

AFRICAN DEVELOPMENT BANK GROUP



FEDERAL REPUBLIC OF NIGERIA

COUNTRY STRATEGY PAPER

2013-2017

ORWA DEPARTMENT

January 2013

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FEDERAL REPUBLIC OF NIGERIA –FISCAL YEAR

1 January to 31 December

CURRENCY EQUIVALENTS (November 2012)

UA 1.0	=	NAIRA 239.47
UA 1.0	=	USD 1.54
UA 1.0	=	EUR 1.19

WEIGHTS AND MEASURES

Metric System

This Country Strategy Paper (CSP) was prepared under the guidance of Mr. Janvier Litse, Director, ORWA. The Country Portfolio Performance review (CPPR) and the CSP Completion Report were prepared under the guidance of Dr. Ousmane Dore, Resident Representative NGFO. The CSP Preparation Mission which was in Nigeria, from 25 June – 6 July, 2012, was led by Mr. Ferdinand Bakoup, Lead Economist, and Officer-in-Charge, ORWA and Dr Ousmane Dore. The CSP Dialogue Mission to discuss the CSP with the Nigerian Authorities, country stakeholders and development partners will take place during the period 23 – 30 November 2012.

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EXECUTIVE SUMMARY

1. This Country Strategy Paper (CSP) proposes a strategy for supporting Nigeria's development efforts over the period 2013-2017 and is anchored on creating a sound policy environment and investing in critical infrastructure. This strategy is aligned with the long-term development agenda of the new administration as outlined in the vision 20:2020 and anchored on the Government's Transformation Agenda (TA:2011-2015). It is also aligned with the Country Partnership Strategy (CPS) (2011-2013) - jointly prepared by the World Bank, African Development Bank (AfDB), United States Agency for International Development (USAID) and the Department for International Development (DFID); and with the Country Assistance Framework (CAF) currently being developed by the donor community in Nigeria.

2. Nigeria's long term aspiration is to be among the top 20 economies in the world by the year 2020 (Vision 20:2020). The primary objectives are to: (i) create an enabling environment for green and inclusive economic growth; (ii) diversify the Nigerian economy; (iii) create employment opportunities; and (iv) reduce poverty. Whereas Nigeria has both strengths and opportunities to realize its aspirations, including abundant resource endowments, it is also faced with many weaknesses and challenges that are impeding progress. These include mismanagement of oil resources, an infrastructure deficit, limited capacity for policy formulation and implementation, high unemployment, high poverty level, and non-inclusive growth. Infrastructure deficit, particularly the erratic supply of power, has been identified as the most binding constraint on real sector growth. Recent Public Financial Management (PFM) diagnostic reviews and the Bank's fiduciary risk assessment indicate that the fiduciary risk at both the federal and state levels is high.

3. For these reasons, the Bank's CSP is based on two strategic pillars: Pillar I-Supporting the Development of a Sound Policy Environment; and Pillar II-Investing in Critical Infrastructure to Promote the Development of the Real Sector of the Economy.

4. Pillar I is proposed, not least, because of the valuable lessons learnt from the AfDB's operations in Nigeria. A fundamental lesson is that the quality, availability and timeliness of policy advice and analytic work are crucial for government effectiveness at any level of development. Hence, the Bank would step-up its efforts to deliver high quality policy advice through targeted analytical and advisory work (non-lending activities). Specific areas of focus would include topics such as resource mobilization, oil resources and subsidy management, public private partnerships, job creation, green growth, gender mainstreaming, and regional integration.

5. Pillar II is proposed to support the delivery of key infrastructure particularly in the road transport, energy, agriculture, and water and sanitation. Environmental sustainability of Bank operations will be critically assessed for green growth. Critical infrastructure development and promotion of inclusive and green growth are in line with the Government's Transformation Agenda, the Bank's Long-Term Strategy, and the Regional Integration Strategy for West Africa (2011-2015). The Bank will ensure synergies with other Development Partners' (DPs) interventions and continue to participate in donor coordination/harmonization meetings.

6. Given the huge financing needs of the country, the relatively small size of Nigeria's ADF 12 allocation (UA 194 million of which UA 130.48 million is available for use in 2013) and the overall Sustainable Lending Limit (SLL) for Nigeria, it is fundamental for the Bank to use its resources strategically for optimal impact. To remain a relevant partner and to become the preferred partner of Nigeria, it is imperative for the Bank to use its full range of operational sovereign and non-sovereign instruments to implement this CSP. This will include project lending, Public Private Partnership (PPP) arrangements, Partial Risk Guarantees (PRG), capacity building, economic and sector work and budget support. The Bank will play a catalytic role by using its position to leverage third-party investments in the form of co-financing, and a facilitating role by mobilizing other investors, including emerging partners such as BRIC countries. The Bank's strategic focus for sovereign and non-sovereign operations will be aligned with both the key pillars of the Bank's Private Sector Development (PSD) strategy and Nigeria's TA.

7. There are four potential risks: project implementation risk; security risk; fiduciary risk; and vulnerability to external shocks, including climate change. On implementation risk, executing agencies will be assessed on their capability to implement the projects and programs with existing or strengthened capacity, and appropriate recommendations made. The Bank will also support governance and institutional reforms to enhance project execution and will use consultancy services where necessary. In terms of security, there is no indication of Bank projects being threatened by the security situation, apart from the suspension of supervision missions in troubled areas. The Authorities have tightened up security in vulnerable areas. The fiduciary risk will be mitigated by strengthening the country's procurement and public financial management systems while vulnerability to external shocks will be mitigated by supporting lending to areas that diversify the economy away from the oil and gas sector, such as agriculture.

8. The major issues for country dialogue include: (i) implications of Nigeria graduating to an ADB-only country status; (ii) mobilizing alternative resources for infrastructure development; (iii) promoting competitiveness, green and inclusive growth; (iv) the Federal Government's view on Bank's engagement with the states; and (v) Nigeria spearheading regional integration in West Africa.

LIST OF ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
ADOA	Additionality and Development Outcome Assessment
AfDB	African Development Bank Group
AWF	African Water Facility
BDC	Bureau-de-change
BoI	Bank of Industry
BNDES	Brazilian Development Bank
BP	Borrowing Plan
BPP	Bureau of Public Procurement
BRIC	Brazil, Russia, India, and China
CAF	Common Assistance Framework
CBARD	Community Based Agricultural and Rural Development Project
CBN	Central Bank of Nigeria
CP4PPPi	Capacity Building for Public Private Partnership in Infrastructure
CFAA	Country Financial Accountability Assessment
CPIP	Country Portfolio Improvement Plan
CPPR	Country Portfolio Performance Review
CPS	Country Partnership Strategy
CRR	Cash Reserve Ratio
CSP	Country Strategy Paper
CTF	Clean Technology Fund
DFI	Development Finance Institution
DFID	Department for International Development (UK)
DMO	Debt Management Office
DPs	Development Partners
DSA	Debt Sustainability Analysis
ECA	Excess Crude Account
ECOWAS	Economic Community of West African States
ECOWAS CET	ECOWAS Common External Tariff
EFCC	Economic and Financial Crimes Commission
EITI	Extractive Industries Transparency Initiative
EPSERP	Economic and Power Sector Reform Program
EPSRA	Electric Power Sector Reform Act
ESW	Economic and Sector Work
FDI	Foreign Direct Investment
FGN	Federal Government of Nigeria
FRA	Fiscal Responsibility Act
FO	Field Office
GDP	Gross Domestic Product
GIFMIS	Government Integrated Financial Management Information System
GNI	Gross National Income
HoR	House of Representatives

ICPC	Independent Corrupt Practices Commission
ICRC	Infrastructure Concession Regulatory Commission
IFAD	International Fund for Agricultural Development
IPPs	Independent Power Producers
LEEDS	Local Economic Empowerment and Development Strategy
MDGs	Millennium Development Goals
MEND	Movement for the Emancipation of Niger Delta
MIC	Middle Income Country Trust Fund
MIGA	Multilateral Investment Guarantee Agency
MLR	Minimum Liquidity Ratio
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MSMESDF	Micro, Small and Medium Enterprises Development Fund
NASPA-CCN	National Adaptation Strategy and Plan of Action for Climate Change in Nigeria
NBET	Nigerian Bulk Electricity Trading
NBS	National Bureau of Statistics
NCB	National Competitive Bidding
NCCP	Nigeria Climate Change Policy
NEEDS	National Economic Empowerment and Development Strategy
NEPA	National Electric Power Authority
NEPAD/IPPF	NEPAD Infrastructure Project Preparation Facility
NEXIM	Nigeria Export Import Bank
NGN	Naira
NIMET	Nigeria Meteorological Agency
NIP	National Implementation Plan
NNPC	Nigeria National Petroleum Corporation
NPC	National Planning Commission
NTCTF	Nigeria Technical Cooperation Trust Fund
NTF	Nigeria Trust Fund
ODA	Official Development Assistance
OpsCom	Operations Committee of the Bank
PAC	Public Accounts Committee
PAR	Projects at Risk
PEFA	Public Expenditure Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PEN	Preliminary Evaluation Note
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PIU	Project Implementation Unit
PPP	Public Private Partnership
PPP-GDP	Purchasing Power Parity Gross Domestic Product
PRG	Partial Risk Guarantee
PRSP	Poverty Reduction Strategy Paper
RAMP	Rural Access Mobility Project
RBDA	River Basin Development Authority

RISP	Regional Integration Strategy Paper
RMAFC	Revenue Mobilization Allocation and Fiscal Commission
RMC	Regional Member Country
SCN	Summary Credit Note
SCPZ	Staple Crop Processing Zone
SEEDS	State Economic Empowerment and Development Strategy
SLL	Sustainable Lending Limit
SLM	Sustainable Land Management
SMEs	Small and Medium Enterprises
SURE-P	Subsidy Reinvestment and Empowerment Program
SWF	Sovereign Wealth Fund
TA	Transformation Agenda of the Government
USAID	United States Agency for International Development
USD	United States Dollars
WAMZ	West Africa Monetary Zone
WB	World Bank/International Bank for Reconstruction and Development
YouWiN	Youth Enterprise with Innovation in Nigeria
VOC	Vehicle Operating Costs

1. INTRODUCTION

1.1. This report proposes a new strategy to guide Bank Group operations in Nigeria over the period 2013-2017. Several factors were considered in preparing the Nigeria CSP. First, the country has embarked on a long-term development agenda outlined in the Vision 20:2020 on which the present administration's Transformation Agenda (TA) is anchored. The focus of this Vision is to elevate Nigeria to be among the top 20 economies in the World by the year 2020. To achieve this Nigeria will need assistance from all its development partners; therefore, it is an opportune time for the AfDB to assist Nigeria realize its future aspirations. Second, the country has maintained a healthy economic growth rate that places it among the fastest growing economies in Africa. However, this is being overshadowed by high unemployment and rising poverty resulting in growing insecurity in some parts of the country. In line with the new AfDB's Long-Term Strategy that focuses on knowledge for Inclusive and Green Growth, a new Bank strategy is timely to assist the government in addressing these critical challenges. Third, Nigeria is a major recipient of Bank support, and although the volume of Bank aid to Nigeria has increased in recent years, the Bank is still relatively a small player. It is, therefore, imperative that the Bank leverages its resources in the country for optimal impact. This requires a fundamental shift from the Bank's traditional development cooperation in Nigeria towards novel approaches based on a right mix of knowledge and investments that will reposition the Bank to ensure maximum value addition. In a nutshell, it is a promising time for the Bank and Nigeria to lay the foundations for a renewed partnership towards Nigeria's socio-economic development.

