USAID Africa Infrastructure Program
		<p>Improved Power Transmission Efficiency</p> <p>c) Reduced System Losses from 42% in 2009 to 29% by 2013.</p>	b-1) Performance contracts signed between FGN and primary health care network successor companies by 2011.	
		<p><i>Transport</i></p> <p>Improved Road Network Condition</p> <p>a) Additional 1000 Km of selected unity roads rehabilitated to fair and good condition by 2013 (as a share of total classified roads).</p> <p>b) Additional 600 Km of selected rural roads rehabilitated to fair and good condition by 2013 (as a share of total classified roads).</p>	a-1) Federal Roads Authority, National Roads Board, and Road Fund all functioning effectively by 2013.	
		<p>Improved Public Transport Services in Lagos</p> <p>c) Average bus speed increased from 10 km/hour to 20km/hr on BRT corridors by 2013.</p>	<p>b-1) Performance-based contracts established for private contractors for rehabilitation of selected unity roads.</p> <p>b-1) Performance-based contracts established for private contractors for rehabilitation of selected rural roads.</p> <p>c-1) 500 km of core road network in Lagos maintained by 2013.</p> <p>c-2) Current BRT scheme expanded to west of Lagos for additional 25 km by 2013.</p> <p>c-3) 100 new high capacity buses procured by 2013.</p>	<p><u>World Bank</u></p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • FRDP I • RAMP I • LUTP I <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • LUTP II • RAMP II <p><i>Other Partners</i></p> <p>USAID</p> <ul style="list-style-type: none"> • Africa Infrastructure Program <p>AfDB</p> <ul style="list-style-type: none"> • Road Project

<i>Government's Key Objectives 7 Point Agenda</i>	<i>Major Issues and Obstacles</i>	<i>CPS Outcomes and Indicators</i>	<i>CPS Milestones</i>	<i>World Bank and Partner Program</i>
Critical Infrastructure Cont'd		Improved Private Public Partnership in Infrastructure Development	a-1) PPP Capacity Building Fund established and starting to provide capacity building programs to MDAs by 2011.	<u>World Bank</u> <i>On-going:</i> <ul style="list-style-type: none"> • PSP • PPP Initiative • NUWSRP I & II • CBUDP • IFC TA, MIGA • WCAATSSP • NG Privatization Support
		Improved Access to Urban Water Supply	a-1) 20 of existing water supply networks in selected states rehabilitated by 2013. a-2) The capacity of Lagos treatment plants increased from 95 million m ³ /yr in 2008 to 180 million m ³ /yr by 2013. a-3) 20 new boreholes constructed in the selected slums in Lagos by 2013.	<u>World Bank</u> <i>On-going:</i> <ul style="list-style-type: none"> • WB TDP • IFC TA/investments • IFC TA/investments, MIGA • WCAATSSP • NG Privatization Support <i>Pipeline:</i> <ul style="list-style-type: none"> • Railway Sector Dialogue • Trade & Transit Facilitation Project • Improving Service Delivery in the Water Sector <i>Other partners:</i> <u>DFID</u> <ul style="list-style-type: none"> • NIAF <u>USAID</u> <ul style="list-style-type: none"> • SUWASA (regulatory institutional development)

<i>Government's Key Objectives 7 Point Agenda</i>	<i>Major Issues and Obstacles</i>	<i>CPS Outcomes and Indicators</i>	<i>CPS Milestones</i>	<i>World Bank and Partner Program</i>
Food Security/ Agriculture	<ul style="list-style-type: none"> Poor access to agricultural services. Poor access to market information systems. Poor access to network of farm roads and irrigation systems. Low adoption of improved agricultural technologies. Lack of a robust policy and legislative framework and standards on climate change mitigation and adaptation. Weak policy, institutional, and incentive framework to support wider adoption of sustainable land management practices. Limited institutional capacity for pollution risk assessment, prevention, and remediation. 	<p>2. Sustainable Agricultural Development and Market Access</p> <p>Improved Agricultural Productivity</p> <p>a) Increased net sales of agricultural products in targeted areas for selected crops.</p> <p>b) Income from agricultural produce in selected communities increase from Nigerian Naira 135,000 per household in 2009 to Nigerian Naira 189,000 in 2013.</p>	<p>a-1) Technology package demonstrated and disseminated (disaggregated by aquaculture, rice, dairy, fruit trees, oil palm, cocoa, poultry and maize).</p> <p>a-2) Area planted with improved seed and/or fertilizer in targeted area.</p> <p>a-3) New irrigated area during dry season in targeted area</p> <p>a-4) Area of land under SLM by 2013.</p> <p>b-1) Agricultural Strategy Document improved and adopted by 2010.</p> <p>b-2) Local Development Plans developed and funded in 5000 selected communities nationwide by 2013.</p>	<p>World Bank</p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> CADP Fadama III Productivity and Competitiveness of Nigerian Agric. Governance and Anti-corruption Initiative Livestock Productivity and Markets. <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> Water Management Project Fadama III GEF—SLM <p><i>Other Partners</i></p> <p>DFID</p> <ul style="list-style-type: none"> PropCom <p>USAID</p> <ul style="list-style-type: none"> MARKETS-grains and tuber value chain productivity Food Security Program MARKETS II (successor project) Food Security Program
		<p>Improved Environmental and Climate Change Management</p> <p>Improved Preparedness and Disaster Risk Management</p> <p>a) An early warning system for coastal disaster risk assessment, planning, and management developed by 2013.</p>	<p>a-1) Draft policies, legislation, and standards for climate change preparedness and management are developed by end of 2012.</p>	<p>World Bank</p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> Fadama II GEF—Critical Ecosystem Management Niger Delta Community Foundations Initiative ESW on Climate Change Sustainable Land and Water Management Project Environmental Management Project

<i>Government's Key Objectives 7 Point Agenda</i>	<i>Major Issues and Obstacles</i>	<i>CPS Outcomes and Indicators</i>	<i>CPS Milestones</i>	<i>World Bank and Partner Program</i>
Wealth Creation/Sustainable Growth in the Real Sector of the Economy	<ul style="list-style-type: none"> • High regulatory burdens on private enterprise. • Little appreciation of the high growth potential of key sectors in both the public and private sectors. • Poor availability and access to timely, accurate, transparent economic benchmarks and statistical data across state economies. • Weak capacity to conduct policy dialogue through effective engagement of private and public sector stakeholders. • Weak strategy and regulatory framework for MFIs. • Operational regulations limit innovation and efficiency. • Commercial disputes involve lengthy process. • Weak public consensus on the links between economic and policy management and the non-oil growth sector. 	<p>Enhanced Growth of High Potential Economic Clusters</p> <p>Improved Business Environment</p> <p>a) Improved performance in Doing Business Indicators (Days to register property, paying taxes, and getting licenses) in targeted states.</p> <p>Improved Competitiveness in Selected Business Clusters</p> <p>b) Growth of 10-30% in private investment in targeted industrial and agribusiness clusters (ICT, Entrainment construction, Meat, hospitality, & retail by 2013.</p>	<p>a-1 All states (and FCT) have implemented Investment Climate Assessments and Doing Business benchmarking by 2013.</p> <p>a-2) At least 4 states have successfully implemented at least two of the pilot projects in land use management, multiple taxation and investor information.</p> <p>b-1) Number of MSMEs receiving business development services support by 2013.</p> <p>b-2) Number of MFIs/Banks supported to build their loan portfolio to MSMEs by 2013.</p>	<p>World Bank</p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • MSME <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • GEMS • Financial Sector DPO <p><i>Non-lending –</i></p> <ul style="list-style-type: none"> • Trade and Employment (AAA) • Growth and Employment (AAA) • Commercialization/PPP for Selected Parastatal Enterprises • Rural Finance Project TA • Investment Climate Program • MIGA (manufacturing & service sector projects) • IFC (SME Credit Lines, PEP-Africa Credit Bureaus, Housing Finance, Rural Telephony, TA/investments) • Support to FSS2020 • Knowledge Economy (AAA) • Sub-national Credit Ratings <p><i>Other Partners</i></p> <p>DFID</p> <ul style="list-style-type: none"> • GEMS (joint with WBG) • EFinA with Ford Foundation • TA in the CBN • ENABLE • <p>USAID</p> <ul style="list-style-type: none"> • AGCI Finance support to CBN • DCA partial loan guarantees
		<p>Improved Access to Finance</p> <p>a) Individuals that have access to financial services (savings, loans, insurance, leases) increase from 15% to 20% of the total adult population by 2013.</p>	<p>a-1) Implemented new regulatory structures and instruments to support effective development of banks, and non-bank Financial Institutions (pension funds, insurance, securities) by 2013.</p> <p>a-2) 5 new MFBs created by 2013.</p>	
		<p>Maintained Confidence and Stability in the Financial System</p> <p>Capital adequacy ratios remain above 15% through 2013</p>	<p>a-1) Banking regulations, reporting requirements and supervisory procedures amended to conform to IFRS.</p> <p>a-2) Framework for risk-based supervision adopted by CBN.</p> <p>a-3) IFRS implemented in all banks.</p>	

<i>Government's Key Objectives</i>	<i>Major Issues and Obstacles</i>	<i>CPS Outcomes and Indicators</i>	<i>CPS Milestones</i>	<i>World Bank and Partner Program</i>
CPS Pillar II: Sustained Improvement in Access to, Quality and Utilization of Human Development Services				
Human Capital. <ul style="list-style-type: none"> Substantial progress towards health related MDGs. Reduction in HIV/AIDS prevalence and adequate Care of PLWHA. Easy access to health insurance for all Nigerians. 	<ul style="list-style-type: none"> Poor quality costed health plans together with weak skills leading to inefficiencies in resource utilization in inequity in distribution of resources. Combating communicable diseases such as HIV, Malaria and TB remains a daunting task Maternal and Child mortality is still high- especially in the North. Inadequate Co-ordination of activities of tiers of Govt. to ensure complementarity. (Fed. State, LGA). Limited Public-Private Partnership including CSOs. Weak mechanisms for voice of Nigerians / civil society to be heard - both as individuals and groups. 	1.Improved Access to and Utilization of Quality Health Care Services <p>Improved Vaccination Coverage</p> <p>a) Proportion of children under 2 years fully vaccinated with OPV increase by 20% by 2013.</p> <p>Improved Access to Maternal Health Services</p> <p>b) Proportion of births attended by skilled health personnel increase from 44% to 80% in selected states by 2013.</p> <p>c) Coverage of contraceptive services (couple/years of protection).</p>	<p>a-1) Cold chain system established and operational in target states by 2011.</p> <p>b-1) Costed, Sector-wide Health plans developed in consultation with civil society and include strategies for private sector partnerships for immunization and EOC care in place at Federal and at least 5 states by end 2010.</p> <p>c-1) Health Public Expenditure review completed by end 2010.</p>	World Bank <p>On-going:</p> <ul style="list-style-type: none"> HSDP II Polio Eradication HIV/AIDS I <p>Pipeline:</p> <ul style="list-style-type: none"> State Health Sector Development Condit. Grant and Cash Transfer <p>Other Partners</p> <ul style="list-style-type: none"> AfDB –HSDP I & II <p>DFID</p> <ul style="list-style-type: none"> PATHS2 SUNMAP—Malaria PRRINN/MNCH - HERFON ENR - HIV <p>USAID</p> <ul style="list-style-type: none"> COMPASS (May 2009) TSHIP PEPFAR PMI SFH/IRHIN Program

<i>Government's Key Objectives 7 Point Agenda</i>	<i>Major Issues and Obstacles</i>	<i>CPS Outcomes and Indicators</i>	<i>CPS Milestones</i>	<i>World Bank and Partner Program</i>
		<p>Priority and Communicable Diseases</p> <p>Improved Access to HIV/AIDS Health Care Services</p> <p>a) Percentage of persons aged 15 and older disaggregated by gender who received counseling and testing for HIV and received their test results.</p> <p>b) Percentage of adults and children with advanced HIV infection receiving Antiretroviral Therapy Increase from 16.7% to 50% by 2013.</p> <p>Improved access to Malaria Health Care Services</p> <p>a) Percentage of under 5 children sleeping under insecticide treated nets increased from 5% to 60% in seven states.</p> <p>b) Percentage of under 5 children with fever treated with an effective antimalarial within 24 hours from onset of symptoms increase from 10% to 60% in seven states.</p>	<p>a-1) Twenty states have HIV/AIDS agencies operating.</p> <p>a-2) Twenty five states have coordinated structures for HIV programmes.</p> <p>a-3) Five states have Integrated supply chain management for HIV, TB and Malaria by 2011.</p> <p>a-4) National HMIS generating regular data in at least 15 states by end 2012.</p> <p>a-1) Awareness program on malaria treatment and use of bednets conducted in five States by 2011.</p> <p>a-2) Institutional System for delivery of bednets established in five States by 2011.</p>	<p>World Bank</p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • HIV/AIDS II • Malaria Booster Control Project I and Additional Financing <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • State Health Sector Development • Condit. Grant and Cash Transfer <p><i>Other Partners</i></p> <p>DFID</p> <ul style="list-style-type: none"> • ENR - HIV • PATHS2 • SUNMAP—Malaria • PRRINN/MNCH - HERFON <p>USAID</p> <ul style="list-style-type: none"> • PEPFAR • COMPASS (May 2009) • PMI • SFH/IRHIN Program

<i>Government's Key Objectives 7 Point Agenda</i>	<i>Major Issues and Obstacles</i>	<i>CPS Outcomes and Indicators</i>	<i>CPS Milestones</i>	<i>World Bank and Partner Program</i>
<ul style="list-style-type: none"> Substantial progress towards education related MDGs Improved quality education that would meet the needs of the labor market especially in areas of ICT, Science and Technology 	<ul style="list-style-type: none"> Weak governance in education at Federal, State, LGA and community--in terms of planning, management and implementation. Considerable challenge of inadequate and relevant formal and informal skills in key sectors. Over 7 million primary school age children out of school, particularly in the north. Low quality of education and training at all levels, especially in science and technology areas. Increasing social demand for tertiary education amidst inadequate public financing of education. Research and development not sufficiently focused and organized to create a competitive and innovative environment that draws industry partners into mutually beneficial areas. 	<p>2. Improved Access and Inclusiveness to Quality and Relevant Education at all Levels.</p> <p>Improved Access to Basic Education</p> <p>a) Primary NER increased by 5% and exceed a primary GPI of 0.9, in targeted states by 2013.</p> <p>b) JS NER increased by 5% and exceeds a JS GPI of 0.9, in targeted states by 2013.</p> <p>c) Institutionalization of the Community Accountability and Transparency Initiative</p> <p>Improved Quality of Basic Education</p> <p>d) Transition rates from Primary to JSS increased by 5% in targeted states by 2013.</p> <p>e) Average national math and reading test scores of primary students (4th grade) improved by 4% in targeted states by 2013.</p> <p>Improved Access to Post Basic Education</p> <p>a) 11,000 senior secondary students obtain credit in 5 subjects including English and Mathematics in WASSCE in the selected state by 2013.</p> <p>Improved Quality of Post Basic Education</p> <p>b) Increase in the number of students obtaining grades B and above in S&T disciplines in federal post basic education institutions from 15% in 2009 to 20% by 2013.</p>	<p>a. Adoption of Sate level Medium Term Education Sector Strategic Plans in 10 selected states by 2011.</p> <p>d-1) Increase in pupil-book ratio of 3:1 in primary and 4:1 in JSS in target schools by end 2010.</p> <p>a-1) Teacher-book ratio is 1:1 for teacher guides and workbooks by end of 2010 in targeted states.</p> <p>b-1) 5-7 tertiary institutions designated as S&T centers of excellence by 2011.</p>	<p>World Bank</p> <p>On-going:</p> <ul style="list-style-type: none"> SESP (On-going) Lagos EKO STEPB <p>Pipeline:</p> <ul style="list-style-type: none"> Conditional Grant and Cash Transfer <p>Non-lending:</p> <ul style="list-style-type: none"> Skills Devt.(TA/Lending) Youth employment <p>Other Partners</p> <p>AfDB</p> <ul style="list-style-type: none"> Skills Training and Vocational Education <p>DFID</p> <ul style="list-style-type: none"> ESSPIN GEP-2 - Girls Education <p>USAID</p> <ul style="list-style-type: none"> COMPASS program (till May 2009) Northern Education Initiative program (basic education)

<i>Government's Key Objectives</i> <i>7 Point Agenda</i>	<i>Major Issues and Obstacles</i>	<i>CPS Outcomes and Indicators</i>	<i>CPS Milestones</i>	<i>World Bank and Partner Program</i>
<ul style="list-style-type: none"> Reduction in extreme poverty – especially for extreme poor and vulnerable groups. 	<ul style="list-style-type: none"> Increasing real income poverty and vulnerability, leading to decreasing access and utilization of HD services—Core poor/Rural poor. Inappropriate service delivery system—especially for Social Safety Nets. Inadequate Co-ordination of activities of tiers of Govt. (Fed. State, LGA). Limited Public-Private partnership including CSOs. 	<p>3. Increased Utilization by the Extreme Poor and Vulnerable of MDG-related HD Services.</p> <p>Equitable Utilization of HD Services</p> <p>a) Increased number of poor households utilizing primary health care, basic education and rural water in targeted communities in selected states.</p>	<p>a-1) No. of states and LGAs with CDP budget.</p> <p>b-1) No. of communities with CDP.</p>	<p>World Bank</p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> CSDP HD Strategy (AAA) <p><i>Other Partners</i></p> <p>AfDB</p> <ul style="list-style-type: none"> zommunity-Based Poverty Red. Project I & II <p>DFID</p> <ul style="list-style-type: none"> ESSPIN SAVI PRRIN/MNCH PATHS 2 WES <p>USAID</p> <ul style="list-style-type: none"> TSHIP Northern Education Initiative. TBC Food Security Program.

CPS Pillar III: Governance for Results

<p>Wealth Creation/Combating Corruption</p> <ul style="list-style-type: none"> Boost efforts to fight poverty—reducing corruption and increasing effective and efficient resources management. 	<ul style="list-style-type: none"> Absence of a national anti-corruption strategy hinders effective coordination among main actors and the integration of states. Effectiveness of Judiciary undermined by outdated legal framework, weak capacity and cumbersome administrative arrangements, and lack of effective coordination. Oversight institutions—Bureau of Public Procurement, PAC, EFCC, ICPC CCB lack required capacity. 	<p>1. Improved Effectiveness of anti-corruption institutions</p> <p>a) Cumulative total amount proceeds of corruption recovered increase from \$5 billion n in 2008 to \$7 billion in 2013.</p>	<p>a-1) Anti-Corruption strategy developed and submitted to the National Assembly.</p> <p>b-1) EFCC training plan implemented.</p>	<p>World Bank</p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> ERGP SGCB I <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> SGCB II <p><i>Other partners</i></p> <ul style="list-style-type: none"> DFID - Security Justice and Growth Programme DFID SPARC Justice for All (J4A)
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<i>Government's Key Objectives 7 Point Agenda</i>	<i>Major Issues and Obstacles</i>	<i>CPS Outcomes and Indicators</i>	<i>CPS Milestones</i>	<i>World Bank and Partner Program</i>
<ul style="list-style-type: none"> Economic growth and improved government performance—sustained, effective, quality, monitorable and enforceable systems. 	<ul style="list-style-type: none"> Limited transparency and accountability in management of public resources at all levels of government. 	<p>2. Improved Performance Management System in the Civil Service</p> <p>a) No. of MDAs using new performance-based management system at Federal level increase from 0 in 2009 to 6 by 2013.</p> <p>b) Reduced discrepancy between personnel records and payroll records in database in 5 selected states from 15% in 2009 to less than 5% by 2013.</p>	<p>a-1) Criteria for performance improvement facility (challenge fund) developed by BPSR.</p> <p>a-2) Selected MDAs develop performance improvement plans.</p> <p>b-1) Integrated personnel and payroll system developed.</p> <p>b-2) Payroll audits covering all central MDAs conducted every 3 years.</p>	<p>World Bank</p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • ERGP • SGCB I • EITI • PPRI—Lagos and Ekiti (IDF)
<ul style="list-style-type: none"> Improve Nigeria's image abroad 	<p>Lack of utilization and compliance of existing PFM legislations, systems and structures including weak enforcement of rules.</p> <p>Insufficient transparency and systemic corruption in public procurement system.</p> <p>Lack of competency and professionalism in the operation of public procurement process.</p> <p>Limited statistical awareness and inadequate attention to appreciation of statistics by policy makers and decision makers at different levels and across society.</p> <p>Inadequate capacity for indentifying and responding to emerging data needs and difficulty in linking statistics to policy processes.</p> <p>Irregular release and unreliability in the data produced especially at the state level.</p>	<p>3. Strengthened Public Financial Management Systems</p> <p>Improved Auditing and Accounting</p> <p>a) Time for submission of Annual Financial Statement of government by Office of the Accountant General reduced from 6-9 months to 3 months of year end.</p> <p>b) Time for issuing of audit report on Annual Accounts by Office of the Auditor-General reduced from 12 months to 6 months of year end.</p> <p>Improved Budget Planning</p> <p>c) Use of multi-year budgeting in FGN and at least 5 states by 2013.</p> <p>Increased Value for Money and Transparency in the Public Sector Procurement System</p> <p>a) Public contracts awarded above threshold through open competition increased from 50% to 90% at the Federal level and from 25% to 70% in five selected states by 2013.</p> <p>b) Public contracts awards published increased from 30% to 100% at Federal level and from 0% to 60% in 5 selected states by 2013.</p>	<p>120 IFMIS implemented by FGN and 5 States by 2013.</p> <p>b-1) Audit Manual Prepared and in use by FGN and 5 States.</p> <p>b-2) Audit Bill enacted by 2012 in FGN for SAI and in 5 states.</p> <p>c-1) New multi-dimensional chart of account developed by FGN and at least 5 states.</p> <p>a/b1) Public procurement Act and implementing Regulations adopted and fully operational in 5 selected states by 2013.</p> <p>a/b2) Public procurement data bank established by 2010 at federal level and by 2013 in 5 selected states.</p> <p>a/b3) Functional Public Procurement Regulatory Agency established in 5 selected states by 2012.</p>	<p>World Bank</p> <p><i>On-going:</i></p> <ul style="list-style-type: none"> • ERGP • SGCB I <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • Financial Sector DPO at federal level • DPO at state level (Lagos) • PPRI—Lagos and Ekiti (IDF) • EITI • ESW Governance of service delivery • IDF (CSO) • SGCB II <p><i>Other Partners</i></p> <ul style="list-style-type: none"> • TFSCB/SRI <p>DFID</p> <ul style="list-style-type: none"> • Federal Public Service Reform Program; SPARC <p>USAID:</p> <ul style="list-style-type: none"> • State Fiscal Responsibility Project (multi-donor) • Local Governance Project

<i>Government's Key Objectives 7 Point Agenda</i>	<i>Major Issues and Obstacles</i>	<i>CPS Outcomes and Indicators</i>	<i>CPS Milestones</i>	<i>World Bank and Partner Program</i>
		4. Strengthened National Statistical System: a.) Annual and monthly data disseminated by the NSS or NBS according to agreed pre-published release schedules.	a-1) National Strategy for Development of Statistics (NSDS) submitted by Parliament. a-2) Costed, realistic and agreed state statistical strategies for 5 states in place by 2010 and being implemented. a-3) Statistical template for production of annual State Statistical Year Book by at least 5 states by 2013. a-4) State Statistics Edict passed and implemented by 5 states by 2013.	