1.2. The rest of the document is organized as follows: section 2 appraises the major political, economic, social, gender, as well as environmental developments in Nigeria; the strategic options; recent developments in aid coordination/harmonization; and the strategic positioning of the Bank in the country. The Bank Group's strategy is proposed in Section 3 while the conclusion and recommendation to the Board are presented in Section 4.

2. COUNTRY CONTEXT AND PROSPECTS

2.1. Political, Economic, and Social Context

2.1.1. Political Context

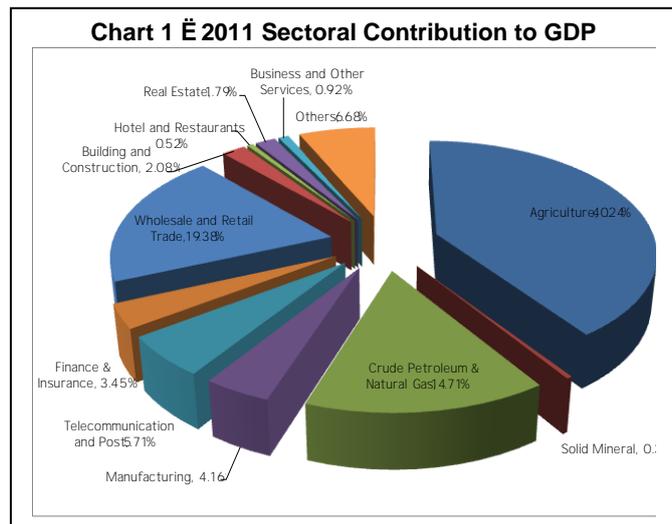
2.1.1.1. *P k i g t k c ø u " f g o q e t c v k infancy and the April 2011 election's significance v k n n " k o r q t v c p v " u v t k f g u " k p " P k i g t k c ø u " f g o q e t c v k e " f g x g n party politics along ethnic and religious lines poses a major challenge to electoral politics in Nigeria.*¹ Since the return to democratic governance in 1999, Nigeria has witnessed successful changes in government through the electoral process. However, election results are often contested by the opposition and Supreme Court judgements have been necessary to validate presidential and some state elections. The relatively stable democracy is threatened by recent security challenges.

2.1.1.2. The country is facing various insurgencies that threaten to distract the Government from its reform agenda. However, the government is making concerted efforts to curtail the spate of attacks. This is reflected in the Government's allocation of about 20% of the 2012 budget and 13.6% of the 2013 budget to address the security challenges. Nonetheless, a lasting solution will be required to tackle the underlying problems of high unemployment, poverty and underdevelopment, which the government is pursuing vigorously under its Transformation Agenda and which the current CSP seeks to support.

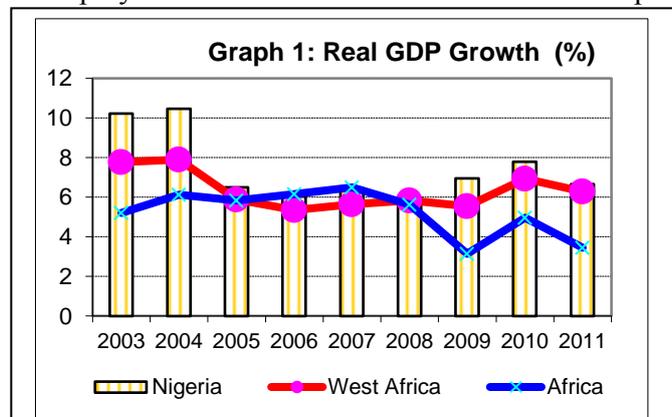
¹ AfDB (September 2012), *C p c n { u k u " q h " P k i g t Analytical Work for the African Development Bank in preparation of the Nigeria Country Strategy Paper 2012-2017*

2.1.2. Recent Economic Developments

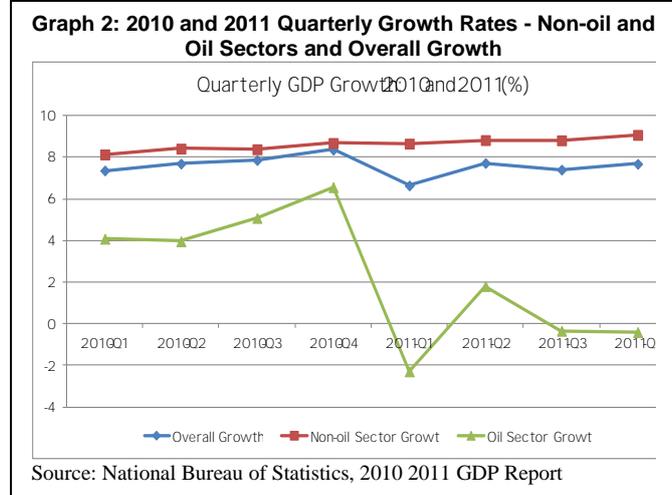
2.1.2.1. Structure of Nigerian Economy. Nigeria, with a population of about 167 million people and a land area of 923,768 km², is the largest economy in West Africa and the second largest in Sub-Saharan Africa. To better measure the size of its economy, Nigeria is re-basing its GDP data from 1990 to 2008. Preliminary forecast of the rebasing is about a 40% increase in the total GDP; i.e. from a 2012 IMF estimate of USD 270 billion to USD 375 billion. This would bring Nigeria's GDP just behind South Africa's GDP of USD 390 billion, making Nigeria the 30th largest economy in the world from the current 40th position. The structure of the Nigerian economy is predominantly primary product oriented (agriculture and crude-oil production). The Dutch disease syndrome that characterized the Nigerian economy during the 1970s diminished the role of agriculture and manufacturing sectors in the Nigerian economy. In 2011, the oil and gas sector accounted for 79% of revenue collected at federal level and 71% of export revenue. Agriculture, which remains very vulnerable to climate change, still accounts for about 40% of the nation's GDP (Chart 1) and employs about 70% of the labour force despite infrastructure, production and market support services constraints.



2.1.2.2. Economic growth in Nigeria has been quite robust over the past decade, with rates among the highest in Sub-Saharan Africa. However, the unemployment rate has risen from 21% in 2010 to 24% in 2011, and public finances and balance of payments remain vulnerable to a fall in oil prices. Growth averaged about 7.5% annually in the past decade (Graph 1), mainly driven by the non-oil sector (Graph 2). High consumer demand is the driving force behind the non-oil sector growth. The sectors driving the economic growth have not been sufficiently high job creating sectors. Furthermore, the oil industry is a capital intensive virtual enclave that generates very little employment. Despite a slowdown in Nigeria's economic growth in early 2012 - growth averaged about 6.33% during the first three quarters of 2012, compared to 7.7% during the last quarter of 2011 - the near-term outlook for economic growth remains positive. The National Bureau of Statistics (NBS) projects GDP growth of 6.5% in 2012 and 8% in 2013. Threats to the outlook include the risk of intensified financial stress in the Euro-zone resulting in a further slowing of the global economy and declining oil prices.



Source: AfDB Statistics Department, African Economic Outlook, May 2012



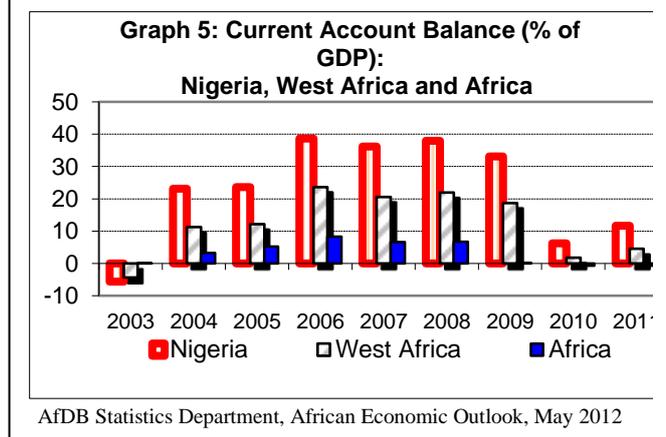
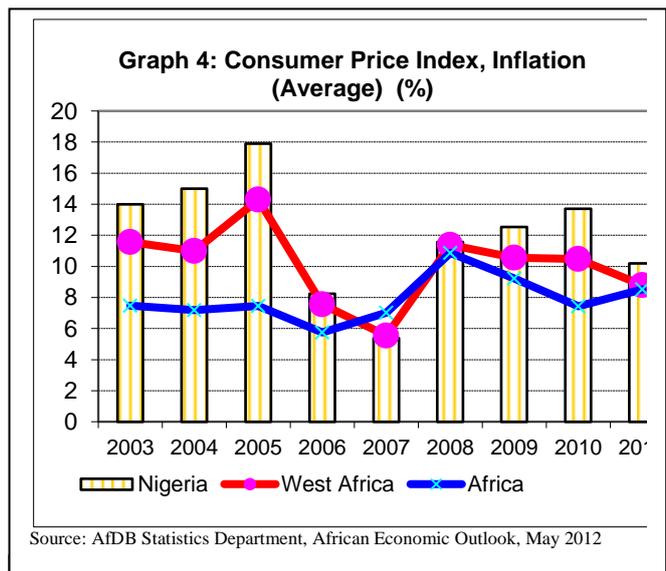
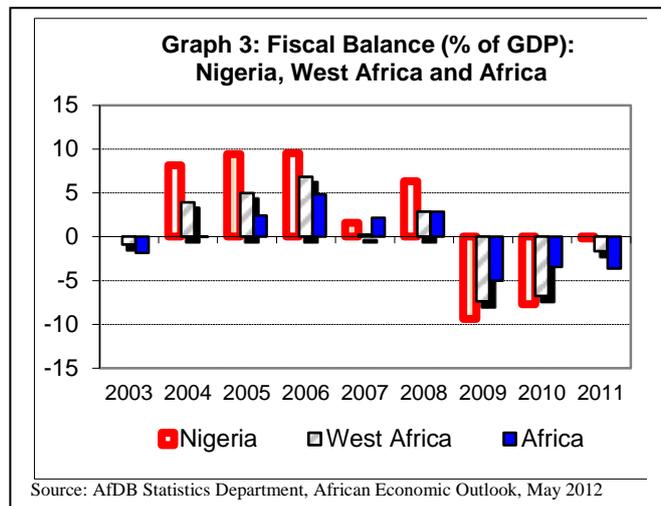
Source: National Bureau of Statistics, 2010 2011 GDP Report

2.1.2.3 Macroeconomic Management.

Fiscal management has been broadly in line with the Fiscal Responsibility Act (FRA) aimed at ensuring macroeconomic stability. Consequently, the expansionary fiscal policy stance adopted during 2008/2009 in response to the global economic and financial crisis has given way to a policy stance geared toward fiscal consolidation, with the fiscal deficit set within the threshold of 3% of GDP after 2010 (Graph 3). The medium-term fiscal strategy aims to rebuild fiscal buffers, reorient spending from recurrent to capital expenditure by restricting the growth of recurrent spending (this will also help improve domestic investment, which has been on a downward trend. See Annex 1), and improve non-oil revenue collection to help reduce fiscal vulnerability to oil price shocks. *The monetary policy framework since 2011 has focused on a clear objective of single digit inflation, and has helped anchor inflation expectations.* Reflecting the effects of the monetary tightening in 2011 and the impact of the on-going fiscal consolidation, inflation has been kept in check (Graph 4).