ANNEX 2: FY05-09 COUNTRY PARTNERSHIP STRATEGY COMPLETION REPORT (CPSCR)

Country: Nigeria

Date of Progress Report: April 2008

Period Covered by the CPS-CR: FY2005-2009

I. Introduction

1. *This Completion Report assesses the effectiveness of the Nigeria Country Partnership Strategy for FY05-09 (the 2005 CPS) in achieving the expected results and underlines the lessons learned. The 2005 CPS was presented to the Board in June 2005, shortly after Nigeria launched its strategy of growth and poverty reduction, namely the NEEDS. Nigeria made good progress in implementing key reforms, particularly in macroeconomic management and the fight against corruption, but progress towards the MDGs was slower than hoped. The international context—including factors such as falling oil prices, after they reached a record high in July 2008, combined with instability in global financial markets and the likelihood of global recession—could pose risks to the continuation of Nigeria’s good economic performance. On the other hand, with the recent introduction of more sound fiscal policies, it is predicted that Nigeria will be able to manage any potential crises reasonably well. Section II summarizes the challenges faced in implementing the 2005 CPS.*

2. *The 2005 CPS program priorities were fully aligned with Nigeria’s own priorities and development objectives. The latter consisted of: (i) improved service delivery for human development; (ii) improved environment and services for non-oil growth; and (iii) enhanced transparency and accountability for better governance. Progress achieved against these long-term strategic goals and the 2005 CPS outcomes is discussed in Section III.*

3. *The 2005 CPS proposed specific activities to support the Federal Government and selected well-performing states (lead states). In the context of the successful national elections, the 2005 CPS was designed as a “joint WB–DFID approach to assist Nigeria to implement its program to boost growth and achieve the MDGs.” Due to the huge development needs in the country, a partnership between the WB and DFID also provided the opportunity to achieve greater impact and was based upon comparative strengths. Overall, the 2005 CPS proposed additional financial and technical assistance to signal strong support for the government’s reform efforts and to help finance the necessary investment to remove obstacles to growth and development. The proposed strategy was based on four principles: (i) realism about opportunities and scope for change; (ii) responsiveness and government ownership; (iii) selectivity for impact; and (iv) balancing a longer-term transformational agenda with the need for more direct, shorter-term impacts. Other MDG-related activities were also supported elsewhere in the country. Section IV discusses the effectiveness of the 2005 CPS principles and strategic approaches, and Section V the lessons learned and recommendations going forward (including implementation of the lead state approach.)*

4. *The main conclusion of the Completion Report is that the WB was particularly successful through: (i) the delivery of significant “quick wins” (e.g., the debt relief agreement,*

the successful retrieval of Abacha-stolen funds and a substantial increase in the IDA envelope); and (ii) in deepening the partnership with federal and state governments to support reform efforts. The latter included efforts to support the federal government in: (i) strengthening fiscal management and fighting corruption (e.g., the oil-price fiscal rule, procurement reform, Nigeria Extractive Industries Transparency Initiative; and (ii) assisting in the implementation of the privatization program, including port concession; (iii) contributing to the development of the financial sector strategy and strengthening access to finance through the provision of timely technical assistance. The WB program in human development (water, health and education) and in governance generated modest results.

5. *This Completion Report is based on the contributions from the WB country team and DFID partners, a review of government documents, and WB assessments including the 2008 CPS Progress Report.* The country team also benefited from a detailed evaluation of the Bank's performance, over the period of 1998-2007, that was prepared by the Independent Evaluation Group and reflected in the Country Assistance Evaluation. The evaluation found that, during this period, the Bank provided important assistance to the Government of Nigeria and which also strengthened the Bank's reputation and credibility considerably. In spite of the relatively small size of the Bank's financial contribution, (particularly given Nigeria's earnings from oil revenues), the Bank's objective advice was considered valuable and positively influenced perceptions about Nigeria in the international community. During the period to mid-2003, however, the Bank had some difficulty in clarifying its role. A large number of lending operations were started, often with an insufficient base of local knowledge needed for successful projects. At the same time the Bank was slow to invest in analytic work. These issues were recognized and after 2004 the Bank adapted its program to provide more effect support. The Bank is now well placed to continue to make an important contribution to Nigeria's economic and social progress as the Nigerian Government continues its commitment to reform.

II. Nigeria's Challenges and Partnership Response

6. *In 2005, Nigeria faced significant challenges in achieving and sustaining macroeconomic stability, accelerating growth, reducing poverty and meeting the MDGs.* Some of these challenges included: (i) macroeconomic volatility, dependence on oil; (ii) near collapse of social and economic infrastructure; (iii) poor governance; (iv) high poverty and large regional disparities in social indicators, (v) unfavorable business environment; and (vi) personal safety and security issues. NEEDS—a medium-term plan for economic recovery, growth and development -- was launched by the country in 2004 as a response to these numerous challenges facing the nation.

7. *These challenges were also recognized by the WB and DFID in the formulation of the 2005 CPS.* Its three pillars strongly correlated with NEEDS' principal strategic priorities, namely, (i) improved service delivery for human development, (ii) improved environment and services for non-oil growth, and (iii) enhanced transparency and accountability for better governance. Governance was considered particularly important in order to assist the government to strengthen economic and fiscal management at the federal and state level, as well as to improve Nigeria's reputation on the international stage and to attract more foreign direct investment.

8. *Even with the high oil prices, the 2005 CPS recognized that Nigeria faced a significant shortfall in meeting its development financing needs.* For example, in 2004-05, the country faced limited donor involvement and negative net transfers of US\$1.3 billion per annum due to the servicing of its high debt obligations. This situation was exacerbated by the following factors: (i) no access to IBRD lending; (ii) a low CPIA rating which did not recognize any of the country's reform efforts and translated into extremely low IDA allocations; and (iii) weak implementation of the Bank's portfolio, especially at the state level, which further contributed to the low country ratings.

9. *The development partners also identified a relatively weak knowledge base in Nigeria.* In response, the 2005 CPS envisaged the strengthening of analytical and advisory assistance in informing project design and helping the government to make significant policy achievements. Analytical work was aimed at identifying and prioritizing constraints to growth, underpinning poverty dialogue with the collection of more robust poverty data and defining options for efficient use of public resources through public expenditure management and financial assessments.

10. *Partners chose a Lead state approach to concentrate and leverage resources at the state level and in order to increase impact, strengthen demand and commitment for reforms.* The rationale was that: (i) the Bank's limited resources could not have significant impact if spread thinly over the country with 36 states and 140 million people; (ii) aid effectiveness could be achieved through concentration of resources in selected states with greater potential for success; and (iii) success in a few states could be replicated and scaled up through leveraging of Nigeria's own public resources.

11. *In 2007, the President expressed commitment to continuing the reform process pronounced in NEEDS and started under the previous administration.* As reflected in the CPS Progress Report, the WB and DFID adjusted its program to reflect increased emphasis on the power sector, state governance and dialogue with partners on Niger Delta issues.

III. Progress against Long-Term Strategic Goals and CPS1 Outcomes

Progress towards long-term strategic goals

12. *Macro-economic performance during the period of 2005 CPS program implementation has been impressive.* Growth averaged 6 percent annually between 2004, 2005 and 2007 and is projected to rise to 9 percent in 2008, reflecting a broad range of sectors. The non-oil sector, providing a livelihood for the majority of Nigerians and driven by the agriculture, manufacturing, minerals and telecommunication sectors, has grown at more than 8 percent per annum accelerating to more than 9 percent in 2007-08. Improved fiscal management has been responsible for most of the recent macroeconomic improvements. Inflation declined to single digits in 2006-07, but increased to some 15 percent in 2008 due to the rise in food prices and sharp increase in private sector credit.

13. *The most fundamental reforms were in fiscal management at the federal level.* An oil price based fiscal rule was successfully implemented in the 2004-2007 budgets. This innovative measure resulted in sizeable budget surpluses and a rapid accumulation of foreign

currency reserves. In late 2008 when the oil prices dropped from the record high of \$147 per barrel in July 2008 to \$40 per barrel, the Federal Government was able to immediately revise its budget projections for 2009 to accommodate the new reality and settled on \$45 per barrel.

14. *The government used part of its oil savings to conclude the debt relief agreement with the Paris Club through a combination of arrears clearance, debt write-offs and re-purchasing the rest of the debt at a discounted rate.* The final payment was made in April 2006, thereby terminating a history of heavy debt obligations and difficult relations with creditors. The country obtained its first sovereign rating at BB- both from Fitch Ratings and from Standard and Poor. All of the \$750 million fiscal space created, through the completion of the debt deal with Paris Club Creditors, was re-allocated by the Federal Government towards MDG related expenditures and towards reducing poverty through the Virtual Poverty Fund. In addition, classifications within the federal budget were amended to allow better monitoring and tracking of these items.

15. *Sound fiscal policies will help Nigeria manage the macroeconomic implications of the global financial crisis reasonably well.* The financial crisis has led to a substantial revision of Nigeria's non-oil growth forecasts from 7-8 percent to about 4-5 percent for the period 2009-11. However, appropriate fiscal policies, in particular expenditure restraint and the use of the ECA, are expected to mitigate the impact of the decline in oil revenue on the economy. The ECA amounted to \$21.7 billion at the end of 2008, of which \$5.3 billion were committed for a power project. At present, there are no signs of any weakening government resolve in this area. Nevertheless, the WB will continue to closely monitor the situation, especially in the banking sector, and is prepared to respond rapidly to any changes in the outlook.

16. *Social indicators remain weak.* A recent review of household survey data suggests that real incomes increased significantly both in the formal and informal sectors but Nigeria's social indicators remain weak. Infant and under-5 child mortality rates are likely to improve as a result of the increase in routine and polio immunization (which almost doubled between 2005 and 2006) and will be confirmed once the results of the new USAID's Demographic and Health Survey have been compiled. This new survey will also highlight if any progress has been made in reducing the maternal mortality rates in the North East. These rates were catastrophically high in the 2003 survey. In education there has been a rapid increase in enrollment rates although concerns remain about quality and learning outcomes. Access to improved water source has remained unchanged at 48 percent.

Progress towards CPS Outcomes by Three Pillars

17. *As described in the 2005 CPS Outcome Matrix, Annex 1 of the CPSCR shows the detailed achievements against stated objectives as measured by performance indicators. Table 2.1 of the CPSCR summarizes some of these key achievements against each of the three pillars of the 2005 CPS.*

Table 2.1: Key Benchmark Indicators for Evaluating FY2005-2009 CPS Results

<i>Area</i>	<i>Indicator and or Performance Criterion for End of CPS Period</i>	<i>Progress to 2009</i>
Pillar 1: Human Development.		
Immunization	Polio immunization coverage to reach 80% nationwide and routine immunization 50% by 2009.	Polio and campaign based routine and polio immunization coverage increased from 38% in 2005 to 77% in 2006.
HIV/AIDS	1) National Agency for the Control of AIDS (NACA) and State Action Committee on AIDS (SACAs) strengthened to implement ‘Three Ones’. 2) Increased access to prevention, voluntary counseling and testing (VCT), care and support services. 15% of 15-49 year olds received VCT.	1) SACAs established and effectively functioning in all 36 states plus FCT with operational frameworks; 8 SACAs and NACA now transitioned to agency status. 2) Universal access to VCT for all eligible Nigerians between 15 and 49. Decrease in HIV/AIDS prevalence from 5.0% in 2003 to 4.4% in 2005; and 92% of sex workers reporting condom use with most recent clients.
Education	1) Nationwide M&E system in place to evaluate quality of education sector in participating states. 2) 10% increase in girls’ primary and secondary enrolment in at least 2 selected states.	The universal basic education policy was adopted by all states over 2002-2005 following adoption by Federal Government in 1999. However, the nationwide M&E system is still to be developed. Primary enrolment increased rapidly from 19.2 million in 2001 to 23 million in 2005. Data from the MDG office in Nigeria shows that the ratio of girls to boys in primary and secondary schools is at 85% and the MDG target of 100% in 2015 is attainable.
Water and Sanitation	Increased access to reliable piped water to more than 3 million people in 8 targeted cities.	Increased water production serves 5 million people in 8 targeted urban centers.
Access to MDG related HD Infrastructure	2000 communities and volume of resources for basic services managed at community level.	More than 4000 communities with social infrastructure related to MDGs (e.g. Health Centers, primary and secondary schools classrooms, water supply systems, rural roads etc.).
Pillar 2: Non-oil growth		
Power	Improved efficiency as measured by reduction of system losses in targeted areas from 45% to 25%.	Transmission & Distribution investments improved supply quality in selected clusters: system losses reduced from 45% to 34%.
Transport	Formal private sector involvement in provision of public transport in Lagos. Concession of 16 port terminals.	Bus Rapid Transit (BRT) System introduced in Lagos city 25 port terminals concessioned. Concession agreements proved successful in reducing import clearance time.
Telecom	Increased tele-density to 6%, and increased percentage of population covered by mobile footprint to 70% from 45%.	Tele-density at 32% in March 2008. Population covered by mobile footprint increased to 60% in 2006 and will increase to the target of 70% when new data for 2008 become available.
Enabling Environment	Increased access to financial services: (i) Private Sector Credit/GDP >18%, and (ii) M2 /GDP>20%.	Increased access: Private sector credit/GDP=14%, and M2/GDP=18%.
Enhanced Productivity	Enhanced productivity among non-oil producers, especially agric.-related.	Fadama II has boosted incomes for 2.3 million farm families in 12 Nigerian states in just two years. Incomes rose by 60 percent between 2005 and 2007.
Pillar 3: Governance		
Public finance Management	Strengthened and More Transparent Public Expenditures Management Policies and Systems	Significant progress with key PFM legislation. Fiscal Responsibility Bill, Procurement and NEITI bills passed and signed into laws.
Public Sector Reform	Public service reform program to promote efficiency and effectiveness in public service delivery (e.g. computerized HR systems, ghost workers eliminated) in at least 4 federal agencies.	Good progress with modernisation of HR/Payroll system with linkage to personnel database. Installation of IPPIS in 6 pilot Ministerial Development Agencies completed.
Accountability and Oversight	Improved professionalism in legislative oversight.	National Assembly Budget Research Office established, staffed with key professionals and engaged with budget-related oversight tasks.
Demand for Change & Public Participation	Increased number of effective fora for civil society and private sector to interact with legislature and government agencies.	Budget monitoring by CSOs in partnership with state governments piloted in 8 states with improved transparency.

Pillar 1: Improved service delivery for human development

18. The goal for the 2005 CPS is “sustainable improvements in access and quality of basic services in health, HIV/AIDS, education, water and sanitation.”

19. *The instruments used included:* The CDD approach and selected MDG focused interventions at state level; Safety Nets—including demand side support to extreme poor; and expansion of donor base—including joint and complementary implementation arrangements. Specific interventions included: Health Sector Development Project, HIV/AIDS, Malaria, Polio, Community-based Poverty Reduction Project (CPRP), LEEMP, Community Social Development Project, State Education Support Project, and Science and Technology Education Post Basic Project. Technical assistance is in CCT, Poverty Assessment, PER in Education, and Participatory M&E . Other interventions especially from other partners are as stated in Annex 1.

20. *Progress under the 2005 CPS:*

- Education system strengthened in selected states.—Inspectorate and Assessment system established.
- Strengthened delivery of the Malaria Plus Interventions in the target states but health systems weak and use of bed nets, although much improved, is still low.
- Dramatic reduction in number of new polio cases in 2007 but with a reversal of a positive trend in 2008.
- Strengthened provision of primary health care services through renovation of health facilities in hard-to-reach areas, procurement of medical equipment and drugs for the facilities, establishment of cold-chains for vaccines, and training of various cadres of health workers and their deployment to these facilities.
- Revitalizing of health institutions responsible for the training of midwives, nurses and community health workers through a reactivation of their accreditation.
- A decrease in HIV/AIDS prevalence from 5.8% in 2001 to 5.0% in 2003 to 4.4% in 2005 with 92% of sex workers reporting condom use with most recent clients.
- Strengthened coordination, partnership and harmonization on HIV/AIDS National Response.
- Increase in school enrolment and attendance in targeted rural communities
- Decrease in reported illness, reduction in time and cost of fetching water and improved access to rural markets but access to water unchanged.
- More than 75% of the resources disbursed under the CDD-based project (about \$70m) are managed at the community level.
- Both the infant mortality rate and the under-five mortality rate remain high, and have large variation across regions.
- Improvement in water delivered in urban cities of Kaduna and Abeokuta, changing the way the water utilities perform and improvement towards good management.

21. *New policies were adopted in health and education with good outcomes but challenges remain.* In the education sector for example, the universal basic education policy was adopted by all states during 2002-2005, following adoption of the policy by the Federal Government in 1999. In May 2008, the Senate passed the National Health Bill into law. The National Health Bill

provided for the establishment of a Primary Health Care Development Fund, which, among other things, will allow for the provision of basic health care facilities through the National Health Insurance Scheme. The Government has also taken measures to improve routine immunization, eradicate polio, lower the incidence of malaria, and combat HIV/AIDS. For example, an ambitious nation-wide program of universal coverage with Long-Lasting Insecticide Treated Bed-Nets has been launched with the intention of covering every household with at least 2 nets by the end of 2010. The initial net distribution has already produced results in terms of increased ownership and usage, (although the exact figures will only be available after a survey to be undertaken in the latter half of 2009). Also, in 2007, the lowest polio and Type 1 polio incidence rates were recorded since 2002. Nevertheless, Nigeria contributes the highest number of polio cases in the world and resistance to immunization remains high in some parts of the country. Unfortunately in 2008 the incidence of polio increased dramatically over the previous year.²² The recent response of the Federal Government, led by the Ministry of Health and the new leadership at the National Primary Health Care Development Agency, has been promising and initial steps are in the right direction. More, however, will have to be done—particularly at state and local levels—in order to overcome the barriers to polio immunizations and to ensure that the goal of interrupting the spread of the wild polio virus is achieved in the near future. Strong, positive trends have been reported with respect to HIV/AIDS. Prevalence of the disease declined in women between the ages of 14 and 49 from 5.8 percent in 2001 to 4.4 percent in 2005 (National HIV/Syphilis Sero-Prevalence—Sentinel Survey 2005) and a further decline is expected in 2008. In addition, 92 percent of sex workers are reporting condom use with recent clients (IBBSS, FMOH, 2007).

22. *The Bank has used CDD to improve human development.* More than \$250m was committed by the World Bank (and about \$100m by AfDB) to 3 projects that used this approach in 29 States across the country. Over 75% of these resources were disbursed and controlled by the beneficiaries themselves at the community level. The CPRP and the LEEMP were focused heavily on human capital development. Other examples of states with good success from the CDD approach include Kebbi, Katsina, Bauchi, Niger, Yobe, Bayelsa, Cross River, and Ekiti. (see Box 2.1).

23. *The Bank's convenor role in both Malaria and HIV/AIDSs was highly significant in establishing a broad platform for coordinating development assistance and implementing sector strategies.* The second phase of the malaria booster program launched in Abuja, Nigeria in December 2008 and the recent bed-net distribution program being supported by all the development partners will help Nigeria to expand malaria prevention, care and treatment programs, and to sharply reduce the incidence of malaria related deaths. Because of the Bank's role, agreements were reached on a new national strategic and implementation plan, as well as an agreement on the rationalization and harmonization of the approaches, tools and indicators being used by the different partners. In HIV/AIDS, for example, the National Agency for the Control of AIDS and the development partners in Nigeria are working to develop a Joint Financing Arrangement and a pooled fund to operate through a separate account in support of one common work program.

²² As of December 2008, 797 polio cases had been recorded in 26 states, which represented close to a tripling of the number of cases for the same period of time one year earlier. Kano State in the North West Zone continues to lead the country with 272 cases (compared to 60 cases in 2007), followed by Zamfara State, also in the North West Zone, with 85 cases (compared with five cases in 2007).

In human development, progress towards outcomes was moderately satisfactory

Box 2.1: Human Development Service Delivery using the CDD Approach

These projects have contributed to reduced maternal and child mortality through the construction and equipment of primary health centers in about 400 communities; improved educational outcomes through construction and equipment of primary and secondary school classrooms in over 800 communities; improved access to safe drinking water through construction and operation of boreholes and motorized water pumps in over 1000 communities across the country. There are other outputs and resulting outcomes in terms of rural/feeder roads, rural electrification, rural markets, and natural resource management. These CDD projects also ensure beneficiary participation, empowered poor communities and provide a reorientation of governance by sensitizing the lowest tier of government to the needs and priorities of the governed. They have also ensured transparency and accountability while guaranteeing capacity building at all levels. More specifically, the projects have been able to harness the abundant social capital (social structures networks and resources) in their respective areas of operations. Participation of communities has ensured maintenance, utilization and sustainability of the projects. This, in essence, is expected to lead to improved output, outcome and impact. The executed micro-projects have been shown to be cost effective when compared with the publicly executed equivalent counterparts.