2.1.2.4 Reflecting historically high oil prices, the external position strengthened in 2011, with the current account surplus swelling to 12% of GDP (Graph 5). However,

there was a downward pressure on the external sector during the first two quarters of 2012 as a result of the continued negative impact of the global economic crunch. However, the external position improved during the third quarter of 2012. Trade balance improved due to increased export earnings and lower imports. After a steady decline in foreign reserves from US\$ 43.3 billion during the first quarter of 2010 to US\$ 36.5 billion on August 6, 2012, due to falling crude oil prices and the use of foreign reserves to support the naira on the foreign exchange market, foreign reserves have been rising persistently to US\$ 45.7 billion on November 16, 2012, equivalent to over 6 months of imports cover. Also in November 2011, the authorities adjusted the soft exchange rate band of the NGN-USD bilateral rate by $\pm 3\%$ to accommodate continuing downward exchange market pressures. With these, the Central Bank of Nigeria (CBN) has limited the volatility in the exchange rate. Nigeria being heavily dependent on imports and exports, the exchange rate policy has been adequate in warding off inflationary pressures. The external position remains vulnerable to the evolution of oil price, which is influenced by the pace of economic growth in the United States (which imports 40% of Nigeria's oil) and China, as well as the sovereign debt crisis in the Euro-zone.



2.1.2.5 Debt Management

2.1.2.5.1 *Based on the Debt Sustainability analysis (DSA) Nigeria is at low risk of debt distress.*

As at 30th September 2012, the Total Debt Stock to GDP ratio was 19%. Nonetheless, the authorities have been concerned about the rising debt stock, particularly its domestic component which represents about 16.4% of GDP. Some of the strategies aimed at addressing the relatively high domestic debt stock are the provision of 100 billion naira in the 2013 budget to redeem part of maturing domestic debt obligations instead of refinancing, and the planned gradual reduction of net domestic borrowings to 500 billion naira (1.34% of GDP) by the year 2015, as part of the overall fiscal consolidation. Regarding foreign debt, the strategy is to borrow on non-concessionary terms for projects with self-paying capacity and/or job creation potential, and on concessionary terms and grants for social sector projects.

2.1.2.6 Governance

2.1.2.6.1 *Governance assessment by the Mo Ibrahim Foundation ranks Nigeria 43rd out of 52 countries in 2011 (Table 1).*

The overall ranking for Nigeria deteriorated in the 2011 Mo Ibrahim Index relative to 2010. Out of 7 sub-criteria, Nigeria improved on 1, maintained its ranking in 3 and deteriorated in 3. Democratic institutions of governance, which are critical for ensuring a viable and effective system of governance, such as the legislature, need some reforms. The judiciary needs to be strengthened to ensure an impartial administration of justice, while the functionality of the legislature needs to be enhanced and parochial interests removed.

2.1.2.6.2 Fiscal federalism also poses some challenges to public financial management. Nigeria's complex fiscal federalism comprises three tiers of governments: federal, state (36 + Federal Capital Territory), and local (774); which requires many extra-budgetary funds. All oil and gas

revenue and most of non-oil revenues are pooled and shared by the three tiers of government, according to a sharing formula prescribed by a constitutionally created body, Revenue Mobilization Allocation and Fiscal Commission (RMAFC). Thirteen per cent (13%) of the oil and gas revenue is allocated to the oil producing areas and the remainder is shared out as follows: federal government (52.7%), state governments (26.7%) and local governments (20.6%). With the vertical revenue allocation formula there is over-reliance of state and local governments on the pooled resources and thus little incentive to mobilize internal resources to fulfill their statutory functions.

Table 1. Mo Ibrahim Index of African Governance

Nigeria	Ibrahim Index of African Governance Score 0 –100 where 100=best		Status Improvement (▼)	Score/100	
	Rank/53 2010	Rank/52 2011		2010	2011
Overall	41 st	43 rd	▲	42	42
Safety and the Rule of Law	36 th	44 th	▲	46	41
Personal Safety	45 th	51 st	▲	24	11
Rule of law	30 th	30 th	▶	42	43
Accountability	33 rd	35 th	▲	37	35
Nationality Security	30 th	36 th	▲	81	73
Participation and Human Rights	40 th	37 th	▼	34	38
Participation	38 th	38 th	▶	26	29
Rights	26 th	23 rd	▼	42	48
Gender	48 th	48 th	▶	33	38

Source: AfDB Database and 2012 Mo Ibrahim Index of African Governance

2.1.2.7 Financial Sector

2.1.2.7.1 Thanks to well-conceived structural reforms, which involved bank consolidations, recapitalization and managerial changes at some banks, and portfolio clean-ups, a solution to the banking crisis that Nigeria experienced few years ago has been largely obtained, and the soundness in the banking sector restored. However, efforts are still needed to strengthen financial intermediation and improve access to finance by economic agents. In spite of CBN's targeted interventions to support specific financing schemes, Small and Medium Enterprises (SMEs) have limited access to credit due to: (i) high cost of borrowing averaging about 30% interest; (ii) limited product offerings, (iii) inadequate mobilization of private sector savings, and (iv) lack of term finance. Microfinance has been the key vehicle for enhancing access to financial services by micro-entrepreneurs and low-income households. The industry has experienced strong growth over the past few years, but faces a number of challenges, including operational efficiency, limited capacity and poor consumer protection. To address these issues, the CBN in 2011 approved a revised microfinance policy, regulatory and supervisory framework. Financial services also offer opportunities for growth as many banks expand their operations in West Africa and in the rest of the continent, but the authorities need to carefully control the risks and assess the rewards for the Nigerian economy associated with this expansion.

2.1.3 Social Context

2.1.3.1 *There is a high degree of social deprivation in Nigeria.* GNI per capita was US\$ 1,180 in 2010 (Annex 1), but income distribution is highly skewed with a Gini coefficient of 43.70 in 2011 (Annex 2). About 63% of the population lives below the poverty line of US\$1.00/day; 42% does not have access to safe drinking water; and 69% does not have access to basic sanitation. Nigeria's social indicators lag behind the average for Africa. Life expectancy is 51.9 years in 2011, with an adult literacy rate of 61.3% (Annex 1), compared to 57.7 years life expectancy, and an adult literacy rate of 67% for Africa. But, there are huge regional disparities in income and social outcomes in Nigeria, with the north registering the highest levels of poverty and social deprivation compared to the south. Poverty is more intense in the north-west (about 86%) and the north-east (78%). Household members in the north-west and the north-east are four times more likely to have no education than those in the south-south region; prevalence of malnutrition is highest in the north-west and the north-eastern regions and lowest in the south-east and the south-south regions; access to safe drinking water ranges from 30% in the north-eastern region to about 74% in the south-western region; and access to basic sanitation ranges from 45% in the north eastern-region to 70% in the south-eastern region. The Government is making every effort to address these challenges through budgetary allocation for social programs.

2.1.3.2 *Unemployment continues to be high, especially among the youth.* Overall unemployment rate in Nigeria was 23.9% in 2011. However, there exist regional disparities in unemployment rate in Nigeria ranging from 33% north-eastern region to about 8% in Lagos State. Although the 15-35 year old cohort account for only a third of the workforce in Nigeria, they account for almost two-thirds of the unemployed. If the young people are not provided with employment opportunities, there is a chance that they risk becoming disaffected and also turn to crime and violence in order to survive, or be co-opted by extremist groups to engage in terrorist acts. The youth unemployment problem in Nigeria is attributed to four major factors: (i) high population growth—it is estimated that there are approximately 6 million additions to the population every year, and 1.8 million new entrants to the labor market annually; (ii) low literacy rates—Nigeria has low education outcomes with high dropout rates; (iii) a poor investment climate; and (iv) a lack of targeted investment in key, youth-dominated sectors. To address this problem, the Government has, since 2011, launched the Youth Enterprise with Innovation in Nigeria (YouWiN) Programme designed to encourage youth entrepreneurship and provide grants for small and medium scale enterprises. It has also launched the Public Works for Women and Youth Empowerment Programme, designed to employ 370, 000 youths per annum, with 30% of the jobs especially reserved for women.

2.1.3.3 *Nigeria has made some progress in achieving some MDGs.* Only MDG 2 – Achieve Universal Primary Education-; and MDG 8 – Develop Global Partnerships for Development – have the

potential of being met. The rests are not likely to be met despite tremendous efforts on the part of Nigerian authorities to achieve them. Annex 2 provides details on Nigeria's progress towards achieving the MDGs.

2.1.4 Environment and Climate Change

2.1.4.1 *Nigeria's economy is dependent on sectors that are either climate sensitive or contribute to climate change such as agriculture, forestry, fisheries, which together employ up to 70% of the workforce, and additionally, oil and gas.* Nigeria's environment is under increasing threat from natural disasters, such as drought, desertification and floods, which in recent years have ravaged the livelihoods of farmers and threatened food security, and air and water pollution, and low adaptive capacity to climate change impacts. Pollution from oil exploration activities and gas flaring in the Niger Delta remain concerns to the country. The heavy concentration of industries in locations that are highly vulnerable to climate change-induced sea level rise (e.g. Lagos and the Niger Delta) makes the country vulnerable. The Nigeria climate change facts sheet is presented in Annex 6.

2.1.4.2 The Government is aware of the high vulnerability of the country to climate change. Some efforts are underway to address this in the national development agenda through various climate change policies. These include the preparation of the Nigeria Climate Change Policy and Response Strategy (approved by the Federal Executive Council on September 13, 2012), and the National Adaptation Strategy and Plan of Action for Climate Change in Nigeria (NASPA-CNN) which are in the process of being finalized. Additionally, Nigeria is a pilot country of the Clean Technology Fund and has hence prepared an investment plan to transition towards a low carbon emission development pathway. These will provide a guide for green growth and the integration of climate change adaptation into government policies, strategies and program. In spite of these efforts, Nigeria will still need support in developing a coherent and strategic approach to addressing the challenge of climate change.

2.1.5 Gender Equality and Empowerment

2.1.5.1 *Excellent gender policies and intentions have not translated into budgets and actions to ensure gender equality and empowerment.* Nigeria has had a gender policy since 2006 which clearly stipulates various actions to ensure gender equality and empowerment. However the excellent policies and intentions have not resulted in the changes required. About 56% of the illiterate population in Nigeria are women. In terms of work, women's participation in the labour force remains low, with only one-third of Nigerians who secure a job in the formal sector being women. In the private sector, women are chief executives of some large companies but the number remains low relative to men. The share of women in the current administration, although the highest ever, is 32% and there is still no woman State Governor among the 36+1 States. The Ministry of Women Affairs has the mandate to empower women and work towards achieving gender equality. It focuses on vulnerable groups to help them reduce their child mortality and morbidity rates; works on girl-child education; and provide assistance to displaced children. In terms of women's empowerment, the Ministry mobilizes women's groups through small loans and micro-credit. In addition, it assists women in agriculture through farm materials and inputs. The good representation of women in the current administration, 13 women among a 42 member cabinet (31%), together with the appointment of the first female Chief Justice of Nigeria is contributing to the cause of women's empowerment. Some pro-women measures are being taken to empower women, for example, 60% of a N220 billion (US\$1.42 billion) Micro, Small and Medium Enterprises Development Fund (MSMESDF) would be dedicated to women enterprises. Also, a specific aspect of the YouWiN programme has been devoted to women.

2.2 Strategic Options

2.2.1 Country Strategic Framework

2.2.1.1. In 2009 the Government adopted the Vision 20:2020. The Vision 20:2020 laid the overarching policy framework for Nigeria to become one of the top 20 economies in the world by the

year 2020. This would require an annual economic growth of 13.8%, and a transformation of the primary products oriented economy (agriculture and crude-oil production) to an industrial, manufacturing and services oriented economy. This overly ambitious vision would be difficult to realize in 2020 because of the budgetary resources required, the time period to change the fundamental structure of the Nigerian economy, and the capacity to carry it through.

2.2.1.2 Towards implementing the Vision 20:2020, the current administration devised a new medium-term strategy- the Transformation Agenda (TA) (2011-2015) - which is aligned with the Vision 20:2020. The TA² is articulated around nine thematic objectives: (i) macroeconomic stability through fiscal prudence and appropriate monetary policy; (ii) good governance and effective institutions; (iii) human capital development; (iv) real sector development; (v) infrastructure development; (vi) distribution of key programmes and projects by sector; (vii) promoting sustainable growth and development; (viii) financing and implementing strategies for the Key Policies, Programmes, and Projects (KPPPs); and (ix) monitoring and evaluation. It identifies critical infrastructure development, i.e. power, roads transportation, and railways; and agricultural transformation, as key to its operational success. With reference to infrastructure, the strategy is to create an enabling environment to attract foreign and local investments and encourage Public-Private Partnership (PPP) arrangements. In the case of agriculture, the strategy is to transform the agricultural sector to drive income growth, ensure food security, generate employment, and create wealth for Nigerian farmers. The monitoring and evaluation unit of the National Planning Commission (NPC) is responsible for the overall monitoring and evaluation of the TA.

2.2.1.3 Nigeria could realize its future aspirations of being among the world top 20 economies if the resources are efficiently harnessed and managed. However, implementation challenges have hindered the success of previous strategies. The lack of continuity of previous plans and problems with their effective implementation provides useful lessons for the TA. This explains the Government's efforts to strengthen policy development and implementation. Bank support will be important in these areas.

2.2.2 Strengths and Opportunities

2.2.2.1 *Potential to become a major player in the global economy:* Nigeria is viewed as a middle income, mixed economy, and an emerging market with expanding financial, service, telecommunication, and entertainment sectors. It is ranked 30th in the World in terms of Purchasing Power Parity-measured GDP, and second largest economy in Africa. Its manufacturing sector, though currently underperforming because of the dilapidated state of infrastructure in the country, produces a large proportion of goods and services for the West African region. Furthermore, it is ranked 25th worldwide and 1st in Africa in farm output; and 63rd worldwide and 5th in Africa in service output. Despite the weak business environment, the country remains one of the most preferred investment destinations in Africa. Total Foreign Direct investment (FDI) increased from US\$5.7 billion in 2009 to US\$ 8.9 billion in 2011, representing 20% of the total FDI to Africa in 2011. However, these are mostly in the oil sector.

2.2.2.2 *Abundant natural resource endowments:* Nigeria is endowed with enormous natural resources: about 34 different minerals across Nigeria including gold, iron ore, coal, and limestone; 37.2 billion barrels of proven oil reserves;³ and 187 trillion cubic feet of proven natural gas. Opportunities also exist for fertilizer and liquified gas production.

2.2.2.3 *Agricultural and manufacturing potential:* Nigeria has the potential for a strong agricultural base, but productivity is low. In 1961, Indonesia's crop yields were lower than that of Nigeria, and the annual growth rates was about 0.9% compared to Nigeria's 1%. From 1961-2008, the average annual growth rates for crop yields in Indonesia was 2.3% while that of Nigeria was 1.2%. Nigeria's yield per hectare is 20%-50% of that obtained in comparable developing countries. The low productivity in the

² Nigeria does not have a Poverty Reduction Strategy Program (PRSP). The TA is the country's own PRSP

³ 2011 BP Statistical Energy Survey.

agricultural sector is due to lack of modernization. If agricultural productivity is enhanced and the sector transformed into a lucrative and climate resilient business model, with linkages to agro-based industries, it will propel economic growth, generate employment, reduce poverty and ensure the nation's food security. Furthermore, capacity utilization rate in the manufacturing sector has decreased from 54% during the early 1980s to between 30% and 40% currently. This indicates underutilization of resources and falling productivity. There is a potential for a strong manufacturing/industrial base given the government's aim of developing the non-oil sector. For this to happen, the Government needs to tap the country's comparative advantages to enhance the competitiveness of Nigerian enterprises, including the modernization of key infrastructure for setting up industrial clusters and special economic zones to promote industrialization.

2.2.2.4 *Rapid urbanization represents an opportunity for diversifying income and economic growth:*

Over the years, Nigeria has experienced rapid urbanization, with 50% of its population living in urban centers in 2010. The high population growth would further fuel the urbanization process, increase the opportunity for diversifying incomes, expand options for more affordable service delivery and widen horizons for innovation, and for skills acquisition. The challenge is how to unlock the productivity and welfare-enhancing potential of Nigeria's urban areas. While presenting an opportunity, rapid urbanization will also be putting pressure on cities to provide urban jobs, housing, energy, and infrastructure to mitigate urban poverty, expansion of slums, and a deterioration of the urban environment. This would impact on cities as the pressures of migration, social inequality; environmental pollution and climate change come to bear. In this respect, the remarkable economic strength and success of Lagos State offers an opportunity that the country can leverage to promote its economic development.

2.2.2.5 *Opportunities from regional integration:*

Nigeria is a regional power in West Africa whose economy represents about 55% of West Africa's GDP, and its population of about 167 million provides the largest market in Africa. In 2011, Nigeria's export to African countries was 10.7% of the total value of exports, with exports to ECOWAS countries contributing 3%. On imports, 8.2% of the value of imports was from African countries with ECOWAS countries contributing 1.3%. It is a founding member state of the Economic Community of West African States (ECOWAS) and a member of the West African Monetary Zone (WAMZ). Nigeria is a major financial contributor to ECOWAS, and hosts the Secretariat, the Parliament and the Court of Justice. Nigeria regarded ECOWAS as an institutional framework for developing the sub-region and improving the quality of lives of its people. It spearheaded and provided financial support for the establishment of the Economic Community of West African States Monitoring Group (ECOMOG) to unite the region's armies and contain the civil wars in Liberia and Sierra Leone. Nigeria stands to benefit more from regional integration. In this regard, the country needs to play a more prominent role in moving forward the regional agenda with a view to accelerating regional integration. This would offer more opportunities for the country's trade and investors. There has been some progress towards regional integration including a customs union, free movement of persons, and an ECOWAS passport. However, the integration of the regional markets is a major challenge because of lack of regional infrastructure, including transport, trade facilitation measures, and regional energy production. Through the interventions proposed in the Bank's Regional Integration Strategy Paper (RISP) for West Africa, the Bank intends to address some of the infrastructural bottlenecks in the sub-region to enhance integration. Nigeria's role in strengthening regional integration and its efforts at financial market integration are all important for the region's development.

2.2.2.6 *Human Capital:*

Nigeria's strength is not only in its resource endowment but also its human capital. Nigeria is a leader in the continent when it comes to qualified medical officers, engineers, and other professionals in many fields. Nigeria's human capital has, however, succumbed to the problem of 'brain drain'. For example, according to United Nations statistics, there are 3.25 million Nigerians living and working in North America today. Of this, 115,000 are medical professionals; 174,000 are IT professionals, 87,000 are pharmacists, 49,500 are engineers and 250,000 are legal, financial, real estate and business related professionals. This is a resource base which the country can harness, in addition to the millions of professionals still in the country. With the right political and social environment and the

necessary investment in education and skills acquisition towards functional human resources, the nation's manpower profile would be further enriched to help accelerate sustainable inclusive growth and development.

2.2.3 Challenges and Weaknesses

2.2.3.1 The country is facing several challenges to achieve a strong inclusive growth. Turning these challenges into opportunities is critical to setting the country on the path of reaching the Vision 20:2020 objective. The key challenges holding back the country's long-term aspiration are corruption, particularly, in the management of the country's vast oil and gas resources, governance and weak institutional capacity, the infrastructure deficit, lack of long term financing for Small and Medium Enterprises (SMEs), challenging social harmony, and weak business environment. Other daunting challenges include poor policy outcomes resulting from weaknesses in policy formulation and implementation.

2.2.3.2 *Corruption:* Corruption is a major concern in Nigeria. The 2011 Corruption Perceptions Index places Nigeria 143rd out of 183 countries compared with 134th out of 178 countries in 2010. The perception of widespread corruption in the country may have undermined the trust between the people and government, as evidenced by the mass protest over the removal of fuel subsidy in January 2012 without addressing accountability in the sector. To address this phenomenon, the Government has taken specific steps to reduce opportunities and avenues of corruption, and strengthen the capacity and integrity of institutions such as the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC). Both agencies are being re-positioned for more effective service delivery. The Senate and the House of Representatives and other government-instituted entities have also launched investigations, in recent months, to expose corruption, inefficiencies and waste in several areas of the Nigerian economy, including the key areas of oil subsidies and petroleum revenue management. However, more needs to be done to restore public confidence in the system.

2.2.3.3 *Mismanagement of oil resources:* The lack of transparency and accountability has contributed to a strong perception and often the reality of corruption in the mismanagement of oil resources (Annex 4A). Nigerian was accepted as Extractive Industry Transparency Initiative candidate in 2007, and validated as compliant in 2011. However, more needs to be done to improve transparency and accountability in the management of oil resources. To curb wastage and introduce some fiscal prudence, the Government established the Sovereign Wealth Fund (SWF) with strengthened institutional oversight responsibilities. The SWF is currently operating alongside the Excess Crude Account (ECA) where excess oil revenues over the benchmark oil price are deposited. The government has recently submitted the Petroleum Industry Bill (PIB) to the National Assembly for consideration. The PIB is expected to address the issue of transparency in the sector. The draft bill contains comprehensive reforms, including the redefinition of the roles of key executive and regulatory agencies and the national oil company; it also outlines a new fiscal regime aimed at increasing the government's take from operations under production sharing contracts (Annex 4A).