24. *In the area of urban water supply, in the six States (Lagos, Kaduna, Ogun, Cross Rivers, Enugu and FCT) supported by the Bank, there has been improvement towards cost recovery, coverage of service to entire cities through increase in production, development of State water policies and water laws which is now being rectified by the various State Assemblies. The private sector is also helping in improvement of services in Kaduna and the Commercial/Revenue units of Enugu Water.*

Pillar 2: Improving environment and services for non-oil growth

25. *The goal for the 2005 CPS is “improved environment and services for non-oil growth”.*

26. *This pillar was supported by: extensive TA for the financial sector and for the EITI initiative; projects in energy (Transmission Development, Energy Development), water (Urban Water I and II), agriculture (Fadama II and III), private sector development (Privatization Support and MSME Project), roads (Rural Access), urban transport (Lagos Urban Transport), extractive industries (Mineral Resources Management); and AAA, notably the energy policy notes and investment climate assessments.*

27. *During 2005-2008, the non-oil economy is estimated to have grown by about 9 percent, a further acceleration relative to the period 2001-04, when growth averaged 7.5 percent. Growth continued to be broad-based, and driven by the strong performance of the agricultural, manufacturing, solid minerals, and telecommunications sectors supported by the Bank. Agriculture grew on average by about 7 percent, in line with the 2005 CPS target; the Bank’s Fadama projects made strong contributions. Growth performance benefited from the wide range of macroeconomic and structural reforms implemented by the government in recent years informed by Bank’s AAA and policy notes. Overall, the adoption of sound macroeconomic policies has created an enabling environment for the private sector and has significantly contributed to the acceleration of non-oil growth. The Bank’s MMSE project successfully introduced the concept of for-profit microfinance institutions and helped reach more than 100,000 savers and borrowers around the country.*

28. *A number of reforms have helped create a business environment more conducive to private investment and the basis for more sustained growth of the private sector:* (i) in the financial sector, the government consolidated the banking sector, mainly by raising the minimum capital requirement from \$15 million to \$190 million. To meet the new capital requirements, many of the 89 commercial banks merged with larger and financially more robust banks, resulting in the emergence of only 24 commercial banks. The banking consolidation helped deepen financial sector intermediation (velocity declined from 3.2 in 2004 to 2.8 in 2007) and credit to the private sector increased rapidly; (ii) the government made substantial progress with privatization (including concessions) of major companies in steel, petrochemicals, mining and ports. The concessioning of ports significantly improved services. In telecommunications, legal and regulatory reforms were put in place that catalyzed strong growth; (iii) registration and business licensing reforms have facilitated business registration. In a recent survey in two states 40 percent of firms cited improvement in the last 5 years in the duration and the average cost of business registration. Further improvements are expected from decentralization of the Corporate Affairs Commission, expanding its network to over a dozen states. In addition, a one-stop investment center has been set up at the Nigeria Investment Promotion Commission, which brings together over a dozen ministries, departments and agencies involved in the institutional, administrative and regulatory aspects of doing business in Nigeria; and (iv) in an effort to begin liberalization of the trade regime, Nigeria partially adopted the Common External Tariff of ECOWAS and lowered the average tariff from about 29 percent to 12 percent. The trade regime was further liberalized in 2008, when tariffs on a number of import goods were lowered and several import bans were abolished.

29. *Joint work of the Bank and DFID under the ICP in 11 states, including lead states, proved to be an efficient and effective way for knowledge expansion and to underpin the preparation of a new project.* The partnership now plans to roll the ICP out in other states.

30. *Positive results were achieved with CDD-type operations in rural areas which were successful both in enhancing agricultural productivity and improving access to markets.*

31. *Strong progress was achieved in improving the institutional environment in the*

Box 2.2: Significant Milestones in the Power Sector Program include:

- A Multi Year Tariff Order (MYTO) that provides for a path to cost reflective electricity retail tariffs, transitional subsidies from government, and periodic tariff reviews. government has made a budget allocation of \$650 million in 2008-09 to implement the tariff order.
- About 1500 MW of public generation capacity has been added between 2005- 2007.
- A new process of reviewing Power Purchase Agreements, for improved transparency, has been developed with Bank support.
- The Electric Commission has issued licenses to successor entities and new generating plants, and has developed regulatory and network standards. Upgrades in commercial processes, and adoption of international best practice at the utilities (through the CREST^{a/} program), have led to a substantial increase of monthly revenues from 2.8 billion Naira in 2003 to 7.75 billion Naira in 2007, and a rise in metered customers from 40 to 67 percent.
- System losses are showing a declining trend from a historical average of 45% to about 34%. Introduction of private management outsourcing through Revenue Cycle Management (RCM) contracts also contributed to improvements in commercial performance of the distribution sector.
- Nigeria is the first country to claim carbon credits for SF6 gas reductions in the transmission sector, which will be used to finance further reductions in transmission and distribution losses.

^{a/} Commercial Reorientation of the Electricity Sector Toolkit.

energy sector (Box 2.2), (although due to issues relating to ongoing gas availability and quality, installed power generation capacity has not translated into available capacity and the targets for system losses were not fully met). Bank supported reforms included Electric Power Sector Reform legislation, enacted in March 2005, which provided for commercial operation of the sector and led to the restructuring of the existing power utility, National Electric Power Authority into separate generation, transmission and distribution companies. An independent regulatory agency, the Nigeria Electricity Regulatory Commission was established to promote efficient and equitable growth of the power sector as well as a Rural Electrification Agency to promote rural access.

32. *To improve the power situation in the country, a number of key measures remain to be undertaken:* (i) ensure sustained and reliable gas supply for power generation; (ii) rehabilitate existing power plants which have been performing at low efficiency and promote PPPs to increase power generation; (iii) ease transmission and distribution bottlenecks to move the incremental power; (iv) enhance utility performance to safeguard the sector's financial health and improve customer service; and (v) strengthen corporate governance through a combination of institutional and structural reforms. These measures form the basis of the Bank's new energy project preparation.

33. *The quality of transport services improved significantly in Lagos state, a mega city state.* As a result of the Lagos Urban Transport Project, transport sector management was strengthened and transportation costs decreased by 30 percent along the project corridors. Concession agreements at 25 port terminals of Lagos ports have reduced import clearance times. By contrast, institutional strengthening in the transport sector at the Federal level has been lagging and is being addressed through a Federal Roads Project that has recently been declared effective. The enactment of the Civil Aviation Authority Act ensured more autonomy for the aviation regulator thereby setting the pace for improved safety and security in the aviation sector.

Overall progress towards outcomes in non-oil growth pillar was satisfactory.

Pillar 3: Enhanced Transparency and Accountability for Better Governance/Changing the Way Government Works

34. *The pillar was supported by projects mentioned in the earlier pillars because they included elements to promote good governance, as well as ERGP, Economic Management and Capacity project (EMCAP) and SGCDP, grants and nonlending TA.*

35. *Significant progress was achieved in strengthening the legal and institutional frameworks for transparency and accountability at federal level.* Three key bills were passed and signed into laws at the federal level in 2007: (a) Procurement; (b) NEITI and (c) Fiscal Responsibility. These laws have provided the enabling environment for transparency and accountability in the conduct of government business and for embedding governance reforms in law. The Bank support under ERGP and Sustainable Management of Mineral Resources, as well as grants for Procurement and NEITI, were instrumental in the progress made so far. However, despite the progress in strengthening legal and institutional framework for governance, some key bills are yet to be passed into laws by the National Assembly. These include the Audit Bill and the Financial Reporting Council Bill, both of which are key pre-conditions for operations of the Office of the Auditor General and the Nigerian Accounting Standards Board, respectively. The World Bank public expenditure management reviews 2000 and 2006 Country Procurement Assessment Review

informed the development of fiscal responsibility and procurement legislation, and the establishment of the Bureau for Public Procurement at the federal level.

36. *Progress on governance legislation at the state level has been slow.* States lag behind the federal government in the passage of the Fiscal Responsibility and Procurement laws and other PFM reforms. As an incentive from the federal government, model fiscal responsibility and procurement laws for the states were developed and were discussed with all 36 states in “clinics” held in three different regional centers of the country in May/June 2008 with the support of development partners, including the World Bank and DFID. This generated awareness and understanding among states, some of which have gone ahead to either pass the laws (e.g. Bauchi) or prepared drafts bills (e.g. Kaduna, Cross River, Lagos and Oyo State). There is ongoing dialogue between the Federal Ministry of Finance and development partners on follow-up support for implementation of the laws at the state level. Going forward, the major challenge is to get all states to pass these laws and strengthen capacity for implementation, compliance and monitoring at both federal and sub-national levels.

37. *With the Bank support under the EMCAP and ERGP, Nigeria adopted the Accounting Transactions Recording & Reporting System which enables electronic recording of treasury transactions.* This has been an important preparatory step for the adoption of a Government Integrated Financial Management Information System (GIFMIS) funded under ERGP. However, there have been significant delays in implementation due to a number of constraints, including weak capacity and lack of reform champions.

38. *At the sub-national level, only a few states have made tangible progress in improving the budget process including new chart of account/budget classification, with Cross River, Kano and Lagos states developing and using medium term expenditure and medium term sector financing strategy, whilst others such as Kaduna and Bauchi are in the process of developing medium term expenditure framework with Bank support under SGCBP and DFID under the State and Local Government Program.* However, at the state level the institutional and legal framework for improved fiscal management is still weak. Recent state level PERs (e.g. Ekiti and Anambra) undertaken by the Bank and other development partners suggest significant weaknesses in the PFM system and would require continuous support in the current CPS.

39. *Significant progress was made in clearing a backlog of about five years of audit reports at the federal level up to 2006 with the support of the Bank and DFID (under ERGP).* With the support of the Bank and DFID some states (e.g. Cross River, Kaduna, Kano and Lagos) are up to date with the audited accounts of the state with reports being submitted within six months after end of the financial year. However, there are weaknesses in the capacity of the state level public accounts committees in scrutinizing the accounts which will be followed up under the current CPS.

40. *Public Procurement Policies and practices have improved and become relatively more transparent and competitive, but implementation, compliance and monitoring are major challenges.* The Procurement Act was signed into law in June 2007. The adoption of the Public Procurement Law and wide dissemination has resulted in an increased demand for accountability by the public. government sources acknowledge significant savings (Governor of Central Bank) of about \$1 billion due to application of the Procurement Act in government expenditure, though no independent figures are available yet. The procurement regulatory body—Bureau of Public

Procurement has been set up and is functional, whilst procurement tools (e.g. Implementation Regulations and standard bidding documents) have been developed. However, the extent of usage of these tools across government is yet to be assessed. At the state level, Due Process Offices have been set up and government procurement is now more competitive and transparent, with a significant proportion of government contracts advertised and awards published. However, there are no official statistics to determine percentage of contracts awarded competitively at the state level. Also only a few states have passed the Procurement Act to provide the legal framework for public procurement.

41. *Information on spending and balances on crude oil revenue is regularly presented to the National Assembly.* There is also regular dissemination of revenue allocations from federation account at the Ministry of Finance website. The NEITI audits were done and reported for 1999-2004 and that of 2005 report is expected to be out in due course. NEITI has been supported by development partners, including DFID and the World Bank, through a multi-donor trust fund.

42. *With the support of ERGP, the federal government developed and piloted a new Integrated Personnel and Payroll Information System in six MDAs (Education, Information, Works, Finance and Budget Office, Foreign Affairs and National Planning Commission).* This has contributed to the elimination of ghost workers and to savings estimated at about N500 million per month. This is a significant achievement given that the wage bill is one of the big public expenditure items for MDAs and vulnerable to fraud which undermines the quality of public expenditure. Given the success of the pilot phase, the federal government has decided to scale up IPPIS to the entire public service with its own funding. The major constraint to be addressed remains capacity in the Federal government to implement policy reforms.

43. *Significant progress has been made in achieving improved accountability and oversight.* The three key oversight institutions supported by the CPS partners are the Office the Auditor-General of the Federation, the National Assembly and the Economic and Financial Crimes Commission. Over the last two years the National Assembly has played much more constructive role in the budget processes, which helped to discipline the budget cycle and improve the quality of the approved budget. This was apparent in the 2007 budget process, though the process has been delayed for the 2008 budget. For the first time, the National Assembly directed all MDAs to return undisbursed budget allocations to the treasury at the end of 2007 financial year. The level of compliance by MDAs was quite high, while sanctions were applied to those that tried to circumvent the directives. This saved the government a lot of resources, but also highlighted the need to improve budget credibility.

44. *In improving performance of Auditor General's Office, a few lead states are ahead of the federal government with up to date published audited accounts of the state.* These include Cross River, Kaduna and Kano that publish annual audited accounts of the state within 6 months after the end of the financial year. At the Federal level, only recently the backlog of audited reports up to 2005 have been cleared, with 2006 report awaited. Among the lead states, SGCB Project is supporting the office of Auditor General in Cross River and Kaduna states to strengthen their oversight function. Support includes training and provision of logistic support and introduction of computer assisted auditing to improve efficiency and effectiveness of the OAuG staff. However, the lack of follow-up to audit reports by the PAC is a major problem and undermines holding officials and agencies to account for misuse of public resources.

45. *The EFCC has been quite effective in investigating cases of high level corruption and recovering stolen assets.* To illustrate, the number of convictions increased from 20 to over 200 cases in 2008, whilst the recovery of assets increased from less than \$1 billion in 2005 to above \$5 billion in 2008.²³ In addition, the time needed to resolve cases had improved. A stronger Commission had helped Nigeria to be delisted from the FATF-NCCT list in 2007, as well as gain admission to the EGMONT Group of Financial Intelligence Units. Development partners, including the World Bank have played a significant role in getting the Commission to where it is today. The Bank's ERGP has supported the building of human and physical capacity, including training in investigative techniques, financial intelligence and cybercrime, as well as computerization and development of communication strategy.

46. *Progress was slow with strengthening demand for change & public participation in decision making.* Efforts are on the way to achieve them in 2008. Participation in 2006 benchmarking was almost as high as 2005 (33 States plus the Federal Capital Territories and Abuja, FCTA, compared to 35+FCTA in 2005). In an effort to boost participation, DFID is supporting a Coalition for Change initiative which aims at bringing together civil society and other key stakeholders around specific issues. The Bank has also supported civil society groups in building their capacity for budget monitoring in 8 pilot states. This has improved participation in the budget process and demand for more transparency in the allocation and use of public resources.

47. *Overall, the picture is quite positive on measures of corruption and public resource management.* Since 2005, some—although not all—of the Bank's CPIA ratings also improved (Table 2.2).

Progress towards outcomes in the governance pillar was moderately satisfactory with visible results achieved at the federal level but more to be done at the state level.

Table 2.2: Improved Measures of Governance in Nigeria, 2002 - 2008

	<i>World Bank, selected CPIA indicators rating</i>		
	2005	2006	2007
Economic Management			
Fiscal policy	4.0	4.0	4.5
Debt Policy	3.5	4.0	4.5
Public Sector Management			
Quality of budget management	3.0	3.0	3.0
Quality of public administration	2.5	2.5	3.0
Transparency, accountability, & corruption	3.0	3.0	3.0

Source:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTDATA/0,,contentMDK:21115900~menuPK:2935553~pagePK:64168445~piPK:64168309~theSitePK:2875751,00.html>

48. *The CPSCR rates overall outcomes for 2005-2008 as moderately satisfactory in line with IEG's rating in its country assistance evaluation.* IEG rated the period 1998-2007 moderately unsatisfactory. By 2007 signs of more favourable outcomes were beginning to emerge as a result of some of the reforms implemented by the team in 2004. The latter part of the review period was rated moderately satisfactory.

²³ Nigeria Economic Reform and Governance Project, Mid Term Review (June 25-July 17, 2008). Aide Memoire. World Bank.

49. *In order to respond to the critical country challenges as well as to increase aid effectiveness, the 2005 CPS reflected the following key strategic principles and elements:*

- The ability to provide a short-term response towards selected “quick wins” balanced with long-term transformational agenda;
- A Lead state approach—to work with committed and capable partners in delivering results that would encourage other states to improve governance and foundations for non-oil growth;
- MDGs focus—selectivity in terms of sectors and states to improve worst HD indicators (polio, malaria, HIV/AIDS, safe water, maternal and child mortality);
- Partnership with DFID to achieve better development results with limited resources;
- A gradual increase of the IDA envelope both as measure of enhanced governance and capacity improvement, as well as Bank’s commitment; and
- Strengthened focus on portfolio management.

50. *The World Bank Group position and reputation were greatly enhanced during the CPS period with a strong impact on partnership effectiveness.* The strategy to identify quick wins in the most urgent and critical areas worked well and facilitated the dialogue with the government against a backdrop of increasing oil prices. During this period, Nigeria was re-classified to IDA only status, the country signed a debt relief agreement with the Paris and London Clubs of creditors, its public debt declined from 57% of GDP in 2003 to below 5% in 2006, the Abacha stolen assets were successfully retrieved and utilized in a transparent manner and the oil-price fiscal rule was successfully implemented. The CPS Progress Report also reflected the shift in priorities of the incoming administration towards infrastructure and power.

51. *The strategy that was implemented envisaged a gradual increase in IDA lending. Bank investment lending rose steadily from an average \$500 million commitment per year from FY05-08 to an expected \$1 billion or more in FY09.* DFID grants rose from £80 million to £100 million over the period of the 2005 CPS and will increase to £140 million by FY11. The Bank portfolio currently comprises 26 projects and 2 GEF projects, with a volume that has more than doubled from US\$1.5 billion in FY05 to about US\$3.5 billion in FY09. Infrastructure and human development comprise almost two-thirds of the lending portfolio. Approximately US\$2.35 billion remains to be disbursed as of February 2009.²⁴ Nigeria is also involved in several regional initiatives such as the: (1) West Africa Gas Pipeline to secure reliable access to cheap and quality energy; (2) the Abidjan-Lagos transport and trade facilitation project (FY10) to support trade facilitation measures and fund activities to combat the spread of HIV/AIDS and provide treatment; (3) collaborative efforts in West and Central Africa to improve air transport safety and security; and (4) joint management of shared water resources for multi-purpose utilization in the Niger River Basin and Lake Chad. Table 2.3 reflects actual versus planned lending during FY05-09.

²⁴ The remaining FY09 pipeline includes Electricity and Gas Improvement, Second HIV/AIDS Program Development, Lagos Eko Education Project and Additional Financing for the Malaria Booster Project.

Table 2.3: Nigeria Planned Lending Program vs. Actual Deliverables, FY05-09

<i>Year</i>	<i>Projects</i>	<i>Amount (US\$)</i>	<i>Projects</i>	<i>Amount (US\$)</i>
2005	State Governance and Cp Bldg	18.1	State Governance and Cp Bldg	18.1
2006	Customs and Port Modernization	28.0	Fadama 2 GEF	10.03
	National Energy	172.0	National Energy	172.0
	Second Natl Urban Water	200.0	Second Natl Urban Water	200.0
	State Platforms	100.0	Avian Flu, emergency	50.0
Total		500.0		432.03
2007	Post Basic Educ & Knowl. Econ.	50.0	S&T Education in Post-Basic	180.0
	CDD Social/Fadama	100.0	Malaria Control Booster	180.0
	State Platforms 2	100.0	State Education	65.0
	Federal Roads	250.0	Lagos Metropolitan Development	200.0
Total		500.0		625.0
	<i>CPS Progress Report (2008) Plan</i>		<i>CPS Progress Report (2008) Actual</i>	
2008	Federal Roads	330.0	Federal Roads	330.0
	RAMP 1	60.0	RAMP 1	60.0
	Niger Basin Water Resources	45.0	Niger Basin Water Resources	45.0
	West & Central Africa Air Transp.	15.6	West & Central Africa Air Transp.	15.0
Total		450.6		450.0
2009	Fadama 3	250.0	Fadama 3	250.0
	Community Social Development	200.0	Community Social Development	200.0
	HSDP 2 Add. Fin.	50.0	HSDP 2 Add. Fin.	90.0
	Polio Add. Fin.	50.0	Polio Add. Fin.	50.0
	Commercial Agriculture	100.0	Commercial Agriculture	150.0
	Growth Pole	80.0	<i>Expected to be approved by end FY09</i>	
	Lagos Eko (<i>Reserve FY09</i>)	50.0	Electricity and Gas Improvement	200.0
			Lagos Eko	95.0
			HIV/AIDS	225.0
			Malaria Control Booster Add. Fin.1	100.0
Total		780.0		1360.0

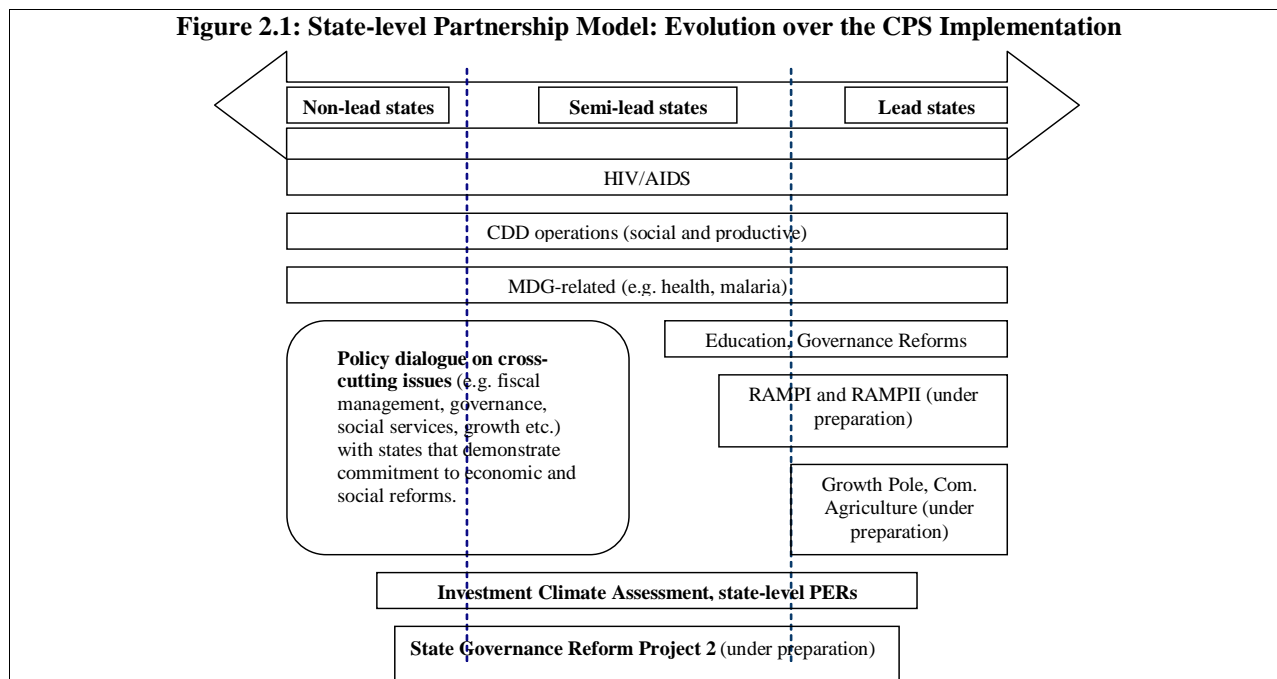
52. *New lending emphasized infrastructure projects and additional financing of successful operations in line with emerging priorities of the new administration.* IDA lending over the last two years of the 2005 CPS reflects these shifts towards infrastructure projects (Federal Roads, Rural Access and Mobility Project, and power sector (National Energy Project) as envisaged by the Progress Report, CPSPR. The share of successful CDD-type operations significantly increased as a result of the approval of Fadama 3 and Community Social Development Projects, which calls for greater emphasis on sustainability of these investments and strengthening implementation capacity at the state level all over the country. The team demonstrated the ability to respond to the emergency case of Avian Flu with unprecedented speed to prepare and approve the emergency project.