2.2.3.4 Public financial management: Economic governance and institutional capacity are still weak at the federal level and particularly more so at the state levels. This includes public financial management, oversight functions such as internal and external audits, public procurement, sector governance, and monitoring of budget execution. Preliminary results of the 2012 Public Expenditure and Financial Accountability (PEFA) assessment show that transparency and accountability in the Nigerian Public Financial Management (PFM) system need to be improved. The current weaknesses in the country's PFM system have more to do with the underutilization of the accountability and control mechanisms that have been in place for many decades than deficiencies in the legal framework. These weaknesses need to be addressed urgently (Annexe 5). It is therefore fundamental to mainstream governance, capacity building and technical assistance into various operations of the Bank in Nigeria. Ministries, Departments and Agencies that would need urgent attention are: (i) the newly created Monitoring and Evaluation Department of the National Planning Commission; (ii) the National Bureau of Statistics; (iii) the Budget Office of the Ministry of Finance; (iv) the Bureau of Public Procurement; (v) the Office of the Auditor General of the Federation; and (vi) Public Accounts Committee. The challenge is even more critical at the state level as it undermines the effective delivery of development and social services and reduces the usefulness of the subsidiarity principle.

2.2.3.5 Infrastructure deficit. After decades of neglect, infrastructure in Nigeria is in a dilapidated state. The ranking of overall infrastructure is very close to the worst rank in Africa (Graph 6). Power supply is erratic, roads are in a state of disrepair, and the railway infrastructure is in a poor state (Box 1). The erratic supply of electricity has continued to plague every aspect of the /economy and it is viewed by the Federal Government of Nigeria as the bedrock of the country's future growth, if addressed. Billions of dollars have been spent on the power sector by various administrations but without success because of mismanagement and implementation problems. However, with the political will to tackle mismanagement in the infrastructure sector and the desire to find a solution to the infrastructure problem in the country, there have been some improvements in the

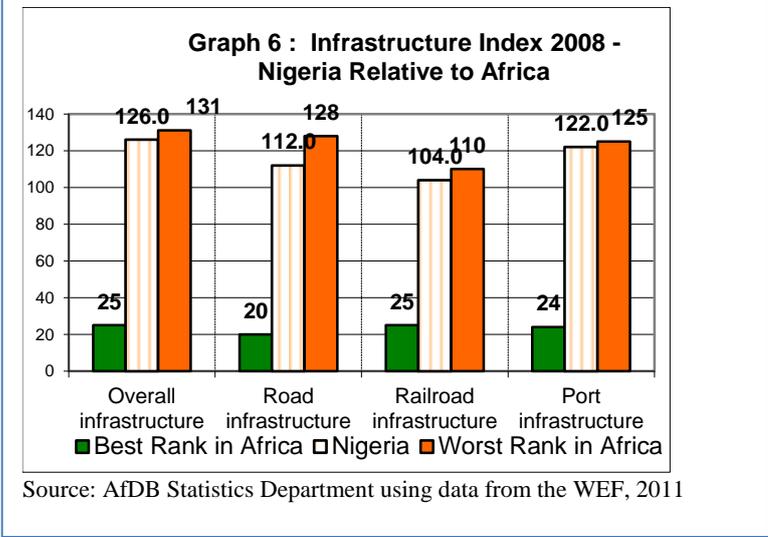
Box 1: Infrastructure Challenges in Nigeria

available generation capacity is 4,000 megawatts, far less than the estimated demand of 10,000-12,000 megawatts. This has resulted in frequent and unpredictable load shedding and a heavy reliance on generators by consumers. About 55% of the population live without access to electricity and over 90% of industrial and significant number of residential consumers own power generators. The present power shortage is not the result of resource constraints but the lack of long term planning, mismanagement, and underinvestment in the sector. The reform of the power sector was revived in 2010 with the Power Reform Roadmap. This has led to the unbundling of the National Electric Power Authority (NEPA) into 11 distribution companies, 6 generation companies, and 1 Transmission Company. Some major achievements include the establishment and/or strengthening of the Nigerian Bulk Trading Plc which is currently being privatized and the rebuilding of the Nigerian Electricity Regulatory Agency (NERC) and the National Power Training Institute.

poor condition due to low quality of construction and maintenance. It is estimated that 42% of federal roads, 70% of state roads and 90% of local government roads are in poor or failed condition. Agricultural productivity and produce marketing are constrained by a poor road network, particularly feeder roads, inadequate water management and irrigation infrastructure; inadequate production and market support services; and a basic disconnect in the value chains. The transport sector has put forward a transformation agenda through the Transport Sector Reform Bill, which includes a Tolling Policy, Fuel Levy, and Axle Load. However, the Bill is yet to be enacted into law.

Although telecommunications has been one of the fast growing sectors since the liberalization, the quality of services remains low and its contribution to employment generation is marginal, reflecting weak linkages with the rest of the economy. Although connected to a number of sub-sea intercontinental fibre-optic broadband cables, the terrestrial backbone connectivity is deficient.

In Water Supply and Sanitation, the public sector has been unable to cope with the increasing demand but the private sector has not been able to fill the gap due to



state of infrastructure in the country. For example, on power supply, there is a consistent 15 hours of power supply per day; on transportation, the modernization of the Abuja-Kaduna railway line is at 46% completion and the Lagos-Kano and Lagos-Ibadan lines have been rehabilitated.

2.2.3.6 Recognizing that budgetary allocations alone may not be enough to finance the infrastructure deficit in the country, the government is promoting private sector participation in key infrastructure development as envisioned in the Vision 20:2020. An appropriate framework for Public Private Partnership (PPP) is already in place. The PPP policy establishes the framework by which the FGN would engage in PPP transactions to ensure adherence to best practices. The key challenges for PPP operations include the inadequate implementation arrangements of the PPP framework and weak coordination among key stakeholders, the market, and the participating capacity by Nigeria private entities.

2.2.3.7 Lack of long-term financing for small and medium enterprises. A major challenge to the development of small businesses in Nigeria is the limited access to credit, the high cost of borrowing (averaging about 30% interest) and the lack of long term financing. The Government is trying to address this by setting up a major Development Finance Institutions (DFI) similar to the Brazilian Development Bank (BNDES) to address the perceived inefficiencies and the harsh financing terms of the existing DFIs and thus be able to offer long-term financing at a subsidized cost of borrowing.

2.2.3.8 Challenging social harmony. Nigeria's development challenge is an intricate mixture of social, political and economic elements. The interplay of social and political forces has had a great bearing on the economic fortunes of the country and continues to determine its ability to ensure sustainable development that is inclusive. Being a multi-ethnic society, minority interests or fears based on diversity are a source of discontent. The current insurgencies in the northern part of the country, the complaints over the environmental degradation due to oil exploration, and the feeling of injustice by the people of the Niger Delta area over resource allocation, pose a major challenge to social harmony.

2.2.3.9 Income disparities seem to reflect the juxtaposition of four different economies within the Nigerian economy: (i) a middle/high income economy (Lagos State with a GDP per capita of US\$3,000); (ii) resource rich economies (the Niger Delta states); (iii) fragile state economies (the north-eastern states); and (iv) low income economies (the rest of the states). Improving road and railway connectivity in the country, particularly between the northern and the southern states could help address the regional economic disparities within the country.

2.2.3.10 Weak policy development and implementation capacity. Nigeria is a country that has considerable financial resources. It earns about USD 57 billion per year in oil revenue. The major challenge facing the country is how to create a sound policy environment to ensure an effective and efficient management of public resources for national development. There is therefore the need to strengthen the country's policy development and implementation capabilities and its public financial management system.

2.2.3.11 Business environment and competitiveness. Nigeria’s business environment does not encourage investment and competitiveness in its industrial sector. Although the private sector is the main employer accounting for over 80% of employment and the primary source of export earnings, there has been little improvement in the business climate over the past few years. The World Bank’s 2013 “Doing Business Report” ranked Nigeria 131st out of 185 countries, compared to 133rd out of 183 countries in the 2012 Report (Table 2). The slight improvement is due to the improved ranking in the “ease of getting credit”. Any other indicator deteriorated in its ranking relative to 2012. The cost of doing business is high due to cumbersome procedures and delays in operating a business and moving goods across borders, and the additional uncertainties in settling commercial disputes. The security challenges in the country could further hamper private sector confidence. In terms of competitiveness, Nigeria has been on a declining path since 2008 and ranks well below most of its peers in the region. Major constraints to private sector growth and competitiveness include the poor state of infrastructure, particularly, energy, transport and ports; a difficult business environment; low access to credit; inadequate training and skills; and weak economic governance.

Table 2: Doing Business in Nigeria

Item	2012 Report	2013 Report	Status Improvement (▼)
	Rank/183	Rank/185	
Ease of Doing Business	133 rd	131 st	▼
Ease of Starting a Business	116 th	119 th	▲
Ease of Dealing with Construction Permits	84 th	88 th	▲
Ease of Getting Electricity	176 th	178 th	▲
Ease of Registering Property	180 th	182 nd	▲
Ease of Getting Credit	78 th	23 rd	▼
Strength of Investor Protection	65 th	70 th	▲
Ease of Paying Taxes	138 th	155 th	▲
Ease of Trading Across Borders	149 th	154 th	▲
Ease of Enforcing Contracts	97 th	98 th	▲
Ease of Resolving Insolvency	99 th	105 th	▲

Source: World Bank 2012 and 2013 Doing Business Report

2.3 Recent Developments in Aid Coordination, Harmonization and Bank Group Positioning in the Country

2.3.1 Aid Coordination. The Bank actively participates in aid coordination/harmonization activities organised by the National Planning Commission. Heads of donor organizations meet regularly to deliberate on topical development issues; and on ways of enhancing the working relationship between the donor community and the government and synergies in donor activities. The AfDB is represented in each of the donors’ working group and co-chairs the working group on the economy with the World Bank. There is a Country Partnership Strategy (CPS) 2011-2013, prepared by the World Bank, DFID, USAID and AfDB. The pillars of the previous Bank Group strategy were aligned with the pillars of the CPS. The CPS 2011-13 is on-going, and this CSP has been aligned to its key pillars.

2.3.2 To improve aid effectiveness, donors have agreed to develop a Country Assistance Framework (CAF), which will provide a common understanding of the development challenges facing Nigeria and upon which donors will develop their

Box 2: Impact of Decentralization and NGFO on Bank Group Operations in Nigeria

Since the opening of the Nigeria Field Office in 2001 in Abuja NGFO has played a key role in improving portfolio quality and country dialogue as discussed below:

- (i) NGFO participates in aid coordination and policy dialogue through the regular meetings and activities of the Sector Working Groups in which NGFO is a member. NGFO co-chairs the Economic Working Group with the World Bank.
- (ii) Economic and Sector Work: NGFO actively participates in the studies led by ORWA and continues to provide guidance on ESW processes initiated by either the Government or development partners.
- (iii) All infrastructure, agriculture, social sector and private sector projects are managed by NGFO experts as first line task managers, and the office is awaiting the arrival of water and sanitation expert to manage the projects in the sector.
- (iv) With NGFO designated as one of the Special Field Offices under the Decentralization Roadmap, and the Bank building a permanent office in Abuja, the Nigeria field office would be strengthened. This would greatly enhance the visibility of the Bank in Nigeria and give more clout to the Bank’s interventions in Nigeria particularly its policy advisory role
- (v) NGFO also actively supports the Bank’s regional integration programme in West Africa in close coordination with regional institutions based in Nigeria

own strategy. The CAF would be a dynamic framework which will: (i) reflect key donors' concerns on the economy, corruption and security issues; (ii) outline the contours of the political cycle and analyse optimistic and pessimistic scenarios; (iii) analyse opportunities and risks in the Nigerian context; and (iv) discuss constraints for development partners such as those relating to the Borrowing Plan (BP) that has significantly delayed many lending operations. The preparation of the CAF is currently on-going and the AfDB is participating fully through the Nigeria Field Office (see Box 2). The proposed pillars in this CSP are aligned with the priority areas in the CAF. The Bank Group strongly coordinates its knowledge work and lending activities with other donors. This includes the Investment Climate Assessment and Fiduciary Assessments at the state levels undertaken jointly with the World Bank.