53. *Portfolio Performance.* In the early part of the CPS period, portfolio performance indicators improved: the percentage of commitments at risk dropped from 43 percent in FY05 to 16 percent in FY07 (below that of the Africa region), and disbursement ratios improved to higher than Bank-wide and Africa region levels. The improvements were due to project restructurings which allocated resources to better performing states, more flexible and simplified Bank procedures, and improved counterpart funding. In FY08 and early FY09, however, portfolio indicators weakened (the disbursement rate fell to 12.4 percent in February 2009 and commitments at risk rose to 38 percent). This was due to greater reliance on state level implementation coupled with uneven capacity across the states, change in government and large

increase in number and volume of projects. In response to the decrease in portfolio performance, the government and Bank have carried out intensive efforts to improve project readiness, increase disbursements and strengthen implementation to achieve results.²⁵

54. *Efforts were also undertaken to start to prepare and implement projects, initially designed for lead states, in non-lead states.* Examples include DFID in Jigawa, and the WB with education project in Kwara and rural roads project in Osun State. These decisions were taken in response to strong demand and commitment to sector reforms in these states.

55. *The partnership between the WB and DFID has been most effective at strategic level and policy dialogue, in TA and ESW.* Development partners' effort to fill the knowledge gap resulted in the joint preparation of the Country Economic Memorandum, Education PER, 24 policy papers (as the basis of introductory discussions with the incoming administration after the elections of 2007) and in conducting state level ICA. The partnership was effective in the coordination of governance and HIV/AIDS projects as well in the move towards joint programming in health and growth interventions. Previous efforts at joint design had been hampered by conflicting internal procedures and processes.



56. *The AAA program was fully consistent with the priorities set by the 2005 CPS and outperformed in filling the knowledge gap, identified as one of the key constraints at the time of the 2005 CPS.* AAA was characterized by strong analytical focus, topic relevance for the country own priorities and quick response to the government needs. In addition to core diagnostic

²⁵ Actions agreed at a Portfolio Implementation Review in May 2008 are being closely monitored, particularly for projects at risk. Actions include training for project implementation, contract management, strengthening due diligence in selecting contractors and awarding contracts., The Government and Country Team have been taking actions on potential problem projects by restructuring and reallocating resources. The Country Team is also following up on Quality Enhancement Reviews with more robust appraisals of implementation arrangements, particularly for projects at the state level, and improved results frameworks.

studies, the Bank prepared AAA pieces that enhanced the knowledge on science and technology aspects of tertiary education, public expenditure trends in agriculture, features of fiscal federalism in Nigeria, and institutional weaknesses of primary health care system at the state level. The Bank responded to the government's demand for relatively short policy notes and analytical studies on specific aspects of sector reforms that could be prepared quickly. A series of policy notes proved to be effective in providing a basis for continuous policy dialogue.

V. Lessons Learned and Recommendations

57. *Improving governance remains at the heart of further sustainable development in Nigeria, at the federal level and in particular at the state level.* Most of the governance reforms were undertaken by the federal government, and states, with a few exceptions, lag behind in terms of establishing the legal framework and implementation. Given the central role of states in delivery of social services, this undermines the transparency, accountability, and effectiveness of efforts to achieve MDGs. Continued efforts in public financial management and procurement, at both the state and federal levels, are required. Implementation of reforms should receive particular attention.

58. *Non-oil growth remains key to reducing poverty.* Limited progress in power and transport development, notwithstanding considerable efforts, point to the need for continued focus in these areas, in particular on public private partnership. In energy, an independent regulator, the Nigeria Electricity Regulatory Commission (NERC) was established, a multi-year tariff schedule was adopted that will move electricity tariffs toward cost-recovery levels, and the sector was unbundled into 11 distribution companies, one transmission company, and six generation companies. However, given the poor state of power availability and reliability in the country, further work is needed to increase power generation capacity and strengthen the management of the unbundled companies to ensure an improved energy supply. Promising work on assessing barriers to doing business could be maintained as well as building on the good progress made to enhance agricultural productivity.

59. *In the area of human development partnership, efforts should focus at the state level, where the main services are delivered.* The partnership should: (i) build on successes in policy dialogue and project implementation at federal and state levels; (ii) continue with policy dialogue for addressing institutional weaknesses and systemic issues; (iii) intensify work on sustainability of social CDD operations; and (iv) pilot conditional cash transfer initiative in one of the Northern states.

60. *The experience in the health sector with limited institutional changes points to the need to adopt the health systems approach.* This will necessitate moving away from the single vertical disease approaches implemented in the past towards broader programmatic and sector-wide approaches. Although the partnership should continue to support existing specific initiatives, the emphasis should shift towards providing support for fully costed national strategic plans at both the Federal and State levels. Greater mobilization of communities in order to expand access to health and nutrition services and to foster greater accountability in service delivery should also be encouraged.

61. *The considerable success of the CDD approach suggests the need to move to a larger scale operation that will include more communities and also integrate both the Local and State Government in the process.* This will ensure sustainability and maintenance of the social

infrastructures. The mechanism can also be used to provide demand side support to the extreme poor for utilization of the services provided. The CDD mechanism for Conditional Cash Transfer and Youth Employment could potentially be supported under the current CPS.

62. *Due to the importance of improving governance at the state level, partnership support could take the form of Development Policy Operations (DPOs) in states that have a track record of good performance and which show a willingness to undertake further reforms.* Drawing on experience in other countries, this instrument appears particularly well suited to supporting policy dialogue on a wide-ranging and inter-related reforms and may prove particularly effective in the Nigerian context. State DPOs can be supported by related investment lending to build capacity or by other investments. The package of financial support would be a strong incentive for states to pursue reforms.

63. *The lead state approach and process raised several issues, particularly with the Governors of the “non-selected” states who urged the federal government to change or even to abandon the strategy.* Firstly, additional time was needed to design project interventions in conjunction with building capacity to implement them in the states. Secondly, support to one of the lead states was scaled down and suspended in 2006 when a joint Public Expenditure and Financial Accountability Review found evidence of misuse of funds. In addition, the selection of the five states excluded the poorest; although the five lead states cover some 21 percent of the population and 23 percent of Nigeria’s poor. From a political standpoint, the five lead states were in only four of the six major geo-political zones, in a setting where the federal government strives for balance among the six zones; as a result, the federal government was not fully committed to the whole lead states approach. Finally, there was no exit strategy for the partnership in the event that a state fell out of compliance with the selection criteria. Going forward, the state level engagement would need to be differentiated to: (i) target the poorest states with lowest social development indicators (e.g. child and maternal health), but which have demonstrated a commitment to overall sectoral reform and to the establishment of viable fiduciary systems; (ii) incentivize those states with commitment to reforms in governance and public expenditure management; and (iii) states which could assist to boost non-oil growth.

64. *The Bank should continue to help strengthen development partner coordination and harmonization.* The partnership with DFID should be expanded to bring other development partners on board. Particular attention should be paid to improving donor coordination and harmonization at the project level.

ANNEX 2.1: SUMMARY TABLE OF THE CPS COMPLETION REPORT

<i>Status at CPS Design</i>	<i>Status at Completion</i>
<p>Pillar 1. Improve service delivery for human development.</p> <ul style="list-style-type: none"> • OPV immunization coverage of children under 5 years to reach 80% nation-wide by 2009. • DPT3 immunization coverage of children under 5 years to reach 50% by 2009. • Utilization of EOC in participating states. 	<ul style="list-style-type: none"> • OPV immunization coverage of children under 5 years reached 56% nation-wide as of end-2008. • DPT3 immunization coverage of children under 5 years reached 67% as of end-2008. DPT1 coverage after a new survey is completed. • Routine and polio immunization coverage increased from 38% in 2005 to 77% in 2006 (Polio Type 1 halved during 2nd half of 06).
<ul style="list-style-type: none"> • % of children < 5 years who slept under an insecticide treated mosquito nets in the night preceding survey increased from 3.6% to 30%. • % of children < 5 years with fever treated with an effective anti-malaria within 24 hours from onset of symptoms increased from 3.7% to 30%. 	<ul style="list-style-type: none"> • % of children < 5 years who slept under an insecticide treated mosquito nets the night preceding survey increased from 3.6% to 30% - survey will be done in October 2009. • % of children < 5 years with fever treated with an effective anti-malaria within 24 hours from onset of symptoms increased from 3.7% to 30% -survey to be undertaken in October 2009.
<ul style="list-style-type: none"> • National Action Committee on AIDS (NACA) and State Action Committee on AIDS (SACAs) strengthened to implement 'Three Ones': i.e. a) coordinated multisectoral response; b) effective operational frameworks; and c) monitoring and evaluation systems. • Monitoring and evaluation system implemented in 15 states by 2007. • Increased access to prevention, voluntary counseling and testing (VCT), care and support services. 15% of 15-49 year olds received VCT. • Implemented Family Life and HIV/AIDS curriculum in 50% of schools in 8 states by 2009. 	<ul style="list-style-type: none"> • NACA and SACAs strengthened to implement 'Three Ones': i.e. a) coordinated multisectoral response, b) effective operational frameworks and c) monitoring and evaluation systems. Progress is positive. SACAs established and effectively functioning in all 36 states plus FCT with operational frameworks; 8 SACAs and NACA now transitioned to agency status, remaining SACAs now mandated by NEC to transition, securing a formal budget line from government and therefore sustainability in the HIV/AIDS response. Realization of SACAs' coordination mandate relies on other development partners to channel information through SACAs—commitment to this is now growing. • Monitoring and evaluation system implemented in 18 states by 2008. Progress is good however the M&E system remains relatively weak due to the complexity of the institutional architecture of AIDS (HIV/AIDS M&E system relies on the functioning of M&E systems within line ministries, CSOs etc) and due to lack of capacity at all levels. • Increased access to prevention, VCT, care and support services. 15% of 15-49 year olds received VCT by 2007. Outcome achieved. Recent initiative launched by Vice President to provide universal access to VCT for all eligible Nigerians between 15—49. Challenge remains to ensure the availability of and access to appropriate services post-VCT. • Implemented Family Life and HIV/AIDS curriculum in 50% of schools in 8 states by 2009. <p>Additional results achieved:</p> <ul style="list-style-type: none"> • Increase in condom use in non-marital sex for men and women by 25%. Progress good. Recent IBBSS survey indicated that over 90% of sex workers used condoms in their last sexual act. Prevalence among sex workers remains high however (over 30%). • Increase in abstinence for the age group of 15-19 years old by 5%.

<i>Status at CPS Design</i>	<i>Status at Completion</i>
<ul style="list-style-type: none"> • Nationwide M&E system in place to evaluate quality of education sector in participating states. • 10% increase in girls' primary and secondary enrolment in at least 2 selected states. • At least 75% of participating states having an approved education for all (EFA) plan under implementation - state-level indicator. 	<ul style="list-style-type: none"> • Nationwide M&E system in place to evaluate quality of education sector in participating states. • 10% increase in girls' primary and secondary enrolment in at least 2 selected states. • At least 75% of participating states having an approved EFA plan under implementation - state-level indicator.
<p>Improved Water & Sanitation Services as measured by:</p> <ul style="list-style-type: none"> • Increased access to reliable piped water to more than 3 million people in 8 targeted cities. • 500 rural schools provided with water supply and sanitation facilities. • Increase in water delivered to 13 cities through existing and extended networks. 	<p>Improved Water & Sanitation Services as measured by:</p> <ul style="list-style-type: none"> • Increased access to reliable piped water to more than 3 million people in 8 targeted cities. • 500 rural schools provided with water supply and sanitation facilities. • Rehabilitation work in 13 cities has commenced. PPP contract signed in Kaduna. Public awareness on PPP in Urban Water Sector has increased as well as increase of revenue collected. Through TA support water production has increase in Kaduna and Abeokuta cities. • No. of 1,000 m3 of water production restored at WTPs. • USAID provided water supply and/or sanitation to 59 schools in 2007 through PTA subgrants.
<p>Improved access to MDG-related HD infrastructure and services based on CDD approaches, as measured by increases in the following indicators:</p> <ul style="list-style-type: none"> • 2000 communities and volume of resources for basic services managed at community level. • 2000 of community implemented social service plans (e.g. schools rehabilitated, primary health care clinics rehabilitated and operational). 	<p>Significant Progress. More than 4000 communities with social infrastructures related to MDGs (e.g. Health Centres, primary and secondary schools classrooms, water supply systems, rural roads etc.).</p>
<p><u>LEAD STATES</u> At least 5 state-level HD platforms under implementation, and measurable improvements in the following in at least 5 states (illustrative only):</p> <ol style="list-style-type: none"> 1. Increased access to preventive and curative services provided by public and private agents measured by: <ul style="list-style-type: none"> • Full immunization coverage (DPT3, OPV3, BCG & measles) of children under 1, and under 2 increased by 50%. • Utilization of EOC is at least 25% of estimated need by 2008. • 20% of pregnant women and children under 5 sleeping under insecticide treated mosquito nets by 2008. 	<p>No assessment of progress against stated indicators in the lead states.</p>

	<i>Status at CPS Design</i>	<i>Status at Completion</i>
	<p>Increased access to improved (buildings, certified teachers, textbooks) education services in 3 States measured by:</p> <ul style="list-style-type: none"> • Increased basic education enrollment and completion rates by at least 10% for boys and girls based on the government's baseline of 2004. • Improved quality of education as measured through local sample-based surveys of basic skills at the end of the primary and junior secondary cycles. • 75% of schools with community/parents participation in management. 	<p>No assessment of progress against stated indicators in the lead states.</p>
	<p>CCT program piloted in at least 2 states.</p>	<ul style="list-style-type: none"> • NAPEP with funds from the MDG office is currently implementing CCT in partnership with (12) selected States on pilot basis. • 4 of the selected States Cross River State, Enugu, Yobe and Niger, are undertaking a more detailed Project Implementation Manuals for the CCT with technical assistance from the World Bank. • Kano State is designing a CCT for Girls Education under the World Bank assisted State Education Project.
Pillar 2: Improved Environment and Services for Non-oil Growth	<ul style="list-style-type: none"> • Implementation of a revised national energy sector strategy underway (Action Plan prepared in early 2008 and implemented). • Improved efficiency as measured by reduction of system losses in targeted areas from 45% to 25%. • Increased metering in selected areas from 40% to 75%. 	<ul style="list-style-type: none"> • Implementation of the Electric Power Sector Reform Act underway; unbundling of PHCN completed; and NERC, Rural Electrification Agency established. • 2000 MW of generation capacity added through two private sector plants (Shell and Agip) and three public sector plants. • Hydro-generation capacity at Kainji and Jebba is being rehabilitated for improved reliability of supply. • Transmission & Distribution investments improved supply quality in selected clusters: system losses reduced from 45% to 34%; metering increased from 40% to 67%; tail and voltage improved to 220 V. • Multi Year Tariff Order (MYTO) has been adopted to ensure financial viability of the sector. <p>What worked:</p> <ul style="list-style-type: none"> • The sector is on a path to achieve financial sustainability, given MYTO and other measures. • A sector wide coordinated approach launched by development agencies in partnership with the clients is yielding some results particularly in analytical work and in promotion of PPP for generation expansion in the sector. <p>What did not work:</p> <ul style="list-style-type: none"> • The target of 10,000 MW by 2011 cannot be achieved. The government's major infrastructure expansion initiative in the sector –the NIPP, is beset with funding and implementation problems. • Accelerated privatization of energy assets has been put on hold.

<i>Status at CPS Design</i>	<i>Status at Completion</i>
<ul style="list-style-type: none"> • 1500 kms of federal highways under performance based management. • Performance based rural road management introduced in at least one state. • Concession of 16 port terminals. • Concession of at least one rail operation. • Aviation regulator, the Nigerian Civil Aviation Authority (NCAA) become more autonomous. • Formal private sector involvement in provision of public transport in Lagos. • Percentage of Federal Roads in good condition >15. 	<ul style="list-style-type: none"> • Preparation and Effectiveness of Federal Roads Development Project and the Rural Access and Mobility Projects was delayed because of change in government in 2007. Both projects effective Jan 2009 and Dec 2008 respectively. Results will be known at CPSPR in 2011. • 25 Port terminals concessioned. • Railway concessioning interrupted by change of government policy. • Civil Aviation Act of 2006 resulted in more autonomous NCAA. • BRT System introduced in Lagos city • Collaboration with Lagos State yielded remarkable results in the introduction of private sector-driven public transport services. • Private sector involvement in the Ports yielded efficiency gains.
<p>Increased access to improved communications-rural & urban: Increased tele-density to 6%, and increased percentage of population covered by mobile footprint to 70% from 45%.</p>	<ul style="list-style-type: none"> • Tele-density at 32 percent in March 2008. • Population covered by mobile footprint increased to 60% in 2006. • Regulator Nigeria Communication Commission is established as an independent regulator, fully operational and providing leadership in the sector. • Nigerian Telecommunications Limited privatized initially and being re-privatized following sub-optimal performance of strategic investor.
<p>Improved Enabling Environment for Business:</p> <ul style="list-style-type: none"> • Modern system to measure cost of doing business operational. • Common External Tariff (ECOWAS) implemented. • Increase in the number of effective land registries across the country. • Increase in ADR mechanisms used to resolve commercial disputes from none in 2005. • Increased access to financial services: (i) Private Sector Credit as % of GDP >18%, and (ii) M2 (bank deposits etc.) as % of GDP>20%. • Improved legal and institutional framework for financial intermediation in place as measured by (i) # of private credit bureaus licensed >2; (ii) % of private bureau coverage >5%. • 3-5 private operators engaged in exploration mining activities by 2009. 	<ul style="list-style-type: none"> • Business registration; customs clearance and other trade facilitation improved • Common External Tariff led to a decline of the effective tariff rate. • Broader customs reform and tax policy reform strategy lagging behind. • Land registration system is being developed at state level • ADR model (Fast-track court) implemented successfully in Lagos. • Financial System Strategy 2020 formulated and adopted by government. implementation design and Action Plan developed. Implementation Agency set-up and M&E framework developed, detailed sector baseline diagnostic finalized. • Increased access: Private sector credit as % of GDP=14%, and M2 as % of GDP=18%. • Intermediation framework: Private sector bureaus have been set-up; review/drafting of licensing requirements and regulation underway, private bureau coverage = 0.0. • Mineral Act Regulations adopted by Parliament; mining regulations drafted and under consideration. • Transparent world-class Mining Cadastre open and operating under new procedures. • Over 2,000 exploration licenses have been issued.

<i>Status at CPS Design</i>	<i>Status at Completion</i>
<p>Enhanced productivity among non-oil producers and Small Medium Enterprises (especially agric-related), through CDD generated infrastructure, and use of new technologies (Illustrative only):</p> <ul style="list-style-type: none"> • # of small community irrigation systems operational. • # of farm to market roads expanded. • Producers report improvements in agric-related services. • Small scale artisanal mining measured by the # of operations benefiting from financing and business assistance. 	<ul style="list-style-type: none"> • Fadama II has boosted incomes for 2.3 million farm families in 12 Nigerian states in just two years. Incomes rose by 60 percent between 2005 and 2007 among people participating in the project, surpassing the goal of 20 percent. The project's impact on income is likely to grow in the future, since beneficiaries acquired productive assets that could increase their income overtime. • The project's impact on productive asset acquisition is significant. The project led to a 590 percent increase in the value of group-owned productive assets. The dramatic increase in value is mainly due to the cash transfer from the 70 percent matching fund that the project provides to the Fadama user groups. The value of individual assets grew by 49 percent. • Fadama II succeeded in raising the value of the productive assets of the poorest populations more significantly than for the other groups. The average value of their group productive assets increased from Naira 10,000 (approximately \$89) in 2004-2005 to naira (470,865 (approximately \$3990) Compared to female non-beneficiaries, the value of female beneficiaries' group productive assets increased by 331 percent. • Fadama II had positive near-term impacts on beneficiaries' access to markets and transport costs. Compared to non –beneficiaries, the distance and travel time to the nearest market and travel cost decline significantly. • Target for MFI's has been exceeded (5 vs. 2) • MSME downscaling yet to start. • Artisanal and small-scale mining assessment (baseline study) completed December 2007. Implementation to start in 2008.
<p>Informed public debate on the links between Nigeria's economic management and growth of the non-oil sector.</p> <ul style="list-style-type: none"> • Policy & financing decisions influenced by agric sector policy analysis & dialogue. • Public/private policy analysis, research and advocacy developed and used in public debate. <p>Range of communications media, formal & informal, being used to influence public policy.</p>	<ul style="list-style-type: none"> • The employment and growth study and policy papers prepared for this study have informed the debate on economic management and growth of the non-oil sector. In a very significant step, the government has abolished petroleum subsidies and is moving to improve the trade policies. • The Bank organized an agricultural forum and agricultural sector PER have influenced agricultural sector strategies. • The public private partnership project under preparation is influencing policy analysis and informing public debate.
<p>LEAD STATES</p> <p>1. Improved investment climate indicators and productivity in at least 5 lead states through: (illustrative only):</p> <ul style="list-style-type: none"> • Access to productive infrastructure: e.g. power, roads, irrigation etc. • Improved business environment (e.g. tax administration, land registry, etc). • Access to improved agricultural technology and farm inputs (seeds, fertilizers, machinery). • Improved access to financial services. 	<ul style="list-style-type: none"> • Investment climate work commencing in lead states, plus Abia state covering rice, palm oil and tourism value chains and with investment climate focus on multiple taxes, licenses and customs reform. • Pilot state-level value chain and Investment. Diagnostic and pilot work taking place under the MSME project and the investment climate trust fund with a view to identifying the elements of a World Bank/DFID growth pole project. • Access to microfinance services expanded with new microfinance banks established in Lagos, Kaduna and Abia.

	<i>Status at CPS Design</i>	<i>Status at Completion</i>
Pillar 3: Enhanced Transparency and Accountability for Better Governance.	<p>1. Strengthened and More Transparent Public Expenditures Management Policies and Systems.</p> <ul style="list-style-type: none"> • Annual budgets are aligned with NEEDS priorities, prepared with a medium term horizon, using clear economic and functional classification and presented to the National Assembly by 1 October. • Timely audit and presentation of public accounts to the PAC • Increased % of total value of public contracts procured competitively. • Oil Revenue Accounts (regularly) audited and disseminated. 	<ul style="list-style-type: none"> • Significant progress with key PFM legislation. Fiscal Responsibility Bill, Procurement and NEITI bills passed and signed into laws in 2007. Budget process Bill is in the National Assembly. • Much better budget formulation and prioritization, based on medium term sector strategy. Early submission and approval of 2007 annual budget. Full MTEF developed as part of 2007 budget cycle. • Significant progress with TRRS. • Progress with preparation of 2002-2004 audited annual accounts, but not submitted to the PACs yet. • Information on spending and balances for the Excess Crude Oil Revenue Account regularly presented to parliament and broadly disclosed, but no audit results. • EITI audits led to recovery of about \$1 billion owed to the government by oil companies. • Bureau of Public Procurement established; procurement tools developed and a procurement professional cadre created in the civil service to enhance capacity. However, there are delays in setting up Procurement Council and there are attempts to amend the Procurement Law before it is fully implemented. • Widespread use of competitive bidding processes in federal contracting with significant savings, but no official statistics. ¹
	<p>2. Strengthened and More Efficient Public Administration and Service Delivery Systems</p> <ul style="list-style-type: none"> • Public service reform program to promote efficiency and effectiveness in public service delivery implemented (e.g. computerized human resources systems, ghost workers eliminated etc.) in at least 4 federal agencies • Community policing pilots lead to demonstrable police service delivery improvements in 6 state commands. • SEEDS benchmarking process and incentive framework internalized in government processes. 	<p>¹ The Government's Seven Point Agenda estimates savings of \$800m in inflated contracts.</p> <ul style="list-style-type: none"> • Good progress with ERGP is supporting modernization of HR/Payroll system with linkage to personnel database. Installation of IPPIS in 6 pilot MDAs completed in May 07 leading to significant savings estimated at \$400-\$500m monthly. • Over 40,000 staff from MDAs were retrenched and paid their severance packages as well as given pre-retirement training. • Community Policing now extended to a total of 18 states. • SEEDS benchmarking was repeated in 2006, and results have been released. • Selected service delivery improvement in some MDAs with development of service standards(e.g. FCT and immigration).

<i>Status at CPS Design</i>	<i>Status at Completion</i>
<p>3. Improved Accountability and Oversight.</p> <ul style="list-style-type: none"> • Improve performance of Auditor General’s Office. • Improved professionalism in legislative oversight: e.g. revised standards used in review of accounts and audit reports of public expenditures. • Anti-corruption agency strengthened and effectively investigating and prosecuting cases of corruption. 	<ul style="list-style-type: none"> • Over the last two years National Assembly has played much more constructive role in the budget processes, which helped to discipline the budget cycle and improve quality of the approved budget. National Assembly Budget Research Office established, staffed with key professionals and engaged with NEEDS and other budget-related oversight tasks of the National Assembly. For the first time the National Assembly demanded return to undisbursed 2007 budget allocation by MDAs with high levels of compliance. • The Audit Law has been revised by the Office of the Auditor General and re-submitted to both chambers of the National Assembly but yet to be passed into law. Backlog of audited accounts of the government cleared from 2002-2005² and submitted to NASS. • EFCC has been quite effective in investigating cases of high level corruption and recovery of stolen assets. • A significant improvement since 2004 in Nigeria’s ranking in the Transparency International corruption perceptions index. Nigeria’s standing has gone from 144th out of 146 countries in 2001 to 121st out of 180 countries in 2008. <p>² This is only volume 1, which covers transaction audit. Audit of the final account is still outstanding.</p>
<p>4. Demand for change & public participation in decision making strengthened.</p> <ul style="list-style-type: none"> • Nigerian coalitions formed around key development policy issues. • Capacity of media to understand and report on economic and social development issues strengthened. • Increased number of effective for a civil society and private sector to interact with legislature and government agencies • # of local development programs agreed and under implementation • Contract award process public in # of communities • Community oversight of contract implemented in # of communities. 	<ul style="list-style-type: none"> • DFID supported. • Budget monitoring by CSOs in partnership with state governments piloted in 8 states with improved transparency.

<i>Status at CPS Design</i>	<i>Status at Completion</i>
<p><u>LEAD STATES</u> Strengthened and More Transparent Public Expenditures Management Policies and Systems in at least 2 states:</p> <ul style="list-style-type: none"> • Annual budgets are aligned with SEEDS priorities, prepared with a medium term horizon, using clear economic and functional classification and presented to the State Assembly by 1 October. • Procurement Bills enshrining open and competitive procurement presented to State Assembly. • Increased % of total value of public contracts procured competitively. • Modernization and automation of public resource management processes and systems implemented. 	<ul style="list-style-type: none"> • Draft Fiscal Responsibility and Procurement Bills in place, but yet to be passed into laws but governors made commitments. • State budgets reflect core elements of SEEDS. The budgets were prepared with full participations of all stakeholders to reflect priorities in line with SEEDS. • Kano has made good progress with a new chart of accounts compatible with the Federal level model, Enugu has piloted it in one Ministry, and Kaduna and Cross River are just starting on the process. • MTEF introduced and piloted in Kano and Cross River states, but this is yet to be embedded. Lagos and Kaduna are in the process of developing MTEF and medium term sector strategy. • Enugu and Kano have modern payroll/human resources management information systems. Kaduna and Cross River have automated salary payments and in the process of integrating personnel and payroll databases. Lagos has a fully-integrated FMIS system, which includes payroll modules, but establishment records are still being updated.
<p>Improved Accountability and Oversight.</p> <ul style="list-style-type: none"> • Improve performance of Auditor General’s Office. • Improved professionalism in legislative oversight: e.g. revised standards used in review of accounts and audit reports of public expenditures (DFID). 	<ul style="list-style-type: none"> • Most lead states are up to date with audited accounts. Cross River and Kaduna publish annual audited accounts within 6 months after the end of the financial year. • Monthly financial statements submitted within 30 days. • SGCB Project is supporting the office of Auditor General of the State. External Audit component is strengthening the OAuG of state for its oversight function.
<p>Strengthened and More Efficient Public Administration and Service Delivery Systems in at least 2 states.</p> <ul style="list-style-type: none"> • Civil services restructuring piloted in line with service delivery priorities. • Effective mechanisms for monitoring quality and reach of service delivery piloted. 	<ul style="list-style-type: none"> • Not much work done to restructure the civil service in any Lead State, apart from some cleaning of nominal and payrolls in some states. • Recent recruitment into the Civil Service were based on need, especially in the critical areas such as medicine, engineering and other science fields. • Renovation and upgrade of facilities at MDI Calabar with new business plan and improved capacity to design and deliver new courses for the civil service (SGCBP I). • Raised awareness for improved service delivery (‘effective service delivery workshop for 150 officers on Grade level 14-16, in July 07; Service standards piloted in with service delivery).

**ANNEX 2.2: NIGERIA PLANNED NON-LENDING ACTIVITIES VS.
Actual Deliverables, FY06-09**

<i>Fiscal Year</i>	<i>Planned CPS Nonlending activities</i>	<i>Actual Nonlending activities</i>
2005	Country Gender Assessment Forestry Review Lagos Strategy for Economic Development Health CSR (Phase I) Oil Revenues Management LSMS	Country Gender Assessment Forestry Review Lagos Strategy for Economic Development Health CSR (Phase I) Oil Revenues Management LSMS Strategic Options for Revamping Agricultural Research and Extension Services in Nigeria Debt Management
2006	Poverty Assessment/PSIA Country Environmental Assessment CDD Evaluation Policy Note Education Report	Poverty Assessment Country Environmental Assessment (CEA) CDD Evaluation Policy Note PER Education Conditional Cash Transfer Sci & Tech Education for Post Basic
2007	PEMFAR Diversification and Growth (CEM) Education Sector Review Lagos State Analysis	PEMFAR Diversification and Growth Review of Education Lagos State Analysis
	<i>CPS Progress Report (2008) Plan</i>	<i>CPS Progress Report (2008) Actual</i>
2008	Petroleum Pricing Investment Climate Fiscal Federalism Study PER Agriculture Health CSR2 Rural Finance	Petroleum Pricing Investment Climate A Fiscal Federalism Agricultural Public Expenditure Health II CSR Rural Finance State Level Investment Climate
2009	Employment and Growth	Employment and Growth

ANNEX 3: IFC SUPPORTING GOVERNMENT REFORMS IN NIGERIA'S POWER SECTOR: THE GEOMETRIC POWER PROJECT

1. *Nigeria's power sector is facing tremendous challenges.* It is currently estimated that only approximately 60 percent of the population has access to electricity, with only a fifth of rural households covered. The country's installed generation capacity is estimated at approximately 7,000 MW, although the average generation supply in 2007 was below 3,000 MW. Poor maintenance conditions and limited access to fuel means that plants are rarely operated at capacity and thus meet less than 30 percent of Nigeria's estimated 10,000 MW electricity demand. Furthermore, the country's transmission and distribution networks are generally dilapidated and have been poorly maintained, resulting in a high level of technical losses. Finally, the distribution system's financial situation is strained due to high non-technical losses and low collection levels. This situation, coupled with electricity tariffs insufficient to recover costs, has resulted in an electricity sector that is at present financially insolvent, in need of continuous governmental budgetary support, and extremely unreliable in terms of service. The current severe power shortages are considered to be a major barrier to economic growth, and it is estimated that around 90 percent of industrial customers and a large proportion of SMEs and residential customers have their own independent source of power generation, at a huge cost to themselves, the economy and the environment. A key to beginning to resolve the power problem in Nigeria is getting more private sector participation.

2. *IFC has been working with a Nigerian sponsor on the development of an independent power project, Geometric Power, since 2004.* The project entails the development of the electricity infrastructure to provide reliable power supply to the city of Aba, an industrial town and commercial hub in South Eastern Nigeria. The Project comprises the design, construction, ownership and operation of: (i) a 188 MW gas fired open-cycle power plant; (ii) an associated transmission/distribution network, including substations, to serve mostly industrial customers located in the city of Aba; and (iii) a 27 kilometer gas pipeline to service the power plant. The project also entails the refurbishment, lease and operation of an existing distribution network. IFC played a key role in the early stages of the project's development, by providing TA through the Ireland/IFC Technical Assistance Trust Fund and IFC Technical Assistance, which supported the project's technical, financial and legal analysis. In June 2008, IFC's board approved an early-stage equity investment in the Company prior to the project reaching financial close, which is expected to catalyze additional investments from local and/or international equity investors and signal IFC's initial support for FGN's efforts to attract private participation in the power sector. The early-stage equity investment will allow IFC to continue supporting the sponsor in trying to achieve satisfactory resolution during the final stages of the project development of certain outstanding regulatory and contractual issues, thereby facilitating the process to reach financial close.

3. *The project will generate, transmit and distribute electricity to an estimated 89,000 residential households and 25,000 commercial and industrial customers with reliable and cost effective natural gas-based electricity.* The project will be among the first private power plants built since the March 2005 passage of the Electric Power Sector Reform Act that terminated the electricity monopoly of National Electric Power Authority and opened Nigeria's electricity sector to private investors, and the first major Independent Power Producer project developed in Nigeria without a government guarantee, as well as the first being developed by a local sponsor.

IFC's investment in the project is expected to demonstrate the ability of the private sector to provide an integrated solution to the pervasive lack of grid-based electricity supply in Nigeria, using the city of Aba as a test case, with replication potential in other parts of country.

4. *The project has the potential to eliminate Aba's power shortages, which are constraining the city's economic growth and development.* The project's investment in transmission and distribution to serve industrial customers should also reduce losses and increase operational efficiency and reliability. Furthermore, the project is expected to largely improve the competitiveness of a large number of industries located in the city of Aba, operating in a variety of sectors such as paper, glass and soap manufacturing, bottling, and soft drink producers, among others, most of which currently rely partially or entirely on diesel or HFO self-generation, at a cost up to 100% higher than that of the project. In particular, the project will supply electricity to Aba's shoe manufacturing industry, which produces about 80% of the shoes sold in Nigeria, made mostly by hand and with rudimentary electricity provided by small gasoline generators.

5. *Finally, the project is expected to result in the displacement of oil powered electricity generation with gas powered generation using associated gas, currently being flared, from an existing oil field, thereby leading to a significant reduction in Greenhouse Gas emissions.*

ANNEX 4: HOW DEVELOPMENT PARTNERS ARE SUPPORTING STATISTICS IN NIGERIA

(i) World Bank/DFID

- (i.1) National Strategy for the Development of Statistics. Implementation of the NSDS both at the Federal and in 6 pilot states. State Master Plans finalized and included in the NSDS.
- (i.2) National, MDAs and State Statistical Yearbooks. Templates have been distributed and are being populated by the agencies responsible.
- (i.3) Support to Survey Data Collection and analysis.
 - Just completed data collection for the Core Welfare Indicators Cluster Survey.
 - Nigeria Living Standards Survey; (NLSS).
 - Labour Force and Manpower Survey preparation on the way.
 - National Agricultural Sample Census.
 - National Agricultural Survey.
- (i.4) Financing the National M&E Framework. This will bring data collection, use and analysis to a single platform. Hopefully other donors will come on board during implementation. A series of consultations have been planned to bring them on board.
- (i.5) Roll out of Automation of Death and birth registries in the country through NPoPC. This will assure more accurate population projections and yield better demographic statistics for planning. Digitalization of the Cartographic System with NPoPC, to get digital maps and improve GIS reporting.
- (i.6) Sectoral data collection and analysis in:
 - Health Malaria Control Survey under planning
 - Education; Service Delivery Survey in the pipeline.
- (i.7) GDDS
 - Geographic Information Systems at NBS and NPoPC.
 - Improving access to administrative data, that is data from national and sub-national line ministries, MDAs.
- (i.8) OECD/PARIS21
 - Accelerated Data Program; Data archiving, developed the national data archive system which was rolled out in December 2008, documentation, dissemination.
 - Data harmonization by sector, just completed Water & Sanitation.

(ii) UNDP

ii.1 Nigeria Data Nervous System, through NBS, currently piloted in 17 States and will be rolled out to the remaining states through the NSDS.

ii.2 Financing pilot program to set up of automatic death and birth registration centers, through NPoPC. A request is being finalized (which will be sent to the World Bank shortly), for Assistance in rolling out the Birth and Death Registry.

(iii) UNICEF

Regular conduct of the Multiple Indicators Cluster Survey. Data for last survey 2008 being processed.

(iv) UNFPA

Support to Census activities. Currently assisting the NPoPC in processing the 2006 Census data

(v) USAID/Macro International

- Assists NPoPC in data collection and analysis of the Census and the Nigeria Demographic and Health
- Survey. Last survey conducted in 2008 with the data processing still on-going.

(vi) AfDB

(vi.1) PPP

(vi.2) Survey on Remittances

Financing a survey to study the amount and effect of remittances in the Nigeria economy. The study will be conducted with coordination from the World Bank.

(vi.3) Support to NSDS

Financed the finalization of the state Statistical Master plans and hopefully will finance some components of the implementation of the plans.

(vii) IMF

(vii.1) National Accounts

ANNEX 5: LAGOS PARTNERSHIP STRATEGY, MARCH 2009

I. Background and the State Context

A. Population Growth and Economic Contribution

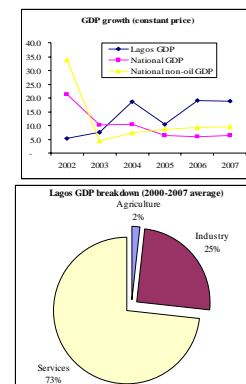
1. *By most estimates, Lagos is one of the fastest-growing cities in the world.* In 1999, the United Nations predicted that the city's metropolitan area, which had only about 290,000 inhabitants in 1950, would exceed 20 million by 2010 and thus become one of the ten most populated cities in the world. The growth rate has subsided a bit, but has still averaged 4% over the past decade. The resulting density on 356,861 hectares of land is mind-boggling. However, the 2006 national census presents a different picture. The federal census of 2006 pegs Lagos' population at 9 million in 2006, compared to the 17 million estimate used by the State's own Central Office of Statistics.

2. *Lagos' contribution to Nigeria's economy is strong. Lagos' contribution to Nigeria's GDP and non-oil GDP is estimated at about 12 percent and 19 percent respectively.*²⁶ The city is by far the most important centre of economic activity in Nigeria. It is a financial centre and a key communications and transportation hub, as well as headquarters to many major national and regional industrial, manufacturing and financial concerns. Lagos' 180 km coastline is home to two ports (TinCan Island and Apapa) that account for some 60% of the country's trading activity, while its airport handles 62% of the combined domestic and international passenger traffic (2006).

3. *Based on preliminary GDP estimates for Lagos,*²⁷ *annual growth has been at double digit rates from 2000 to 2007, faster than the national rate.* That growth was driven largely by the services sector (including wholesale and retail trade) accounting for 75% of the State's overall GDP growth. Wholesale and retail trade represents more than 50 percent of that services sector. Manufacturing's contribution to local GDP growth was a healthy 23%, while primary activity (agriculture, fishing, mining, etc) contributed a negligible 2% over the same period. The informal sector, which represents about 45 percent of the State economy in terms of output and employment, constitutes the main source of income for the majority of city's households (Figure 5.1).

4. *Nigeria's non-oil economic future and Lagos' growth are tied.* As it so often happens in mega-cities, wholesale and retail trade, light manufacturing, construction and information, communication and technology are the four areas where Lagos is deemed to have a clear competitive advantage for the non-oil growth of Nigeria's economy. These are the high-growth areas with strong prospects for job creation.²⁸ The State Government has focused its attention on

Figure 5.1: Lagos GDP and National GDP, 2000-2007



²⁶ Source: Economic Associates Nigeria.

²⁷ Source: Lagos Ministry of Economic Planning and Budget.

²⁸ The study on value chains assesses 14 value chains in the economic corridors of Lagos, Kano-Kaduna and the south-eastern region.

these four areas as well as on tourism and leisure in order to harness Lagos' potential and turn the city into an even more powerful centre within the country and the region. However, before this can be fully accomplished, a few obstacles need to be dealt with. Those constraints include limited and decrepit infrastructure (urban transit system and power supply), inadequate human capital, a discouraging investment climate, and limited access to finance, among other things.

B. Recent Political Developments

5. *Like Nigeria as a whole Lagos has enjoyed continuous democracy since 1999.* The State is ruled by a minority party, the Action Congress, which controls the Office of Governor as well as the State house of assembly. The previous and current governors are from the Action Congress, and this has resulted in some continuity and consistency in State policy and development priorities over the last decade. The State Government has furbished and established its credentials in the past eight years by promoting consultative and participatory policy-making initiatives. It has also introduced a participatory planning process (the Ehingbeti Forum) that actively involves the private sector and civil society. Development priorities such as the State's Ten-Point Agenda (TPA) and the Lagos State Economic Empowerment and Development Strategy are vigorously debated among all stakeholders. To ensure an enduring and productive relationship between the executive and legislative arms of government, the current administration created a quarterly forum where Lagos lawmakers at the State and federal levels as well as the entire State executive council come together to work towards a common legislative agenda for the State at all levels.

C. Recent Fiscal Developments

6. *Lagos fiscal profile has improved over the years. Lagos State's 2007 budget deficit of about N29 billion has largely been financed through domestic borrowing.* Fitch assigned Lagos a B+ rating for the State's long-term foreign and local currency debt. The 2008 bond issuance program—as part of the State's N275 billion bond financing series—was successful with all the first series of N50 billion over-subscribed.²⁹

7. *With a strong local non-oil economy and a better revenue mobilization mechanism, Lagos public resources increased significantly.* Internal generated revenues (IGR) rose significantly over the period 1999-2008. Until 1999, Lagos was generating N600 million a month. That amount has increased to N8 billion monthly since 2007. Indications are that the IGR has reached about 14 billion per month in 2009. This has made Lagos much less reliant on oil revenues, and as a result the State's spending patterns are more stable. This reliance on IGR also provides Lagos with more incentives to administer taxes assiduously while fostering more accountability in terms of services delivery. The State aims to save 15% of IGR per year in a capital expenditure and contingency fund.

8. *Since 2004, there has been a marked shift in resources allocation away from recurrent expenditures into capital expenditures,* in keeping with the government focus in infrastructure renewal. The share of capital spending in total expenditure represented about 50% in 2007, compared to about 19% in 1999. The State government made a determined effort at allocating

²⁹ This bond issuance is to help finance two rail lines including the 37-km, 13-station Redline linking Agbado to Marina.

higher capital budget envelops to priority sectors mostly in the area of transports, environment (drainage and waste management), health and education.

D. Recent Structural Reforms

9. *The Government of Lagos has made progress in implementing two sets of reforms across sectors.* The first set of reforms centers on the two sides of the State budget coin, revenues and expenditures. On the revenue side, reforms have focused on restructuring the State's Internal Revenue Service in order to enhance revenue collection. This required the computerization of the service, the introduction of an Electronic Banking System of revenue collection and monitoring and the subsequent creation of a more comprehensive taxpayer database. However, a lot more needs to be done in terms of budget preparation, implementation, and monitoring. On the expenditures front, the accounting and reporting processes were greatly improved with the formulation and regular publication of audited fiscal reports. To harmonize the State reforms with those at the federal levels, Lagos has recently tabled the Procurement and Fiscal Responsibility bills at the State House of Assembly. In modernizing its public finance management legislation and aligning its legislation with reforms carried out at the national level, the local government is establishing a higher standard of transparency, accountability and fiscal reporting system.

10. *The second set of the reform relates to the business environment for private sector development and the ease of doing business.* Reforms here include the enactment of a public-private partnership law and the creation of a management agency³⁰ (within the governor's office) to develop PPP policy and regulations that have been instrumental in enabling the private sector to engage in a seamless manner, with PPP initially likely to be focused on waste management, water, commercial infrastructure and transport. Lagos has taken the lead in the implementation of reforms that make it a lot easier to do business in the State, thanks to the ICP co-funded by DFID and the WB. Enhancing the performance of the judiciary is also on the agenda. Here the focus has been on skills development for the judiciary and rapid response mechanisms to deal with violent crime in partnership with the private sector. All these actions are designed to make the administration of justice faster, simpler, more efficient and yet more accessible. In addition, Lagos adopted new High Court rules for civil procedures aimed at expediting dispute resolution (front-loading of evidence, pre-trial hearings, and stricter deadlines for actions). Lagos has also introduced a fixed schedule for property assessment in an effort to alleviate the burdensome land transfer process. Lagos introduced "Operation 30/30", which sets a 30-day time limit for government officials to process building permits. To expedite the time required for registering a business, Lagos will have two "One Stop Investment Centers". These are locations where investors find all agencies relevant for setting up a business, eliminating the cumbersome task of visiting every agency separately.