2.3.3 Annex 7 on development partners' activities shows that most of the key inclusive and green growth-stimulating sectors currently receive donors' interventions. The Bank Group has close collaboration with the World Bank on the Fadama Project, the Rural Access Mobility Project (RAMP) and the Nigeria Cameroon Highway. However, the Bank's dialogue with stakeholders point to significant unmet challenges in the key sectors of agricultural development, regional integration and trade facilitation, power/energy, and skills development.

2.3.4 Bank Group Portfolio. As of January 1, 2013, there were 30 active operations in Nigeria for a total net approved amount of UA 1.4456 billion. Of these, 16 are public sector operations (national and regional included) valued at UA 590.1 million (40.8%) and 14 are private sector projects valued at UA 855.5 million (59.2%). Annexes 8A and 8B provide details on the sectoral composition, age, and disbursement ratio of on-going public and private sector projects.

2.3.5 One Economic and Sector Work, the Nigeria Power Sector Review, was completed, and two other ESWs initiated, namely, the Nigeria Domestic Resource Mobilisation Study; and the Nigeria Infrastructure Action Plan. The findings of the Nigeria Power Sector Review Study informed the budget support for the Economic and Power Sector Reform Program (EPSERP), which was approved by the Board in October 2009. Preliminary findings of the Infrastructure Action Plan informed the preparation of the current CSP, while preliminary alternative tax policy scenarios from the Domestic Resource Mobilisation Study identify tax policy-mixes that would increase non-oil tax revenue.

2.3.6 The Country Portfolio Performance Review (CPPR), which was prepared prior to this CSP, showed that the overall performance of the Bank's portfolio in Nigeria remains satisfactory with an average rating of 2.3 in 2012 compared to 2.2 in 2008. There are no problematic projects (PP) and six potentially problematic projects (PPP). The Nigeria portfolio accounts for only 7% of the Bank wide PPPs (6/84). The projects-at-risk (PAR) ratio in the 2012 rated ADF public sector portfolio is 43%, higher than the 33% PAR for public sector ADF projects recorded in 2008. The portfolio performance was dragged down by the unsatisfactory performance of certain agriculture, social and water and sanitation sector projects. All private sector operations were rated satisfactory in performance with an average rating of 2.4. For the ADF portfolio, the average implementation progress, project progress, procurement performance, financial performance and activities/outputs are rated satisfactory; and the development objectives highly satisfactory (2.6). The average disbursement ratio (DR) of all ADF projects, including those that are not disbursement effective is 20.2% as at 20th January 2013.

2.3.7 The Nigeria portfolio has 7 regional operations. Implementation of these operations is challenging because of the complex decision making process, inadequate staffing at the implementing agencies level and poor understanding of the Bank's rules and procedures.

2.3.8 Lessons Learnt from Previous Bank Strategies. The preparation of this CSP was also preceded by a Completion Report of the previous CSP. The previous CSP focused on two pillars, namely, Pillar 1: Development of human capital through improved services delivery in education and health; and Pillar II: Stimulating private sector-led growth in non-oil sector through enhanced infrastructure, agriculture and rural development. On-going operations, from the previous CSP have contributed to progress in agriculture, education, and road transport. Private sector operations, mainly Lines of Credit, contributed to an increase in GDP, increase in food production, and import substitution.

However, some of the new lending operations, which were designed and approved during the previous strategy, only partially achieved their objectives due to project implementation problems and delays caused by procedural hurdles in the approval of the loans by Nigerian authorities.

2.3.9 The major areas where strategic efforts are needed to improve the performance of the portfolio include: (i) continued dialogue with the Ministry of Finance on the inclusion of various projects in the borrowing plan and addressing emerging project implementation problems; (ii) sensitizing the National Assembly on the need for various projects, the concessionality of the financing terms, and their development impacts, to facilitate their approval; (iii) minimizing the prior conditions for effectiveness and first disbursement to reduce project start-up delays; (iv) strengthening the institutional coordination between the Ministry of Finance, the states and the line ministries; (v) effective communication between the Bank and the Federal Ministry of Finance; and (vi) strengthening capacity at MDAs on project management, and Bank rules and procedures on procurement and disbursement. The Country Portfolio Improvement Plan (CPIP in Annex 9) will help step up efforts, in collaboration with stakeholders, to ensure that projects are successfully completed.

2.3.10 The operational effectiveness of Bank's interventions in Nigeria has improved considerably: (i) the Bank's procurement rules and procedures and the standard bidding documents have been harmonized with other multilateral development banks; (ii) efforts are also being made in collaboration with other institutions like the World Bank, to allow limited use of the country system in public procurement through the use of national standard bidding documents for goods and works in National Competitive Bidding procedures (NCB); and (iii) the Bank has used budget support to respond to some demands from Nigeria, for example, the budget support for the Economic and Power Sector Reform Program in Nigeria (2009).

3. BANK GROUP STRATEGY FOR NIGERIA

3.1. Rationale for Bank Group Intervention and Strategic Pillars

3.1.1. Rationale for Bank Group Intervention. The Bank Group's CSP for Nigeria provides the framework for supporting Nigeria's development efforts over the period 2012-16. The CSP is aligned with the long-term development agenda of the Government, as anchored in the Transformation Agenda (TA), and with the CAF currently being developed by development partners.

Box 3: Results of Consultations with Stakeholders

During the consultations held in Abuja during the CSP preparatory and dialogue mission, which took place on June 25th-July 6th, 2012 and January 18th-25th, 2013 respectively, all stakeholders including civil society organizations agreed that the key impediments to Nigeria's development are weakness in governance and the dilapidated state of infrastructure, particularly power.

The federal authorities emphasized the need for the bank to strengthen its advisory role for a sound policy environment to facilitate the implementation of the TA. The need for the Bank to support the power and agriculture sectors to promote inclusive and green growth was also paramount.

Also highlighted as key issues were: (i) bottlenecks to private sector; (ii) governance and infrastructure development; (iii) weak access to finance, specifically for the SME; and (iv) the need to develop PPP to facilitate more private investment in the non-oil sector. In this regard, the government emphasized the need for the Bank to support capacity building and give technical assistance to improve the business environment as well as support the PPP legal and institutional framework.

Civil society organizations identified corruption and infrastructure development, particularly power, as key constraints to Nigeria's development. They emphasized the role of women in economic development and the need for the Bank to mainstream gender in its projects and programs. They expressed the wish to be more involved in the design and monitoring of Bank's projects to improve their development outcomes and the visibility of the Bank in Nigeria.

Consultations with technical and financial partners revealed that addressing the power sector constraints and improving oil resources management will be key towards unlocking Nigeria's growth potential.

3.1.2. The AfDB's strategy aims primarily at promoting inclusive and green growth. Recognizing the huge financing needs of the country and the relatively small size of Nigeria's resource envelop at the AfDB, the strategy focuses on (i) fostering a good policy environment; and (ii) investing in critical infrastructure. A sound policy environment would ensure effective transformation of Nigeria's commodities-oriented economy (agriculture and crude-oil production) into an industrial, manufacturing and tradable services-oriented economy. Moreover, it is imperative for the Bank to leverage its resources in Nigeria strategically. This will require novel approaches that would reposition the Bank to ensure maximum value addition. The strategy will therefore adopt analytical and policy advisory activities to provide an important frame of reference for deeper engagement in Nigeria.

3.1.3. *Strategic Pillars.* The analysis above was largely shared by all the development stakeholders during the CSP consultations (Box 3). The CSP therefore adopts two strategic pillars which combine ambition and realism to ensure that the Bank's resources are utilized effectively: Pillar I—Supporting the development of a sound policy environment, and Pillar II,—Investing in critical infrastructure to promote the development of the real sector of the economy. A distinct feature of this CSP is the prioritization of policy advisory services to be supported by enhanced analytical work. This innovative approach resonates well with the Government of Nigeria and other stakeholders.

3.1.3.1 Pillar 1: Supporting the Development of a Sound Policy Environment

3.1.3.1.1 This pillar is based on lessons from the last CSP and the Bank's operations in Nigeria. A fundamental lesson is that the quality, availability, and timeliness of analytical work and policy advice are crucial for the government's development effectiveness. Unfortunately, the Bank has placed greater emphasis on hardcore infrastructure at the peril of soft infrastructure -deeper engagement on policy advice underpinned by robust and cutting-edge knowledge work. It is important that the Bank combines the two (soft and hard infrastructure support) in a complementary manner. Although the resource requirement for policy advice and knowledge work is relatively small, its impact is enormous; ultimately improving government efficiency and effectiveness. It is therefore important for the Bank to carve policy and analytical niches in domestic policy development and implementation. This will involve stepped-up efforts to deliver high quality policy advice through targeted analytical and advisory work in key selected areas critical for the achievement of the objectives of the TA.

3.1.3.2 Pillar 2: Investing in Critical Infrastructure to Promote the Development of the Real Sector of the Economy

3.1.3.2.1 Given the Bank's comparative advantage and the priorities identified by the Government, support to infrastructure development must be a key element of the Bank Group's strategy. There are several ways to deliver on this, including: (i) using the Bank's position and resources to leverage third-party investments in the form of co-financing, and playing a facilitating role in mobilizing other investors, including emerging partners such as BRIC countries; and (ii) playing a key role in mobilizing additional co-financing from climate finance, especially for the infrastructure and agriculture sectors. The Bank's strategic focus for sovereign and non-sovereign operations will be aligned with the key pillars of the Bank's Private Sector Development strategy and Nigeria's TA. Accordingly, the Bank could provide support in two main areas: (i) knowledge and advisory services to facilitate public-private dialogue and PPPs, and (ii) selected and targeted investments in critical infrastructure.

3.1.3.2.2 Under these two pillars, special emphasis will be laid on key crosscutting themes such as gender, human development (skills development), youth employment, and resilience to climate change in order to guarantee inclusive and green growth. The strategy proposed is consistent with the Bank Group's Long Term Strategy and the Regional Integration Strategy for West Africa.

3.2 Key Deliverables and Targets

3.2.1 To deliver inclusive and green growth, foster good policy environment, reduce gender and regional disparities, and support Nigeria's transition to a frontier market and middle-income status, the Bank's operations under this CSP will seek to achieve the results below.