³⁰ The chairman of the unit is being hired through a competitive process.

II. LAGOS GOVERNMENT STRATEGIC PRIORITIES

11. *While building on the achievements of the previous administration, the current administration's vision is to transform Lagos into a global financial and economic hub that is safe, secure, functional and productive.* The policy of the current administration is focused on: (i) broadening economic development in the non-oil economy; (ii) improving infrastructures; and (iii) sustaining good governance through inclusive governance, improved accountability and transparency, public sector reform and an emphasis on the rule of law. The TPA initiated in 2003, is the foundation upon which Lagos' current administration is building. The TPA objectives are the creation of an enabling environment for private sector-led growth, stimulation and creation of gainful employment, and rebuilding Lagos as a model city-State. The TPA includes the following 10 areas of focus:

- **Roads:** the objective is to ensure aggressive road rehabilitation in all local government areas and construction of new roads/bridges.
- **Transportation:** the objective is to put in place an integrated mass transit program with emphasis on road, rail and water transportation services through LAMATA, and public-private sector partnership by strengthening traffic management mechanisms, putting in place the first State-run rail services, and stimulating private sector investment in ferry services.
- **Power & water supply:** the objective is to increase power supply through the Lagos IPP program (phase 1 and 2), and to grow water supply as well.
- **Environment and Physical planning:** the objective is to make Lagos a model city-State by introducing a community-based waste management system, ensuring an aggressive implementation of emission control standard, pursuing a systematic physical planning for sustainable development, and establishing a disaster management agency.
- **Shelter:** options include ensuring provision of affordable mass housing schemes by developing a more effective and responsive mortgage market, and developing new/satellite towns.
- **Health:** improve health services supply through expansion of neighborhood clinics, the pursuit of secondary health program, the deepening of the existing blindness prevention program, malaria control with focus on mothers and infants, strengthening marine ambulance/emergency medical services, and enhancement of medical personnel welfare.
- **Education:** the main thrust is on building Millennium schools in all local government areas, re-engineering and refurbishing primary schools, providing massive rehabilitation and maintenance of existing schools and libraries, making provision for school furniture and equipment. Reviewing the curriculum and including entrepreneurial training, but also enhancing teachers' welfare, improving community-based vocational education, are all key elements of the State's education program. Another area of focus in education the enhancement of the State's capacity to supervise private sector education providers as a large percentage of the population receives education services from the private sector.

- **Food security:** options include: facilitation of sustainable food production and processing, empowerment of farmers/fishermen cooperatives societies, and support for strategic preservation and farm settlements development.
- **Employment:** create more jobs by introducing graduate empowerment program, executing infrastructure projects generating new job opportunities.
- **Revenue enhancement:** options include diversifying revenue sources, widening tax base, setting up effective revenue collection mechanisms, and developing a database of taxpayers.

12. ***Transforming Lagos into a global financial and economic hub that is safe, secure, functional and productive, as indicated in the government strategy, would require mobilizing new sources of finances, and developing stronger institutions to encourage private finance infrastructures.*** To achieve this, the Lagos Government intends to increase its efforts in implementing economic and social and structural reforms—to improve competitiveness, create a business-friendly environment for investment, and accelerate private-sector-led growth. The government is determined to maximize the job creation effect and the poverty-reduction impact. Lagos fiscal policy is built on higher internal generated revenues, rationalized public expenditures and better targeting of spending to priority sectors. Total internal generated revenues are expected to grow at Naira 15 billion per month over the period 2009—2011. To confirm its commitment to infrastructure development, the government aims to increase the share devoted to capital budget at 60 percent of the overall budget.

13. ***By launching this ambitious reform agenda and improving its fiscal performance, the Lagos State Government aims to improve the availability of and access to basic public goods and services.*** Noticeable positive results have been achieved by the State in transportation, flood control, and waste management. But there remain challenges.

III. PROGRESS TOWARD THE TEN-POINT AGENDA: IMPLEMENTATION AND CHALLENGES

A. Improving the Mass Transit in Lagos

14. ***The local government is making efforts to remove constraints to efficient transit operations in Lagos, with support from the World Bank.*** The objective of the government is to put in place an integrated system of mass transit. The creation of the Lagos Metropolitan Area Transport Authority in 2003 has given a new impetus for policy development in the transportation sector and the inclusion of the private sector in the provision of public transit services. Ongoing action includes building and maintenance of strategic roads, expressways, and bridges through increased public resource allocations to the sector. As part of a phased inter-modal transport program, the first BRT was introduced in 2008. This is a notable achievement and the number of high-speed BRT buses has gone from 126 to 246 by the end of the year 2008. Daily rider ship capacity now averages 180,000 persons. The implementation of BRT light system in Lagos is the first example of a comprehensive and integrated approach to improving public transport in Sub-Saharan Africa (see Box 5.1).

Box 5.1: Main Achievements in Transport Sector in Lagos

Among major achievements in the transportation sector, one would include: (i) the reduction in travel time along the BRT corridor from 90 minutes to 55 minutes; (ii) the reduction in share of household expenditure devoted to transportation from 17 to 13 percent; (iii) the strengthening of procurement arrangements and a 50%+ decrease in the per-unit cost of road works; and (iv) creation of about 1 million person-day direct jobs.

15. *Though the ongoing reform program has been a success, it has raised the city residents' expectations and the extension of the BRT service to other parts of Lagos metropolis is now something the Government has to seriously consider.* There is also a desire to improve upon the BRT design elements to further enhance mobility by including other key elements of a BRT system, such as the Intelligent Transport Systems, a modern fare collection technology, enhanced berthing stations, a variety of car sizes, and integrated route structure. Continued support for the transportation sector is required to maintain and extend the achievements. The setting up of a dedicated Transport Fund should also help ensure adequate maintenance in the future.

B. Improving Lagos Environment

16. *Success in developing a viable transit system however cannot be sustainable in the absence of a reliable and predictable flood control mechanism.* Flooding is a major issue in Lagos, by its recurrence, frequency and severity and the impact on sizeable portions of the city and its infrastructure. Recent actions taken by the government have however helped alleviate the pain. Those actions include the removal of illegal buildings and other obstacles blocking the drainage system, and the construction, dredging and cleaning of canals and other major waterways. Achievements in flood control have contributed to another noticeable reduction in the city's notorious traffic jams.

17. *With support from the World Bank, the Lagos government has made striking progress in the solid waste management, and Lagos has become a remarkably cleaner city.* Lagos Waste Management Authority, an autonomous agency, was created to manage the solid waste and to contract out collection and disposal services to the private sector. The sector has been infused with a massive increase in equipment by the private sector (compactor trucks) and the public sector. This has resulted in a dramatic increase in the amount of solid waste reaching landfills, up from an estimated 2924 tons/day in 2005 to 3956 tons/day in 2008. The improvement in waste management has contributed to reducing pressure on the drainage system.

18. *Climate change is seen as development issues of unlimited proportion in Lagos.* In spite of the lack of hard data and tardiness in reporting, there is ample evidence of vulnerability patterns and socio-economic impacts of climate variability and change. The increase in frequency and ferocity of coastal erosion, flooding and sea surge, salt water intrusion into adjacent land, corruption of mangroves and wet lands as well as the millions of Lagosians that are annually flooded and displaced, all point to fact that the consequences of climate change is already present in Lagos and more are to come. However, in this setting, poor people and areas are particularly vulnerable and therefore the fastest and harsdest hit. Left unchecked, it has the potential to hinder, abort and even reverse development progress including Lagos TPA objectives. In addition to climate change related risks are the problems of pollution (industrial, indoor and outdoor).

19. ***The implication of the above risks if left to fester is a denuded environment that would be perilous for the population and unprofitable for business.*** Moving forward, a combination of adaptation and mitigation efforts would be vital. Adaptation measures would strengthen the State, community and individual response to climate change. The mitigation measures such as the use of benign energy recourses, reduction emissions and use of environmentally friendly technologies would help protect the environment avoid the social costs and grow the economy. Besides, addressing environmental concerns such as those enumerated above also provides opportunity for real development in the areas new and innovative technologies; development of early warning and early response systems for extreme events; development of innovative adaptive financial tools such as insurance for flooding, drought and so on; and access to global facilities pooled for developing climate change resilient and green economies. Luckily, most of these environmental concerns enunciated above are recognized by the Lagos State Government.

C. Challenges in Poverty Reduction and Improving Social Indicators in Lagos

20. ***Lagos however faces challenges when it comes to improving the State's social indicators (Table 5.1). The percentage of people living in poverty has increased in Lagos between 1996 and 2004 from 53% to 63.58%, and the level of inequality is estimated at 0.64 in 2004.***³¹ The poor have lower utilization of health services and lower school enrollment rates as well.

21. ***The Lagos household survey showed that despite the State's high adult literacy level (93%), access to education remains inadequate, especially among the poor.*** Recent income distribution data suggest that only 57% in the poorest quintile attend secondary school, compared to a 94% level in the highest quintile (CWIQ 2005). There are close to 2 million children out of school³² and dropout rates remain high in Lagos where the opportunity cost of attending secondary school is high and the availability of quality public secondary education is constrained.

22. ***Lagos' education sector faces several critical challenges.*** These include: (i) low access to junior secondary and senior secondary education for the poor; (ii) poor quality of education at all levels, leading to weak skills development and limited employability; (iii) inadequate funding and lack of accountability/quality mechanisms; (iv) limited capacity for policy making, management, planning and monitoring and evaluation; (v) misalignment of curriculum content and labor market needs; and (vi) weak supervision and regulation of the large and growing number of privately-run secondary schools in the State. (See Table 5.1)

23. ***Despite the government's best efforts, there are still some considerable challenges in the health sector.*** These include: (i) inadequate funds for upgrading and building new healthcare facilities; (ii) underdeveloped primary healthcare system which encourages patients to use second-tier lower-quality healthcare facilities; (iii) patients' use of and 'unsafe' medications; and (iv) inadequate training of non-clinical care and after-care services personnel as well as administrators.

³¹ These are the latest poverty figures published by National Bureau of Statistics for 2004.

³² The EFA Action Plan from 2004 estimated the number of out of school children at 2.5 million; however the most recent EMIS data suggests 1.3 million children between the age of 6 and 14 are not currently enrolled in school.

Table 5.1: Lagos: Social Indicators, 2004 - 2008

Social indicators	2004	2005	2008
Poverty			
Poverty headcount ratio at national poverty line (% of population)	63.5	..	
Inequality (GINI)	0.6		
Water (% of households)			
Access to water from dwelling		7.0	8.3
Access to water from Tubewell		44.0	46.7
Access to no treated water		61.0	79.2
Sanitation (% of households)			
Access to sewer system		16.0	25.5
Access to septic tanks		31.0	27.2
Access to covered pit latrine		21.0	10.7
Access to the bush		4.0	2.3
Electricity (% of households)			
Access (connected) to NEPA Electricity			97.3
Satisfaction with NEPA			10.0
Access to standby source of electricity		10.0	29.2
Transport (% of head of household)			
Use of public buses		78.0	60.7
Use personal cars		9.4	10.6
Use of Okadas		2.5	13.2
Mobile Phone (% of Households with Access)			
Households with at least one Mobile Phone			96.3
Average number of Mobile phones per household			2.0
Education			
Secondary completion rate, total (% heads of households)		46.0	0.0
Literary rate, total (% heads of households)		80.0	83.8
Employment (% of heads of households)			
Selt employed		57.0	47.0
Regular skilled employment		23.0	29.0
Unemployed		2.0	3.7
Crime (data source:Nigeria Crime & Victimization Survey (CLEEN, 2005))			
% of households who have experienced:			
Theft within the household		6.4	1.9
Assault within the household		3.0	0.3
Assault outside the home		3.6	5.2
Murder within the home		1.4	0.0
Robbery within the victim's residence		3.9	0.5
Robbery outside the home		2.9	2.5
% of households feeling secure			
at day time		97.2	91.3
at night time		92.2	0.0
Land & House Tenure (% Households with Secure Tenure)			
Secure Home Tenure			81.5
Land Title			80.4

Source: Lagos Central Office of Statistics based on Lagos Household survey and Nigeria crime and victimization survey

Box 5.2: Youth Employment Programs in Lagos

Lagos State has a growing population of unemployed, underemployed and unskilled youths. About 76 percent of the annual 105,000 school leavers from Lagos State senior secondary schools cannot transit into the national tertiary institutions. They are joined by an array of unemployed and underemployed graduates from the tertiary institutions. In addition, about 500,000 youths released yearly after the compulsory service to the nation migrate to Lagos. This growing population of unemployed, underemployed and unskilled youths is easily motivated to engage in criminal activities.

To tackle the youth unemployment issue, Lagos State Government has put in place several programs that educate, equip and empower the youths in Lagos State. These programs include: (i) youth farm settlement scheme; (ii) the creation of Youth Institute which provides higher level technical skills to graduates of tertiary institutions; (iii) vocational centres across Lagos State through Ministry of Women affairs in 14 fields; and (iv) establishment of job registration centres in 10 Local Government Areas, (v) creation of about 1 million person-day direct jobs in transport sector thanks to the road maintenance scheme.

Given that several Ministries and agencies are involved in the implementation of these programs, there is a need to streamline the various programs.

24. ***The challenge now is to sustain these successes in transport, flood control and waste management.*** Ultimately, for it to matter, success has to be sustainable and it's the ability of the government to translate these achievements into more and better jobs, shorter commutes, lower transport costs, lower-priced goods and services that will define the Lagos of the future. And on that front the government is on the right track.

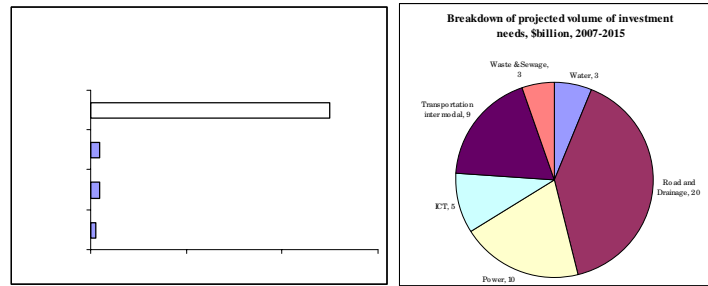
D. Lagos State's Fiscal Profile and Financing Gap

25. ***Achievements in the-above three areas have been made possible in large part thanks to major improvements in the State's fiscal policies and better governance.*** This is particularly evident when one considers progress made thus far in revenue diversification, revenue collection and progress on governance in public finances management.

26. ***While Lagos has improved its IGR, compared to other mega-cities, Lagos does not draw much from its property tax base.*** The IGR in Lagos comes mainly from personal income taxes as opposed to property taxes and there remains a large percentage of the population, especially those in the informal sector that does not pay taxes. Lagos has one of the lowest property tax rates in the world. Property taxes account for a substantial share of municipal budgets around the world ranging from an average of 20% in India, over 50% in many Canadian cities, and 70% in many cities in USA. It seems to most observers that property taxes present yet another opportunity for Lagos to enhance its revenue profile.

27. ***The funding gap for infrastructure is considerable in Lagos despite this positive fiscal profile.*** Budgeted capital expenditures have reached N129.3billion in 2007 and are expected to reach N247.7billion in 2009, but this is still small compared to the needs (Figure 5.2). Under-investment in new infrastructure and weak maintenance of the existing ones has hampered service quality. The ministry of economic planning and budget estimates that \$50 billion would be required between 2007 and 2015 for Lagos' infrastructure development. And this does not include subsequent maintenance and recurrent costs. The average annual capital budget required for the future represents more than three times the overall proposed capital budget of 2009.

Figure 5.2: Financing Gap, 2007-2015



Source: Ministry of Economic Planning & Budget (MEPB) and Ministry of Finance.

28. ***To fulfill the investment needs in the near future, additional options of resources mobilization needs to be explored.*** Reviewing the property tax rate can be explored further. In addition to capital markets borrowing, developing an active and strategic public asset management plans can also generate an abundant source of revenue for Lagos State. The ongoing Lagos State asset identification exercise as well as the infrastructure assessment (roads and drains) done by the Ministry of Works in 2004 was a first step toward an active management of assets. An asset performance management will put in place process to manage, maintain, and track assets - such as roads, buildings, equipment - from purchase to disposal and to use asset data to operate more efficiently and make better business decision. For instance, many cities in China³³ have financed half or more of their urban infrastructures investment level from land lease, while borrowing against the value of land on their balance sheets to finance much of the remainder. However monetizing publicly-held land creates a set of risks on the fiscal side that should be carefully identified and mitigated with the State financial management legislation.

E. Governance and Building Institutions and Systems

29. ***Lagos has achieved progress in improving economic governance.*** Lagos Government has pursued reforms in fiscal management that yielded greater accountability and transparency in the use of public resources with support from World Bank and DFID. A participatory approach was introduced during the budget preparation process. Actions were also taken to improve the quality of budget execution and treasury management. The accounting and reporting have also improved with regular and timely publication of the audited fiscal reports. To ensure that public finance reforms are built on solid regulatory foundations, Lagos State Government has also embarked in the process modernizing its PFM legislation. The updating of the public finance law and financial regulations as well as the audit law is underway.

30. ***Despite this considerable progress in terms of governance, there remain many challenges in Lagos' PFM system.*** On budget preparation, the multi-year planning process is still at an early stage. To sustain increasing spending in priority areas, it is crucial that the budgetary allocation process be improved, by integrating the annual budget cycle into the medium-term expenditure framework. Moving gradually to performance budgeting would also help greatly. The mixed performance of capital budget (mentioned in the previous section) stems from shortcomings in the budget execution process, and the overly centralized execution

³³ World Bank Research Working Paper on "Land leasing and Land sale as an infrastructure financing option."

function in the Governor's office, among other reasons. The absence of procurement plans and cash plans prevents the full implementation of the capital budget. At the same time, the limited ability of public agencies to monitor and evaluate projects contributes to the mixed performance of capital budget. The establishment of robust M&E systems in key MDAs is critical to Lagos' development agenda. The full use of the integrated financial management information system introduced since 2003 is critical to process and report on all government financial transactions and improve transparency in government business.

31. ***The State has paid considerable attention to introducing reforms that make the administration of justice more efficient.*** With DFID support, the Lagos Government's actions on improving justice in commercial disputes include the implementation of the Bill of Sale Registry and the upgrade of the Consumer Rights Protection Unit into a full-fledged agency. Other actions include the introduction of a criminal case tracking system for use by all agencies involved in the criminal justice system, the establishment of fast-track courts, and the introduction of alternative dispute resolution services with citizen mediation centers. The challenge now is how to sustain further reforms and to provide court employees with the appropriate skills to implement the reforms.

32. ***Enhancing the institutional and human capacity of the civil service to prepare, implement, monitor and evaluate public programs is crucial in improving governance and service delivery in Lagos.*** Three key obstacles prevent the effective implementation of policies as they relate to the public service: (i) the lack of M&E instruments, making it difficult to systematically keep track of and assess the performance of government agencies; (ii) the systemic weakness in public sector institutional capacity and information systems; and (iii) the weak coordination among MDAs. Going forward, introducing a performance reporting system to inform the general public on MDAs performance in service delivery is critical.

33. ***To tackle these challenges and help the administration in its mandate to modernize Lagos, the government has initiated a long-term public service reform along several lines.*** An ambitious program financed by the State government is currently developing a framework for public service reform in a collaborative way for the 2008-2015 period. The program will include a strategic management framework/roadmap, an activity management framework and impact assessment, a capacity requirements (human and tools) to be implemented toward achieving development objectives, and the tools for implementation, monitoring and evaluation, and impact assessment. In the short term, the performance reporting system should be introduced for selected MDAs such as MDAs in charge of transport, and environment (flood control and waste management).

IV. DONORS CURRENT SUPPORT AND LESSONS LEARNED

34. ***Lagos was a lead State under the 2005 CPS.*** Like the other lead States, Lagos was selected based on the quality of its governance system and its strong commitment to reform. The incidence and volume of poverty, the city's potential as a growth pole and its experience with existing donors' projects also played a role in Lagos' selection. In fact, Lagos has the World Bank's largest portfolio of support in Nigeria and benefits from a growing support from DFID as well. Other donors such as the African Development Bank, Oxfam, USAID, the United Nations agencies, and World Vision play active roles in Lagos's TPA implementation.

A. Areas of Current DFID and World Bank Support

35. ***DFID currently has six programs in Lagos with a further one planned for implementation in 2009-2010.*** The portfolio covers governance and PFM, systems support to the education sector, malaria control, institutional development and reforms in the security and justice sector, policy advisory facility for infrastructure projects, and economic growth and private sector development. DFID's support continues to centre on strengthening of government institutions, capacity building, and improving accountability. Additionally, DFID projects provide support for the enhancement and delivery of basic services in education.

36. ***The World Bank has a current portfolio of more than \$550 million, spread around several areas of the TPA.*** This represents 20% of the overall IDA current commitment to Nigeria. This large portfolio supports four selected areas of Lagos TPA: transportation, water, environment, and health. It also covers activities related to improving governance and capacity building, and private sector development. The overall objective of the current portfolio is to assist the State government in its poverty reduction and economic growth plans. Some \$300 million of the World Bank commitment covers two major projects on transportation and urban development in Lagos. A third major project involves the nationwide Water Sector Reform Project (\$200 million) in which Lagos plays a crucial role. The project includes investments in the water transmission and distribution systems, whereby major parts of the investment are supporting significant operational improvements in the delivery of water services or progress in the privatization of water delivery in the city. In addition to the above three major projects, several nationwide and some select State projects cover Lagos, including: Fadama, HIV/AIDS, community poverty reduction, local empowerment and environmental management and the micro, small and medium enterprise projects. The Bank has two other projects in the pipeline for Lagos: the Lagos Urban Transport Project II and the Lagos Eko Secondary Education Project).

37. ***The Bank carried various studies on Lagos.*** These included fiduciary studies of the State's procurement and financial management systems, a study on Lagos State finance, State and local government relationships. Jointly, the Bank and DFID undertook the Doing Business Study project under the Investment Climate Program.

38. ***There is little doubt that the DFID and the Bank's current support is aligned with Lagos' stated development objectives as outlined in the TPA.*** The question however remains as to whether instruments used and approaches in place are adequate.

B. Lessons Learned

39. *The instruments and approaches used by donors in Lagos are the same ones used elsewhere in Nigeria even though Lagos is different from other parts of Nigeria in terms of financing gap, progress on reforms, and the complexity of mega-city issues.* The instrument of the WB past and current support to Lagos has been mostly a traditional project approach. During the preparation of these projects the Lagos government and the Bank define specific project components and interventions and identify a set of procurement inputs needed to carry out the project. In most cases, these projects are not fully integrated to the State budget.