3.2.2 Pillar 1 (Result 1) *óSv t g p i v j g p g f " D c p m ø u " C p to r f d c i t t e e t l e n " c p f*
Io r n g o g p v c v k q p " q h Transformation q Agenda. p The structural transformation of Nigeria's economy from a commodities-oriented to an industrial, manufacturing and tradable services-oriented economy goes beyond the resource issue. It requires good policies and, most importantly, their implementation to ensure an effective and efficient use of domestic resources. Deepening policy dialogue and scaling up the delivery of knowledge work on thematic areas of high importance to the Nigerian government, will position the Bank as a key player in policy formulation in Nigeria. Under this pillar, the Bank will provide analytical and advisory services to underpin its country policy dialogue. Non-lending activities will be undertaken on topics such as resource mobilization, oil resources and subsidy management, private public partnerships, job creation, green growth, gender mainstreaming, and regional integration. Under this pillar, the Bank will also contribute to enhancing the macroeconomic environment, by joining the World Bank and IMF team to undertake debt sustainability and other macroeconomic analysis as a monitoring tool of Nigeria's economic situation.

3.2.3 Achieving the Pillar 1 result 1 would require close collaboration between the Nigeria Field Office, the Operational Policies Department, the Chief Economist's Complex, Sector Departments within the Bank, and other partners, in undertaking key ESWs and producing timely and relevant policy notes to inform Government's actions. Deliverables under this, as provided in Annex 10B, would include: (i) Finalization of the Domestic Resource Study and the Flagship Report on Infrastructure Action Plan in Nigeria; (ii) Assessment of the Power and Agricultural Sectors in the Transformation Agenda; (iii) Study to Reform Development Finance Institutions and the Creation of Big Umbrella Development Finance Institutions along the lines of the Brazilian Development Bank (BNDES), (iv) Using the African Legal Facility of the Bank to provide legal advice to the Nigeria National Petroleum Corporation (NNPC) on the management of the oil sector, and (v) Providing Economic Policy Briefs and Notes on specific topics at the request of the Ministry of Finance and the Office of the Chief Economic Advisor to the President. In this context, the Bank can draw from its operations in Nigeria to periodically publish papers to showcase specific policy related lessons and organize related high-level stakeholder meetings. In addition, the Bank will explore the possibility of assisting the GoN to develop a full-fledged green growth strategy.

3.2.4 Pillar 1 (Result 2): Provide Targeted Assistance to Improve Economic Governance (Public Financial Management and Sector Governance), and Statistical Services. Economic governance and institutional capacity is very weak. There is inadequate progress in a wide range of programs to improve the regulatory capacities of existing and new agencies. Also, there is a weak program of skills development. As provided in Annex 10B, Pillar 1 will help strengthen these by providing technical assistance and/or support capacity building in the following Ministries, Departments and Agencies to help improve their operations and economic governance: (i) the National Bureau of Statistics; (ii) the Monitoring and Evaluation Unit of the National Planning Commission; (iii) the Budget Office of the Federal Ministry of Finance; (iv) the Ministry of Works; (v), the Bureau of Public Procurement; (vi) the Office of the Auditor General of the Federation; (vii) the Public Accounts Committee of the National Assembly. These will be delivered through a mix of aid instruments including budget support.

3.2.5 Pillar 2 (Result 1): Infrastructure Consolidation to Boost Competitiveness and Promote the Development of the Real Sector of the Economy. Building on its positive experience in the country, the Bank will assist the Government in addressing the infrastructure needs, particularly in the road transport, energy, agriculture, and water and sanitation sectors. The objective will be to support the government's goal of providing safe, efficient, cost-effective, environmentally friendly, climate resilient, and fully integrated infrastructure network. As provided in Annex 10A, deliverables under this pillar (i) a multi-sectoral support for the Nigeria Agricultural Transformation Agenda; (ii) support for the creation of a big umbrella development finance institution along the lines of the Brazilian development bank to supply long-term financing and equity financing to private enterprises, particularly, small and medium enterprises, at subsidized cost of borrowing, (iii) a multi-sectoral support for the Transport Sector Governance Reforms; and (iv) the development of the Abuja urban transport system. Particular consideration will be given to making the infrastructure more climate

resilient by incorporating adaptation in the design stage, which will be much more cost-effective. In the power sector, the Bank will provide support to the Government's efforts to produce 12,000 MW of electricity by 2017. As provided in Annex 10A, this would be done through the provision of Bank instruments like partial risk guarantees (PRG) to help crowd in private financing, accelerate foreign direct investment, and encourage private sector participation in public-private partnerships, in particular Independent Power Producers (IPPs).

3.2.6 Pillar 2 (Result 2): Support Enabling environment for agriculture. The proposed Bank's interventions are in consonance with the Government's policy to transform the agricultural sector. The overall objective is to support and develop agribusiness as a platform to create jobs, ensure food security, increase incomes, diversify the product consumption base, have stable final products of good shelf life and engender the needed import substitution of most imported food commodities in Nigeria. As provided in Annex 10A, the Bank would provide multi-sectoral support to the Nigeria Agricultural Transformation Agenda. The new operations will complement the existing programmes, and will further explore the options for climate smart agriculture practices, in line with the country's Sustainable Land Management (SLM) investment framework. The projects will also complement the other projects based on the Value Chain Climate Resilience Development Approach. The package of interventions envisaged include: (a) support for the improvement/development of infrastructure in the Staple Crop Processing Zones (SCPZ), particularly, roads linking farms to markets, climate resilient irrigation systems and power; (b) transformative beef processing centres; (c) technical support for institutional reforms in agricultural extension services and agribusiness investment; (d) promotion of youth in agribusiness; and (e) revitalization of farm settlements into farm cities to absorb youths with interest in modern agriculture.

3.2.7 Cross-Cutting Issues: The Bank Group will continue to work with other donors to ensure that cross-cutting issues of governance, human capital, gender, inclusive and green growth, environment and climate change, including the environmental impact of the extractive industries, are given adequate attention. These issues will be mainstreamed in the Bank's operations.

3.2.8 Leveraging the Private Sector: Drawing from its experience in the continent, the Bank will seek to catalyze private sector investments in the key priority areas of infrastructure defined above (see Paragraph 3.2.5). On gas to power operations, the Bank will seek to support indigenous companies which are operating under the recently passed Local Content Act. Beyond direct investments, the Bank will endeavor to deepen private sector participation in infrastructure financing through investments in private equity funds, and the provision of lines of credit and partial risk guarantee to financial intermediaries. To strengthen private sector participation and accelerate the implementation of PPPs, the Bank will assume a targeted analytical and policy advisory role to facilitate sector reforms and PPPs. Greater emphasis will be placed on enhancing private sector participation in the development of agriculture value chains. The Bank will also continue to support reform efforts aimed at improving the business environment.

3.2.9 Resource mobilisation: Given the huge financing needs of the country and the relatively small size of its ADF allocation, the Bank's financing strategy will be to use its available resources in a catalytic manner to leverage third-party investments in the form of co-financing, and play a facilitating role in mobilizing other investors, including emerging partners such as the BRIC countries, into the infrastructure sector in Nigeria. Chinese companies are very active in the Nigerian manufacturing and infrastructure sectors and the Chinese government has pledged strong support for funding key infrastructure projects in Nigeria. Indian companies are also prominent in telecommunications, and power transmission sectors. Emphasis will also be on supporting the country's broader resource mobilization efforts, including domestic resources mobilization and tapping the revenue potential of the extensive Nigerian Diaspora. Last but not least, the Bank will catalyse additional climate funds using its role as executing agency for various funds such as the Climate Investment Funds, Climate Change Adaptation Fund, the Global Environment Fund, and the Sustainable Energy Fund for Africa. The Bank may also mobilize carbon funds as necessary, and the Green Climate Fund as it becomes available.

3.2.10 *Development* The Bank's own resources will comprise: (i) non-sovereign and sovereign guarantee loans from the ADB window; (ii) part of Nigeria's ADF-12 Performance-Based Allocation (UA 194.4 million of which UA 130.48 million is available for use in 2013); (iii) the regional operations envelop; and (iv) Nigeria's ADF-13 PBA allocation. Operations under Pillar I will be financed mostly from the Bank's administrative budget, bilateral trust funds and the Middle Income Country (MIC) trust fund; while operations under Pillar II will be financed mostly from non-sovereign and sovereign guarantee loans from the ADB window, the Clean Technology Fund (CTF)⁴ and ADF allocations. Also, in line with the recommendations of the decentralization road map, efforts will be made towards strengthening NGFO to better respond to the needs of the Bank strategy.

3.2.11 *Bank Group Instruments*. The Bank Group will deploy the full range of its sovereign and on sovereign instruments to implement the strategy. Budget support will continue, given the need to support reforms aimed at improving governance and the implementation of sectoral policy reforms and the consolidation of dialogue with the country. The Federal Government is implementing various sector and public financial management reforms, including financial reporting, external audit and procurement, aimed at reducing fiduciary risk. The Bank will work with other development partners, and Federal and State governments, to push the implementation of the PFM reforms and the revision of the PFM reform strategy.

3.3 Monitoring and Evaluation

3.3.1 The National Monitoring and Evaluation System (M&E) will be used to assess the contribution of the Bank's assistance towards the country's development goals and objectives as defined in the Transformation Agenda. Building on the ADF Measurement Framework and to facilitate results measurement, M&E systems would be incorporated in all Bank Group operations. The CSP 2013-2017 Results Framework (Annex 11), which is aligned with National Monitoring and Evaluation System, will be used to monitor the implementation, progress, outputs, and outcomes of the strategy. A Mid-Term Review of the CSP will be conducted in 2015 to evaluate the status of the implementation of the CSP, examine implementation challenges and measures to address them to ensure effective implementation of the CSP.

3.4 Country Dialogue Issues

The following issues will be addressed to strengthen dialogue with the country within the framework of CSP 2013-17 implementation plan:

3.4.1 *Resource Mobilization and Implications of Nigeria Graduating to an ADB-only country status*: Unlike previously, the Nigerian authorities have expressed their willingness to borrow from the ADB window for development projects to unlock its potential for realizing its long-term objective of being among the leading economies in the world. The Bank will pursue the dialogue on this issue with the authorities (Box 4) emphasising how limited the ADF allocation is for Nigeria, relative to its development needs and the advantage of having access to more resources as an ADB country. Furthermore, it will point out that sovereign guaranteed loans have favourable financing terms. The dialogue will also focus on mobilizing alternative funding resources such as pension funds, and diaspora bonds to help finance development, and strengthening various institutions to improve transparency and accountability in public financial management.

⁴ Nigeria likely to be allocated US\$ 150 million from the CTF for urban and public transport;

3.4.2 Promoting competitiveness and inclusive and green growth: Economic diversification and increased competitiveness are vital for achieving inclusive growth and will thus be a key focus of policy dialogue with the authorities.

3.4.3 P k i g t k c ø u " Regional Integration in West Africa: Tapping the huge potential role of strengthened regional economic integration in West Africa in Nigeria development efforts will feature prominently in the dialogue with the authorities.