40. *From the perspective of the Lagos government, this traditional project-based instrument is not appropriately adapted to Lagos' specific environment and development challenges.* The delays, additional cost and unpredictable flow of funds during project implementation are the main issues often identified by the State's officials. In the view of the Lagos government, the Bank fiduciary procedures and as well as the complexity of the Bank safeguards policies are creating delays in implementing the Bank supported projects, for which reason the Lagos government prefers to use its own resources and procedures to implement some of the activities planned under the World Bank projects.

41. *The traditional project approach seems to work well when the focus is a single sector, as shown by the recent successful implementation of the transport sector project.* The Lagos urban transportation project has leveraged reform within the sector and has contributed to capacity building particularly in Lagos Metropolitan Area Transit Authority where the project is mapped. According to the IEG report, the urban transit project has shown good results. It also provides a good basis for planning further improvements and expansion in mass transit. This traditional project-based approach however seems inadequate when the project is multi-sector in scope or when the execution is under the authority of an agency outside the sponsoring MDA. The Lagos Metropolitan Development and Governance Project is a good example of a multi-sector project that struggles to achieve its objectives. The project's preparation process itself has had a good positive impact on Lagos, its implementation however was and still is a major challenge. The myriad of coordination and execution activities across multiple MDAs proved an insurmountable obstacle. The fact that the project's managing unit is not under the State's authority greatly limits the project's ability to leverage existing progress in capacity building and governance. It also reduced the interest, involvement and level of ownership of key participants.

42. *Other weaknesses of this traditional and project-based approach range from medium and long-term sustainability issues to limited resources.* Many past Bank interventions in Lagos have suffered from problems of poor maintenance and sustainability as the State has often failed to take ownership of the project(s). The Bank's financial contribution to the project is also usually small compared to the overall project costs. This makes it difficult to achieve tangible results that often require concurrent and substantial support and reforms in multiple sectors. This traditional project approach does not sufficiently leverage existing institutional development.

43. *In conclusion, the main lesson learned is that the impact of traditional project is limited in Lagos particularly when it covers more than one area.* Other instruments/options should be considered, particularly when dealing with multi-sector issues. While it's important to cover the

State's development priority areas, donors need to be more strategically selective in their assistance in order to improve the efficiency of resources mobilization, allocation and execution.

V. LOOKING FORWARD: THE NEW LAGOS PARTNERSHIP STRATEGY (LPS)

A. Strategic Focus

44. *The proposed strategic focus of the LPS is based on State's needs and the lessons learned during the implementation phase of current interventions.* The primary criteria used to determine ideal donors' strategic positioning in Lagos is the alignment with the TPA, its priority sectors, and success in tackling major challenges in the TPA implementation. In addition, the November 2008 workshop and the continuous dialogue with Lagos government identified the sectors to focus on and services to offer to respond most appropriately and effectively to the State's needs.

45. *The preceding analysis of comparative advantages and Lagos needs points out 3 clear priority areas:* (i) governance and capacity building, (ii) improving the business environment; and (iii) better services delivery. Based on the needs analysis and above four main lessons and the needs, a new LPS ought to deal with improving systems, policies, and institutions that will sustain success already achieved by current administration in several critical areas. This implies that donors' future support needs to focus on renewing Lagos infrastructure through better governance and capacity building. This will have a great impact on the State's own emphasis on non-oil economic sectors and the non-oil growth strategy of the current CPS.

46. *The focus will be around three major themes:* (i) governance and capacity building; (ii) improving the business environment; and (iii) better services delivery. The Bank and DFID specific assistance (projects and analytical work) is formulated in the current CPS within a result-oriented framework.

47. *Governance and capacity building.* Donors' current and future support should continue on governance with two key areas: economic governance and access to justice. On economic governance, the Bank should assist the government in analyzing options for further diversifying IGR from PAYE. The support can include a review of the property tax base and rates, and an assessment of active asset management tools or policies. The Bank could also help analyze constraints to full and efficient implementation of the capital budget. Improving accountability and transparency requires appropriate monitoring and evaluation system. The Lagos Strategy should support the introduction of the monitoring and evaluation tool for select government agencies (such as transportation, waste management, and water). In that regard, reforming the State's statistics agency is key to ensuring timely availability of quality data. On justice DFID should continue to support the government's reform agenda and contribute to further capacity building.

48. *Improving the business environment.* Continuing support is critical to Lagos. The existing work has had great impact in improving the investment climate in the State.

49. *Better service delivery.* The focus of the current portfolio on better service delivery is in a few selected areas—transportation, water supply, waste management, flood control, and slums upgrading. Additionally, support for the development of quality secondary education and

vocational training programs seems as critical since it directly contributes to the human capital development agenda so vital to the State's economy.

50. *Given the risks of climate change on Lagos, current and future LPS would need to recognize, mainstream and build-in environmental sustainability costs especially that of climate change risk related costs in its development aspirations to make it effective and long lasting.* Making Lagos State climate change resilient not only heralds a paradigm shift in development planning but would in a greater or lesser extent determine the success or otherwise of this strategic plan.

B. New Approaches and Instruments

51. *Options of new instruments and approaches include sector-wide approach (SWAp) and/or programmatic DPO (see Box 5.3).* A multi-sector SWAp can work for Lagos and can focus on urban development issues. The potential good sector candidates are the three inter-connected sectors (water supply, drainage, and waste management) and slums upgrading program. Traditional sector specific projects do not seem best suited for the much needed integrated approach to reforms and capacity building in these three sectors, including for the reasons of weak intra- and inter-institutional coordination. Further, the slums upgrading needs a comprehensive support rather than small and incremental action. Finally, tangible results in the area of flood control and waste management need to be sustained under a more comprehensive and appropriate approach with a stronger focus on results. Through a multi-sector SWAp, donors can focus on the issues of greatest concern for livability, and the requirements for enhancing Lagos productivity, management and financing as it was done during the preparation phase of Lagos Metropolitan Development and Governance Project.

52. *Lagos appears to be the best candidate for a "pioneer" DPO, given the progress achieved in improving its PFM-system, the reform-orientation of the State government, the importance of the State for Nigeria and the inadequacy of fiscal resources (Fig. 5.3).* The government has made significant progress on fiscal and PFM reforms, including enhancement in IGR. Lagos has also aligned its reforms with those at the federal level, by tabling the Procurement and Fiscal Responsibility bills at the State House of Assembly. Other measures include reforms related to improving the business environment and the justice system. A DPO for Lagos will build on and sustain these measures, and help the government define and implement the reforms in specific areas. DPO analytical underpinnings could include a public expenditure and financial accountability exercise, led by the Lagos government. Assessing the capital budget process in order to examine the main constraints to the full implementation will help identify remedies that can improve budget performance. On the revenue side, reviewing the property tax base and developing an active and strategic public asset management plans can be done successfully through a DPO as well.

Box 5.3: SWAp and DPL Experience at Sub-national Levels

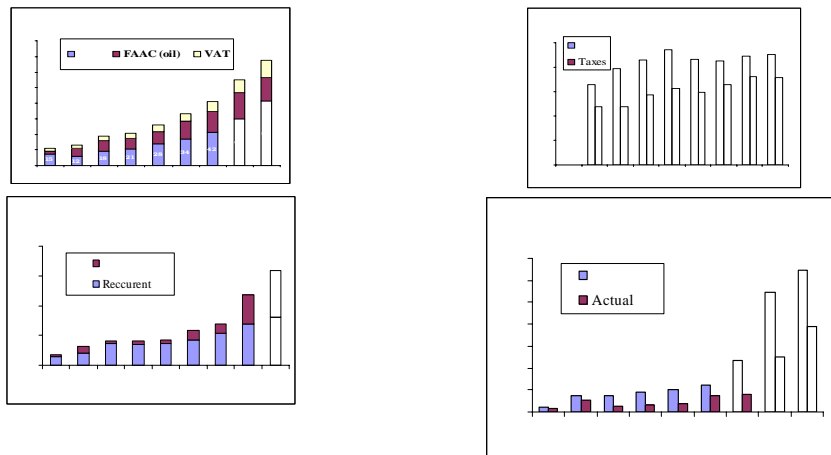
The Bank has implemented SWAp and DPO at sub-national levels. Experience with sub-national SWAp and DPO has been generally positive. Such an approach and instrument can bridge financing gaps in State budgets, help accelerate reforms and garner additional donor support, as well as improve relations between federal and sub-national governments. The most substantial experience on this was made in India, where the Bank has provided \$ 2 billion in policy-based loans to State governments over the past decade. Other successful SWAps at sub-national levels include the Bosta Familla cash transfer program and multi-sectorial program in the State of Ceara (Brazil)

These sub-national SWAp and DPO have had a positive impact. A recent review of India's experience paints a generally positive picture. It reveals that States that benefited from such lending have made faster and more thorough progress on fiscal management than those that did not.¹ The first SWAp in Brazil's Ceara State helped the State government advance reforms in six critical areas, including traditional sectors like water sanitation, as well as cross-sectoral areas like public sector management. The Brazilian experience highlights the ability to support results-based government reform agenda as a key strength of multi-sectoral SWAps.

¹ See Howes, S., Mishra, D. and Ravishankar, VJ. (2008). Ten Years of World Bank Sub-National Policy-Based Lending to India: A Retrospective. Forthcoming.

53. *As with a SWAp, the impact of a successful DPO can go well beyond the specific issue being addressed. Much like SWAp, a DPO can help bring to the forefront critical issues related to the broader reform agenda.* This includes fiscal, PFM, reforms related to the investment climate, monitoring and evaluation. The DPL will permit to monitor the performance of the Lagos development program regardless of funding sources. It will also permit more predictable resources flow to the budget, taking a medium to long-term focus while generating short-term results. Finally, by relying on the State's institutions and procedures, the DPO will strengthen overall capacity, systems, and ensure the sustainability of the broad reform program.

Figure 5.3: Lagos Revenue and Expenditures, 1999—2007



Source: Ministry of Economic Planning & Budget (MEPB) and Ministry of Finance.

Table 5.2: Lagos Government Budget, 1999-2007

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenue	22.0	25.7	37.9	41.1	52.3	66.9	81.8	110.0	135.1
Transfers from the federation	7.3	14.1	20.0	20.3	24.7	33.0	39.5	49.8	52.0
Oil revenue	4.0	10.4	14.0	13.8	16.1	22.6	27.4	33.4	29.4
Vat Added Tax (VAT)	3.4	3.7	6.1	6.6	8.7	10.3	12.1	16.4	22.6
Internal generated revenue (IGR)	14.6	11.6	17.9	20.8	27.5	34.0	42.3	60.2	83.0
Taxes	10.7	8.4	10.9	14.0	18.2	23.3	32.5	48.8	66.0
Fines and Fees	3.0	1.3	1.9	2.5	3.6	5.2	5.2	6.3	7.5
Licences	0.4	0.7	0.7	0.3	0.5	1.3	0.6	0.8	1.0
Earning and Sales	0.6	0.5	2.5	1.2	3.9	1.7	1.6	2.0	3.1
Rent on government Properties	0.0	0.0	0.0	0.1	0.1	0.7	0.1	0.0	0.4
Interest Repayment and Dividend	0.0	0.4	0.1	0.2	0.0	0.0	0.5	0.5	1.6
Grants	-	0.2	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous revenue	0.0	0.1	1.1	2.5	1.2	1.9	1.8	1.6	3.4
Expenditure	16.9	31.1	40.8	40.9	43.0	58.1	69.5	118.9	158.3
Recurent expenditure	13.7	19.9	35.8	34.7	35.6	43.2	53.6	68.8	79.8
Payroll	9.4	11.0	15.7	15.6	15.6	16.0	19.5	21.2	30.5
Overhead Cost	4.3	8.9	20.1	19.1	20.0	27.2	34.0	47.6	49.3
Capital Expenditure	3.3	11.2	5.0	6.2	7.4	14.9	16.0	50.1	78.4
Overall balance	5.1	(5.4)	(2.8)	0.2	9.3	8.9	12.3	(8.9)	(23.2)
Financing	0.0	5.3	12.2	0.9	1.3	3.9	0.5	22.5	49.5
Borrowing	-	4.8	9.0	-	-	-	-	21.8	29.2
Internal Loan	-	4.4	9.0	-	-	-	-	21.8	29.2
External Loan	-	0.4	-	-	-	-	-	-	-
Others	0.0	0.5	3.2	0.9	1.3	3.9	0.5	0.7	20.4
Statistical discrepancy	(5.1)	0.2	(9.3)	(1.1)	(10.6)	(12.7)	(12.7)	(13.6)	(26.3)
Lagos budget (% Lagos GDP)									
Revenue		3.6	4.2	4.2	4.5	4.3	4.1	4.1	3.7
Transfers from the federation		2.0	2.2	2.1	2.1	2.1	2.0	1.8	1.4
Oil revenue		1.5	1.5	1.4	1.4	1.4	1.4	1.2	0.8
Vat Added Tax (VAT)		0.5	0.7	0.7	0.7	0.7	0.6	0.6	0.6
Internal generated revenue (IGR)		1.6	2.0	2.1	2.4	2.2	2.1	2.2	2.3
Taxes		1.2	1.2	1.4	1.6	1.5	1.6	1.8	1.8
Expenditure		4.4	4.5	4.2	3.7	3.7	3.5	4.4	4.3
Recurent expenditure		2.8	3.9	3.6	3.1	2.8	2.7	2.5	2.2
Payroll		1.6	1.7	1.6	1.3	1.0	1.0	0.8	0.8
Overhead Cost		1.3	2.2	2.0	1.7	1.7	1.7	1.8	1.3
Capital Expenditure		1.6	0.5	0.6	0.6	1.0	0.8	1.9	2.1

(Actual, Billions of Naira)

Source: Lagos State Government: Ministry of Finance, State Treasury Office and MEPB.

Table 5.3: Federally-funded Projects in Lagos State

List of Projects	Cost in Naira
Completion of the rehabilitation and upgrading of Lagos-Shagamu road in Lagos/Ogun States	1,500,000,000
Rehabilitation of Lagos—Badagry expressway	1,000,000,000
University of Lagos: Capital allocation	347,096,790
Lagos University Teaching Hospital: Capital allocation	316,000,000
National Orthopaedic Hospital, Lagos: Capital allocation	300,000,000
Engineering design & studies of Lagos fishing terminal	150,000,000
Trade fair complex, Lagos: Capital allocation	128,000,000
National Post Graduate Medical College of Nigeria, Ijanikin, Lagos	100,000,000
Construction of overhead bridge at Iasamaja, Lagos	60,000,000
Engineering design of proposed 2nd Lagos outer ring road	50,000,000
Apapa-Oworonshoki Way	40,000,000
Badagry expressway	40,000,000
Construction of Igbogbo Lagos State police station	20,000,000
Provision for underwater bridges inspection & maintainance for bridges in Lagos	10,000,000

Table 5.4 Donors Supported Projects in Lagos

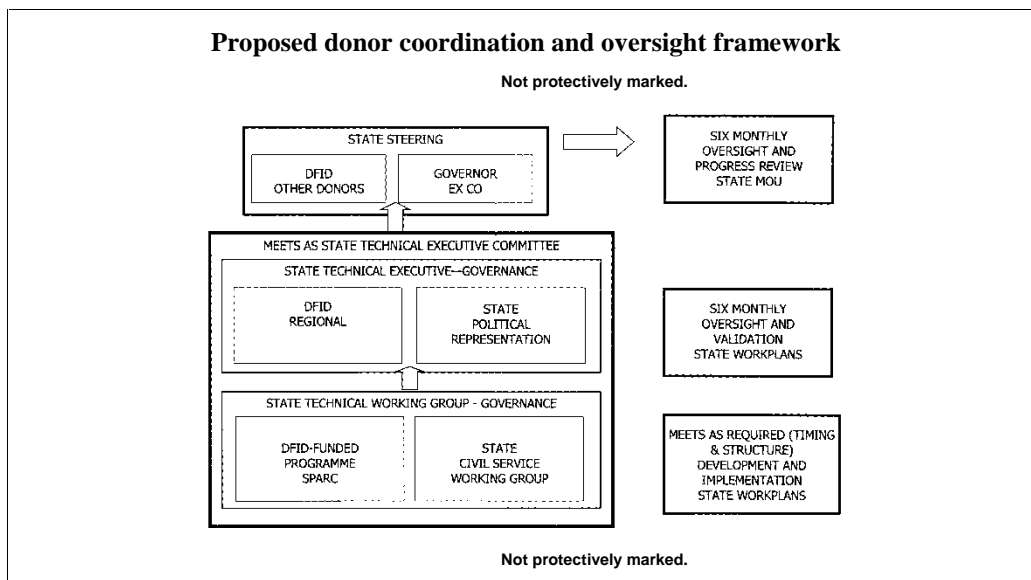
<p>1. African Development Bank - supported project in Lagos Health Systems Development Project (Health IV Skills Training and Vocational Education) Road Transport: Lekki Toll Road Project Institutional Support Project for Capacity Building, Governance & Poverty Reduction</p>
<p>2. DFID <u>Ongoing supported projects</u> Education Sector Support Programme in Nigeria) State Partnership for Accountability, Responsiveness and Capability Malaria Control Programme Nigeria Infrastructure Advisory Facility Security, Justice and Growth Programme) Enhancing Financial Innovation and Access—mainly working directly with the private sector</p> <p><u>Projects in pipeline</u> Growth and Employment in States)</p>
<p>3. DFID and World Bank joint supported projects Nigeria Sub-national Investment Climate Program</p>
<p>4. UNDP supported projects in Lagos National Capacity for Poverty Monitoring Pro-poor Economic Policy Reform Support to Anti Corruption Governance and Human Rights Effective Communication Strategy against HIV/AIDS Energy and environment for Sustainable Development Enhance Performance of Small and Medium Scale Enterprises Strengthen Capacity for Management and Aid Coordination</p>
<p>5. World Bank <u>Ongoing supported projects</u> Health Systems II HIV/AIDS Programme Development Avian Influenza Control and Human Pandemic Preparedness and Response Project Community and Social Development Commercial Agriculture Development Fadama II, Fadama II—CEMP (GEF Component), and Fadama III Lagos Metropolitan Development and Governance Lagos Urban Transport Project Micro, Small and Medium Enterprises Project National Urban Water Sector Reform II</p> <p><u>Projects in the pipeline</u> Lagos Education Project (Eko project) Lagos Urban Transport Project II</p>

Table 5.5: Donors' Analytical Work on Lagos

<p>1. DFID Review of Public Expenditures on Education Review to Assess the Viability of Lagos Government's Institutions</p>
<p>2. DFID and World Bank Study on constraints to Doing Business Investment Climate Program (ICP) , informing the design of GEMS and GPP</p>
<p>3. World Bank Lagos State Procurement Review Report, 2003 Lagos State Financial Accountability Assessment, 2004 Lagos State Finances Review and Agenda for Action, 2007 Review of State and Local Government (LG) Finances—unpublished Report of State and LG Relations in Lagos - unpublished Report on Civic Engagement in Lagos - unpublished Findings from Firm Level Surveys - forthcoming The Performance of Nigerian Firms in Lagos - forthcoming Electricity Use by Urban Households in Lagos - forthcoming Service Delivery in Lagos - forthcoming</p>

ANNEX 5.1: COORDINATION FRAMEWORK OF DONORS' SUPPORT TO LAGOS

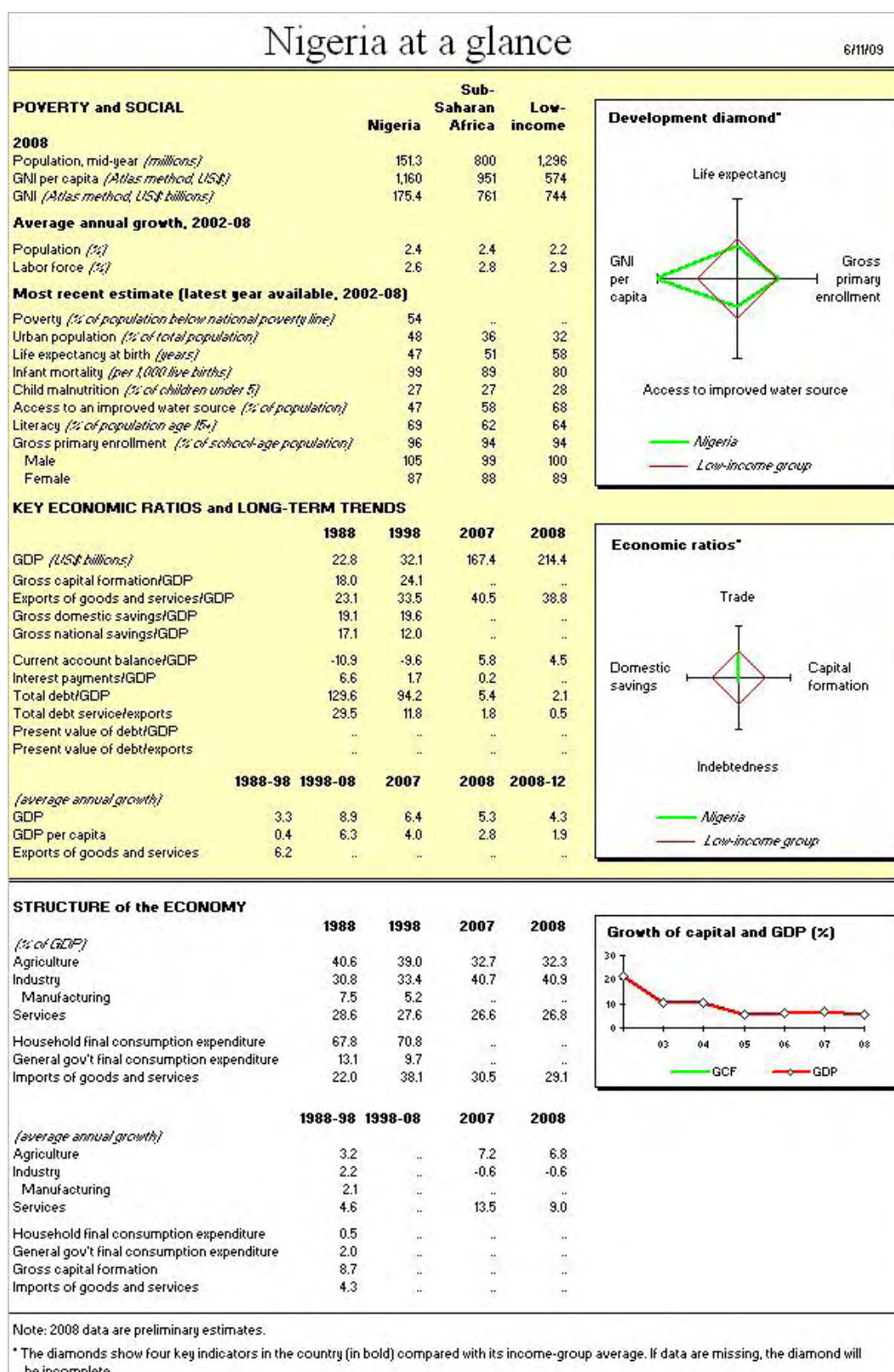
1. Donor coordination is essential for achieving aid effectiveness and for ensuring that development partners' resources contribute to Lagos State's developmental efforts (Figure 5 below). Current coordination is that all development partners engage independently with Lagos State government through the Ministry of Economic Planning and Budget. Thereafter, engagement shifts more to an implementing MDA. Consequently, there has not been an appropriate framework for the coordination of donor activities—the higher echelons of government such as the Governor and MEPB are therefore not always aware of what assistance is being rendered by a particular development partner in an MDA. Such non-coordination often leads to duplication of effort and waste. Also, it is often not clear whether the support is contributing to the strategic objective of the government. For the period of the LPS, DFID and the WB propose that the below framework be used for donor coordination and oversight. The framework distinguishes between two core tiers of donor coordination and oversight—strategic level and tactical/operational level. The Steering Committee would have the Governor as its Chair and other EXCO officials as members would also have Chief Officers of the development partners as members. The committee would establish the strategic requirements—broad areas of support—of the State and agree those in an MOU that would hold the State and development partners mutually accountable to each other for the realization of the agreed objectives. All development partners would then be required to work with the framework of delivering those objectives in a cooperative and coordinated way.



2. At the technical/operational tier, the delivery plans for achieving the headline objectives agreed in the MOU would be developed by technical teams that involve politicians (Commissioners) with responsibilities for specific MDAs or sectors, senior civil servants, staff of development partners, and staff of implementing project units. The committee would meet more frequently and will be responsible for tracking the implementation of projects to ensure that objectives are achieved, and knowledge and experience is captured and shared. All donors supporting the State in the particular sector or thematic area would be required to jointly plan and deliver a suite of activities that enables the State to realize its strategic objectives for the sector/thematic area.

ANNEX 6: CAS ANNEXES

CAS ANNEX B1: NIGERIA AT A GLANCE



PRICES and GOVERNMENT FINANCE**Domestic prices**

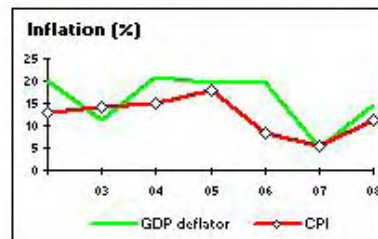
(% change)

	1988	1998	2007	2008
Consumer prices	54.5	10.3	5.5	11.2
Implicit GDP deflator	21.4	-5.6	4.8	14.4

Government finance (consolidated)

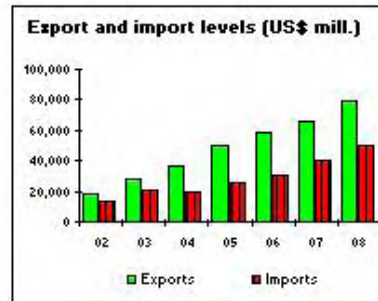
(% of GDP, includes current grants)

Current revenue	..	16.2	28.4	32.1
Current budget balance	..	..	..	..
Overall surplus/deficit	..	-9.3	-1.3	4.9

**TRADE**

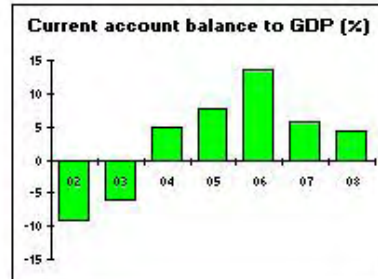
(US\$ millions)

	1988	1998	2007	2008
Total exports (fob)	7,069	10,114	66,178	79,518
Crude petroleum	6,456	9,218	64,818	79,518
Liquefied natural gas	..	..	..	..
Manufactures	28	140	..	..
Total imports (cif)	6,393	10,269	40,132	50,267
Food	505	1,397	..	..
Fuel and energy	64	123	..	..
Capital goods	..	..	..	..
Export price index (2000=100)	58	45	..	..
Import price index (2000=100)	96	112	..	..
Terms of trade (2000=100)	61	40	194	262

**BALANCE of PAYMENTS**

(US\$ millions)

	1988	1998	2007	2008
Exports of goods and services	7,403	10,971	67,860	83,228
Imports of goods and services	7,052	12,671	51,025	62,292
Resource balance	351	-1,700	16,835	20,936
Net income	-2,904	-2,892	-10,529	-14,760
Net current transfers	63	1,516	3,414	3,438
Current account balance	-2,490	-3,075	9,719	9,614
Financing items (net)	2,159	2,960	-216	-7,981
Changes in net reserves	331	115	-9,503	-1,633

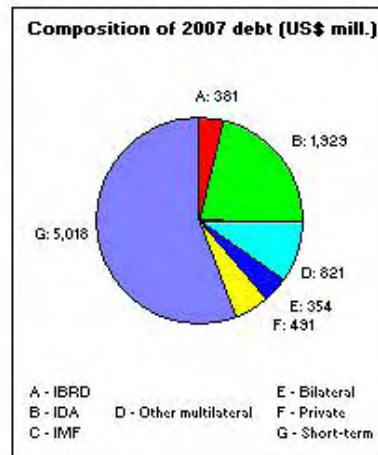
**Memo:**

Reserves including gold (US\$ millions)	..	..	51,333	52,966
Conversion rate (L/EC, local/US\$)	6.4	88.0	125.8	118.5

EXTERNAL DEBT and RESOURCE FLOWS

(US\$ millions)

	1988	1998	2007	2008
Total debt outstanding and disbursed	29,621	30,294	8,994	4,460
IBRD	2,728	2,278	381	211
IDA	31	564	1,929	2,243
Total debt service	2,210	1,332	1,242	405
IBRD	429	467	201	206
IDA	1	4	35	20
Composition of net resource flows				
Official grants	36	33	..	..
Official creditors	72	-473	217	..
Private creditors	150	-25	-312	..
Foreign direct investment (net inflows)	379	1,051	..	..
Portfolio equity (net inflows)	0	0	..	..
World Bank program				
Commitments	793	0	685	887
Disbursements	244	221	335	353
Principal repayments	196	314	196	209
Net flows	49	-93	139	144
Interest payments	235	157	41	34
Net transfers	-187	-250	99	110



CAS ANNEX B2 NIGERIA

Selected Indicators* of Bank Portfolio Performance and Management

As Of 6/29/2009

Indicator	2006	2007	2008	2009
Portfolio Assessment				
Number of Projects Under Implementation ^a	20	24	24	28
Average Implementation Period (years) ^b	3.1	3.5	4.2	4.0
Percent of Problem Projects by Number ^{a, c}	10	4.2	12.5	3.6
Percent of Problem Projects by Amount ^{a, c}	5.2	0.7	10.5	3.2
Percent of Projects at Risk by Number ^{a, d}	40	29.2	37.5	35.7
Percent of Projects at Risk by Amount ^{a, d}	26.5	16.2	26.6	33.0
Disbursement Ratio (%) ^e	24	24.5	16.8	18.4
Portfolio Management				
CPPR during the year (yes/no)	yes	yes	yes	yes
Supervision Resources (total US\$)	3,758	3,476	4,467	4,473
Average Supervision (US\$/project)	188	151	179	166

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	86	3
Proj Eval by OED by Amt (US\$ millions)	5,775.9	134.4
% of OED Projects Rated U or HU by Number	53.5	33.3
% of OED Projects Rated U or HU by Amt	52.8	43.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

CAS ANNEX B3: IBRD/IDA PROGRAM SUMMARY NIGERIA

as of Date 06/01/09

Proposed IBRD/IDA Base-Case Lending Program ^a

<i>Fiscal year</i>	<i>Proj ID.</i>	<i>US\$(M)</i>	<i>Strategic Rewards b (H/M/L)</i>	<i>Implementation b Risks (H/M/L)</i>
2010	NG- First Natl Urb Water Sec Add Fin	100.0	M	M
	NG- Second Natl Urb Water Sec Add Fin	80.0	M	M
	NG-RAMP PHASE 2	100.0	M	M
	NG-State Gov & CB TAL 2	100.0	H	M
	NG-Growth Employment & Markets in States	175.0	M	H
	NG-Financial Sector DPO	500.0	H	M
	NG-Lagos Urban Transport II	150.0	M	M
	Result	1,205.0		
2011	NG-Conditional Cash Transfer	100.0	H	M
	NG-Public/Private Partnership	300.0	M	H
	NG-State Health	300.0	H	M
	NG-Energy Project	200.0	H	H
	NG-Agriculture Competitiveness	100.0	M	M
	NG-State DPO	200.0	H	M
	Result	1,200.0		
2012	NG-Climate Risk Management	100.0	M	M
	NG-Rural Access and Renewable Energy	100.0	H	H
	NG-Electricity Transmission Development	200.0	H	H
	NG-Youth Employment Scheme	100.0	M	M
	NG-State Education III	150.0	M	M
	NG-Maternal Child Health Nutrition	200.0	M	M
	NG-Malaria II	200.0	M	M
	NG-State DPO I (different state)	100.0	H	M
	Result	1,150.0		
2013	NG-State Governance and Capacity Building III	100.0	H	M
	NG-State DPO I (different state)	200.0	H	M
	NG-State DPO I (different state)	200.0	H	M
	NG-Agriculture Productivity	200.0	M	M
	NG-Transport Infrastructure	300.0	M	H
	Result	1,000.0		
Overall Result		4,555.0		

a. This table presents the proposed indicative program for the next four fiscal years.

b. For each project, indicate whether the strategic rewards and implementation risks are expected to be high (H), moderate (M) or low (L).

CAS ANNEX B3 NIGERIA: IFC INVESTMENT OPERATIONS PROGRAM

	2006	2007	2008	2009*
<u>Commitments (US\$m)</u>				
Gross	265.49	592.34	465.18	324.44
Net**	265.49	512.34	465.18	324.44
<u>Net Commitments by Sector (%)</u>				
EQUITY		2.94	0.86	3.48
GUARANTEE	63.27	61.53	94.84	84.19
LOAN	11.3	22.84	4.3	7.71
QUASI LOAN	25.43	12.69		4.62
Total	100	100	100	100
<u>Net Commitments by Investment Instrument (%)</u>				
Equity		2.94	0.86	3.48
Guarantee	63.27	61.53	94.84	84.19
Loan	11.3	22.84	4.3	7.71
Quasi loan	25.43	12.69		4.62
Total	100	100	100	100

* As of March 31, 2009

** IFC's Own Account only

CAS ANNEX B4: SUMMARY OF NONLENDING SERVICES–NIGERIA

as of Date 06/01/09

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions				
Country Environment Assessment	FY06	67	G,D,B	KG,PS
Agriculture Sector Review	FY06	184	G,D,B	KG,PS
Poverty Assessment/PSIA	FY06	201	G,D,B	KG,PS
CDD Evaluation Policy Note	FY06	228	G,D,B	KG,PS
Diversification and Growth (CEM)	FY07	682	G,D,B, PD	PS
PEMFAR	FY07	861	G,D,B	KG,PS
Education Sector Review	FY07	46	G,D,B	KG,PS
Lagos State Analysis	FY07	171	G,D,B	KG,PS
Petroleum Pricing	FY08	125	G,D,B	KG,PS
CPS Progress Report	FY08	340	G,D,B, PD	KG,PS
State Investment Climate	FY08	99	G,D,B	KG,PS
PER Agriculture	FY08	105	G,D,B	KG,PS
Niger Delta Soc. and Conflict	FY08	94	G,D,B	KG,PS
Health CSR2	FY08	78	G,D,B	KG,PS
Rural Finance	FY08	139	G,D,B	KG,PS
Fiscal Federalism	FY08	172	G,D,B	KG,PS
Gender	FY09	28	G,D,B	KG,PS
Inventory & Management	FY09		G,D,B	KG,PS
Underway				
Employment and Growth Study	FY09	250	G,D,B	KG,PS
ICT Policy Dialogue	FY09	30	G,D,B	KG,PS
Dialogue with Civil Society	FY09		G,D,B	KG,PS
HD Policy/SP/CCT/CDD	FY09	30	G,D,B	KG,PS
Planned				
Lagos PER	FY10	100	G,D,B,	KG,PS
Governance of Service Delivery	FY10	150	G,D,B,	KG,PS
Energy Sector Policy Analysis	FY10	100	G,D,B,	KG,PS
Investment Climate	FY10	175	G,D,B,	KG,PS
Comm. Based Health and Nutrition	FY10	100	G,D,B,	KG,PS
Agriculture Strategy	FY10	90	G,D,B,	KG,PS
State Level PER	FY11	300	G,D,B,	KG,PS
Skills Development	FY10	50	G,D,B,	KG,PS
Country Status Report Education	FY11	95	G,D,B,	KG,PS
Climate Risk Assessment	FY11	220	G,D,B,	KG,PS
Poverty/Growth Assessment	FY11	200	G,D,B,	KG,PS
Customs Reform/Rev. Enhancement	FY11	TBD	G,D,B,	KG,PS
Financing of Tertiary Education	FY12	TBD	G,D,B,	KG,PS

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

CAS ANNEX B6 NIGERIA—KEY ECONOMIC INDICATORS

<i>Indicator</i>	<i>Actual</i>				<i>Estimate</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
National accounts (as % of GDP)					
Gross domestic product ^a	100	100	100	100	100
Agriculture	34	33	32	33	32
Industry	42	44	42	41	41
Services	24	24	26	27	27
Total Consumption	..	..	..	..	..
Gross domestic fixed investment	..	..	..	..	..
Government investment	..	..	..	..	..
Private investment	..	..	..	..	..
Exports (GNFS) ^b	44	47	43	41	39
Imports (GNFS)	31	31	28	30	29
Gross domestic savings	..	..	..	..	..
Gross national savings ^c	..	..	..	..	..
<i>Memorandum items</i>					
Gross domestic product (US\$ million at current prices)	87,845	112,249	145,035	167,435	214,403
GNI per capita (US\$, Atlas method)	530	620	830	970	1160
Real annual growth rates (% , calculated from 90 prices)					
Gross domestic product at factor cost	10.5	6.5	6.0	6.4	5.3
Real annual per capita growth rates (% , calculated from 90 prices)					
Gross domestic product at factor cost	7.8	4.0	3.6	4.0	2.8
Total consumption	..	..	..	..	..
Private consumption	..	..	..	..	..
Balance of Payments (US\$ millions)					
Exports (GNFS) ^b	38,609	52,238	62,342	67,860	83,228
Merchandise FOB	36,853	50,169	58,847	66,178	79,518
Imports (GNFS) ^b	27,282	34,849	40,327	51,025	62,292
Merchandise FOB	19,389	25,632	30,702	40,132	50,267
Resource balance	11,327	17,388	22,015	16,835	20,936
Net current transfers	2,751	3,399	3,400	3,414	3,438
Current account balance	4,343	7,959	19,878	9,719	9,614

CAS ANNEX B6 NIGERIA—KEY ECONOMIC INDICATORS

(Continued)

<i>Indicator</i>	<i>Actual</i>			<i>Estimate</i>	
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Net private foreign direct investment	4,776	6,544	9,144	10,186	11,316
Long-term loans (net)	-1,286	-8,554	-16,627	-458	102
Other capital (net, incl. errors & Commissions)	1,654	5,375	1,502	-9,944	-19,398
Change in reserves ^d	-9,487	-11,324	-13,897	-9,503	-1,633
<i>Memorandum items</i>	-1,286	-8,554	-16,627	-458	102
Resource balance (% of GDP)	12.9	15.5	15.2	10.1	9.8
Real annual growth rates (YR90 prices)					
Merchandise exports (FOB)	1.6	-5.0	..	..	..
Merchandise imports (CIF)	-14.1	27.4	..	..	..
Public finance (as % of GDP at market prices)^e					
Current revenues	12.6	13.9	13.0	11.0	12.0
Current expenditures	7.2	8.1	6.3	7.5	7.8
Current account surplus (+) or deficit (-)	5.4	5.9	6.7	3.5	4.2
Capital expenditure	2.0	1.7	2.6	3.7	1.9
Foreign financing	-1.1	-4.9	-3.3	-0.2	-0.1
Monetary indicators					
M2/GDP	19.4	17.8	21.5	27.8	36.5
Growth of M2 (%)	14.0	16.0	53.4	44.2	58.0
Price indices(YR90 =100)					
Merchandise export price index	212.8	304.8	..	..	..
Merchandise import price index	135.7	140.8	..	..	..
Merchandise terms of trade index	156.8	216.4	260.6	287.4	387.2
Consumer price index (% change)	15.0	17.8	8.3	5.5	11.2
GDP deflator (% change)	20.7	19.8	19.5	4.8	14.4

^a GDP at factor cost

^b "GNFS" denotes "goods and nonfactor services."

^c Includes net unrequited transfers excluding official capital grants.

^d Includes use of IMF resources.

^e Federal government.

^f "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

ANNEX B7: NIGERIA - KEY EXPOSURE INDICATORS

<i>Indicator</i>	<i>Actual</i>				<i>Estimated</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Total debt outstanding and disbursed (TDO) (US\$m) ^a	37883	22178	7799	8994	4460
Net disbursements (US\$m) ^a	-242	-2998	3618	1033	22
Total debt service (TDS) (US\$m) ^a	1731	8881	6853	1242	405
Debt and debt service indicators (%)					
TDO/XGS ^b	97.7	41.9	12.2	12.9	5.3
TDO/GDP	43.1	19.8	5.4	5.4	2.1
TDS/XGS	4.5	16.8	10.7	1.8	0.5
Concessional/TDO	46.3	48.6	25.5	27.9	..
IBRD exposure indicators (%)					
IBRD DS/public DS	15.5	3.0	3.6	20.3	..
Preferred creditor DS/public DS (%) ^c	28.3	5.5	6.9	43.7	..
IBRD DS/XGS	0.7	0.5	0.4	0.3	0.2
IBRD TDO (US\$m) ^d	1027	722	534	381	211
Of which present value of guarantees (US\$m)					
Share of IBRD portfolio (%)	1	1	0	0	..
IDA TDO (US\$m) ^d	967	1136	1541	1929	2243
IFC (US\$m)					
Loans					
Equity and quasi-equity /c					
MIGA					
MIGA guarantees (US\$m)					

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short- term capital

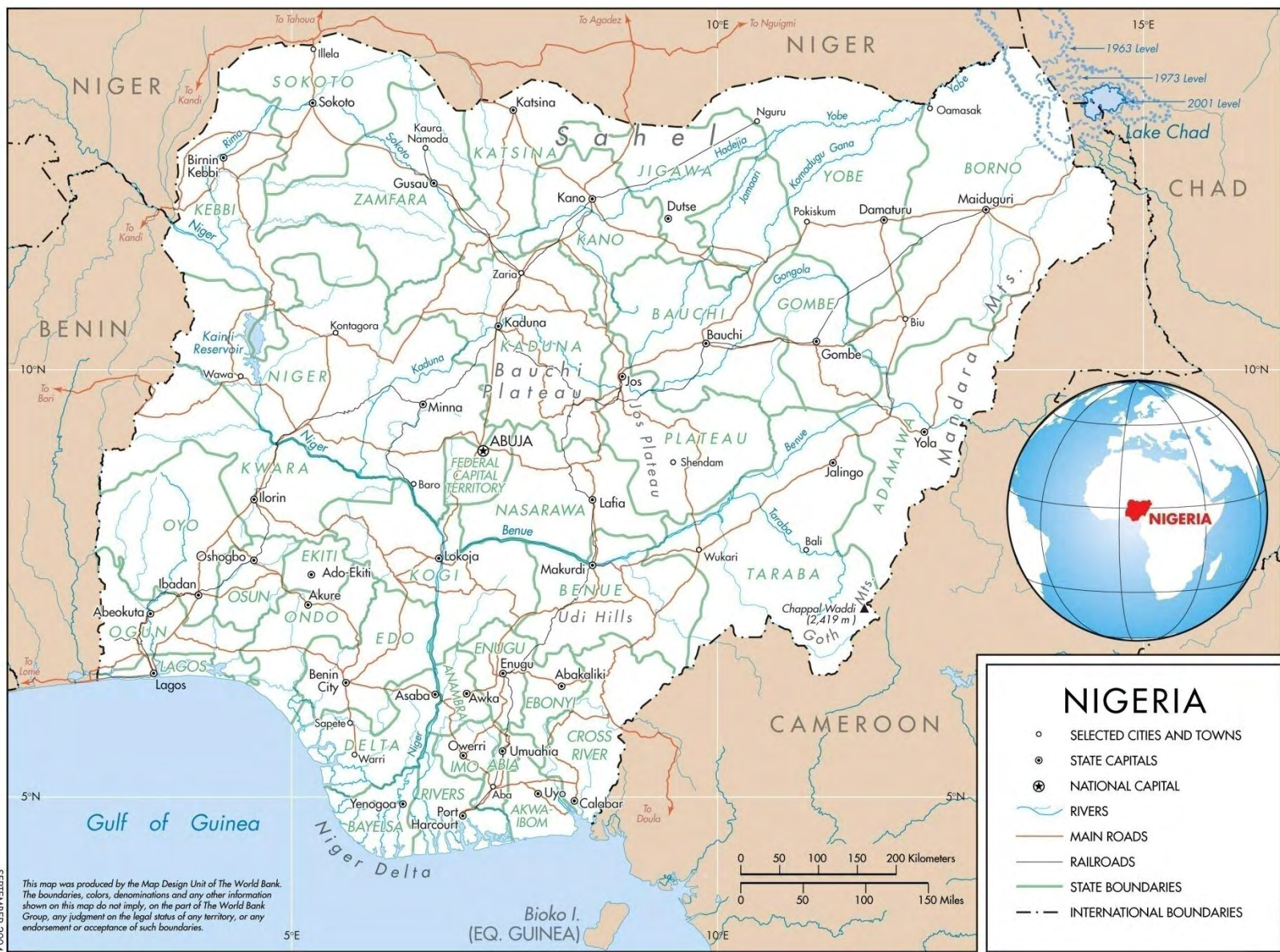
b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

IBRD MAP NO. 33458



SEPTEMBER 2004

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