3.4.4 Private Sector Development: Creating an enabling environment for the development of the private sector, particularly, Small and Medium Enterprises, with emphasis on accessibility to credit at reduced cost will be a major area for policy dialogue with the authorities.

3.5 Potential Risks and Mitigating Measures

The major risks that may affect the effective implementation of the strategy include (i) project Implementation risk, (ii) security risk, (iii) fiduciary risk and (iv) vulnerability to external shocks.

Box 4: Nigeria Graduating from a Blend Country to an ADB country

Nigeria has been classified as a blend country since the adoption of the Bank's current credit policy in 1995. Up until 2005, it was classified both by the AfDB and the World Bank as a blend country. However, for Nigeria, a non-HIPC country to receive debt relief from the Paris Club in 2005, it had to be re-classified as an IDA-only country. Nigeria achieved the change to IDA-only status in mid-2005, paving the way for receiving debt-relief from the Paris Club. However, the AfDB maintained its blend country status for Nigeria, while the World Bank reclassified it as IDA-only.

According to the Bank Group Credit Policy (ADB/BD/WP/95/79) and (ADB/BD/WP/98/33) and Transition Framework (ADB/BD/WP/2011/20/Rev.2 and (ADF/BD/WP/2011/14/Rev.2), Nigeria's graduation to ADB-only status during the CSP period is a possibility. Nigeria's current GNI per capita of US\$1,280 (2011 estimate, World Bank Atlas Method) is slightly above the operational cut-off (US\$1,195 in 2011) for blend status. This trend has been observed for two years. In 2010, Nigeria's GNI per capita was US\$1,250, which was also slightly above the US\$ 1,175 operational cut-off in 2010. If this income trend continues for one more year, and Nigeria remains creditworthy, the trigger for reclassifying Nigeria to an ADB-only status would be met. Management would then develop a tailored transition program, during which ADF resources would be phased out. The length of the transition period could be between 2-5 years on the basis of the following criteria: (i) pervasiveness of poverty; (ii) rate of economic growth; and (iii) financial need and use of Bank resources.

The tailored program should be part of the country programming document, such as the CSP to ensure alignment with the broader strategy of Bank's assistance and country dialogue.

The World Bank is also considering reclassifying Nigeria as a blend country, while the French Development Agency is contemplating some adjustments to its financing terms for Nigeria. The Bank will closely monitor these developments and dialogue with the authorities on the graduation process when this becomes necessary.

Nigeria - Development Indicators				
Social Indicators	Nigeria		Africa	Developing countries
	1990	2011 *		
Area ('000 Km ²)	924		30,323	98,461
Total Population (millions)	97.6	162.5	1,044.3	5,733.7
Population growth (annual %)	2.5	2.5	2.3	1.3
Life expectancy at birth, total (years)	45.6	51.9	57.7	77.7
Mortality rate, infant (per 1,000 live births)	126.8	89.9	76.0	44.7
Physicians per 100,000 People	...	39.5	57.8	112.0
Births attended by skilled health staff (% of total)	33.0	38.9	53.7	65.3
Immunization, measles (% of children ages 12-23 months)	54.0	71.0	78.5	84.3
School enrollment, primary (% gross)	84.8	83.3	101.4	107.8
Ratio of girls to boys in primary education (%)	78.9	91.0	88.6	...
Literacy rate, adult total (% of people ages 15 and above)	...	61.3	67.0	80.3
Access to Safe Water (% of Population)	47.0	58.0	65.7	86.3
Access to Sanitation (% of Population)	37.0	31.0	39.8	56.1
Human Develop. (HDI) (0 to 1)	0.4	0.5	0.5	...
Human Poverty Index (% of Population)	...	36.2	33.9	...
Nigeria				
Economy	2000	2009	2010	2011
GNI per capita, Atlas method (current US\$)	270	1,190	1,180	...
GDP (current Million US\$)	46,386	168,587	202,523	241,517
GDP growth (annual %)	6.3	7.0	7.8	6.7
Per capita GDP growth (annual %)	3.8	4.3	5.2	4.0
Gross Domestic Investment (% of GDP)	20.4	12.1	13.6	13.6
Inflation (annual %)	6.9	12.5	13.7	10.2
Budget surplus/deficit (% of GDP)	5.9	-9.4	-7.7	-0.2
Trade, External Debt & Financial Flows	2000	2009	2010	2011
Export Growth, volume (%)	18.8	2.8	2.4	-2.5
Import Growth, volume (%)	-21.4	1.4	49.0	-7.3
Terms of Trade (% change from previous year)	24.4	-13.0	62.8	-15.1
Trade Balance (mn US\$)	14,112	27,649	38,731	47,959
Trade balance (% of GDP)	30.4	16.4	19.1	19.9
Current Account (mn US\$)	5,786	55,806	12,599	28,082
Current Account (% of GDP)	12.5	33.1	6.2	11.6
Debt Service (% of Exports)	6.9	0.9	0.6	0.3
External Debt (% of GDP)	65.2	2.3	2.5	2.4
Net Total Inflows (mn US\$)	-1,994	4,002	1,541	...
Net Total Official Development Assistance (mn US\$)	174	1,657	2,062	...
Foreign Direct Investment Inflows (mn US\$)	1,310	8,650	6,099	...
External reserves (in month of imports)	6.3	6.9	3.6	...
Private Sector Development & Infrastructure	2000	2009	2010	2011
Time required to start a business (days)	...	31	31	34
Investor Protection Index (0-10)	...	5.7	5.7	5.7
Main Telephone Lines (per 1000 people)	4.5	9.6	6.6	...
Mobile Cellular Subscribers (per 1000 people)	0.2	482.4	551.0	...
Internet users (000)	0.6	284.7	284.0	...
Roads, paved (% of total roads)	...	...	...	...
Railways, goods transported (million ton-km)	...	...	...	...

Source: ADB Statistics Department, based on various national and international sources

* Most recent year

Last Update: May 2012

Nigeria: Progress towards achieving MDGs

Social Context

Table 4: Progress Towards achieving the MDGs

	1990 ¹	2000 ²	2011 ³
Goal 1: Eradicate extreme poverty and hunger			
Employment to population ratio, 15+, total (%)	52.3	51.8	51.8
Malnutrition prevalence, weight for age (% of children under 5)	35.1	27.2	26.7
Poverty headcount ratio at \$1.25 a day (PPP) (% of population)	49.2	64.4	...
Gini Coefficient	...	...	43.7
Prevalence of undernourishment (% of population)	16.0	9.0	6.0
Goal 2: Achieve universal primary education			
Literacy rate, youth female (% of females ages 15-24)	62.5	60.5	65.3
Literacy rate, adult total (% of people ages 15 and above)	55.4	54.8	60.8
Primary completion rate, total (% of relevant age group)	...	76.8	79.2
Total enrollment, primary (% net)	...	66.5	62.1
Goal 3: Promote gender equality and empower women			
Proportion of seats held by women in national parliaments (%)	...	7.0	7.0
Ratio of female to male primary enrollment	83.5	84.3	91.0
Ratio of female to male secondary enrollment	77.8	80.5	88.1
Goal 4: Reduce child mortality			
Immunization, measles (% of children ages 12-23 months)	44.0	37.0	71.0
Mortality rate, infant (per 1,000 live births)	125.5	103.7	89.9
Mortality rate, under-5 (per 1,000)	210.1	170.0	144.9

Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports,

Nigeria

Table 4 (Cont'd) : Progress Towards achieving the MDGs

	1990 ¹	2000 ²	2011 ³
Goal 5: Improve maternal health			
Births attended by skilled health staff (% of total)	33.0	35.2	...
Contraceptive prevalence (% of women ages 15-49)	13.4	12.6	14.6
Maternal mortality ratio (modeled estimate, per 100,000)	1100.0	980.0	840.0
Goal 6: Combat HIV/AIDS, malaria, and other diseases			
Incidence of tuberculosis (per 100,000 people)	139.0	180.0	133.0
Prevalence of HIV, female (% ages 15-24)	...	...	2.3
Prevalence of HIV, male (% ages 15-24)	...	...	0.8
Prevalence of HIV, total (% of population)	4.0	3.7	3.6
Goal 7: Ensure environmental sustainability			
CO2 emissions (kg per PPP \$ of GDP)	2.6	1.2	0.8
Improved sanitation facilities (% of population with access)	36.0	33.0	31.0
Improved water source (% of population with access)	50.0	56.0	58.0
Goal 8: Develop a global partnership for development			
Net total ODA/OA per capita (current US\$)	1.9	4.2	13.0
Internet users (per 1000 people)	...	13.0	284.0
Mobile cellular subscriptions (per 1000 people)	0.1	67.1	551.0
Telephone lines (per 1000 people)	3.7	7.5	6.6

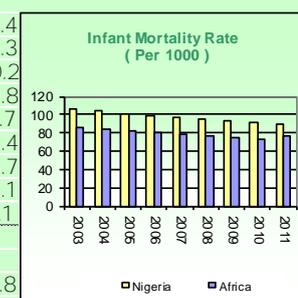
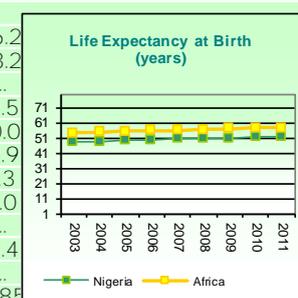
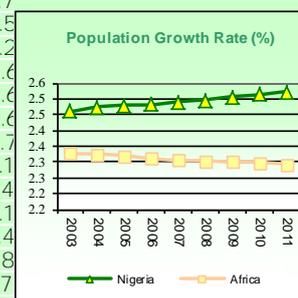
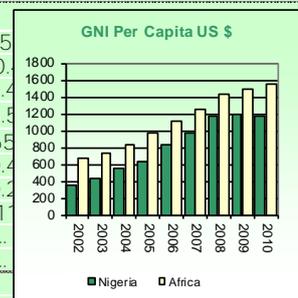
Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports.

1 Latest year available in the period 1990-1995; 2 Latest year available in the period 2000-2004; 3 Latest year available in the period 2005-2011

Nigeria

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Nigeria	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)	2011	924	30,323	80,976	54,650
Total Population (millions)	2011	162.5	1,044.3	5,733.7	1,240.5
Urban Population (% of Total)	2011	50.5	40.4	45.5	75.4
Population Density (per Km ²)	2011	178.4	36.1	59.9	36.5
GNI per Capita (US \$)	2010	1 180	1 549	3 304	38 650
Labor Force Participation - Total (%)	2011	55.7	66.8	65.0	60.4
Labor Force Participation - Female (%)	2011	48.1	56.6	49.2	50.2
Gender -Related Development Index Value	2007	0.499	0.502	0.694	0.910
Human Develop. Index (Rank among 187 countries)	2011	156	...	...	...
Popul. Living Below \$ 1.25 a Day (% of Total)	2010	68.0	40.0	22.4	...
Demographic Indicators					
Population Growth Rate - Total (%)	2011	2.5	2.3	1.3	0.4
Population Growth Rate - Urban (%)	2011	4.0	3.4	2.3	0.7
Population < 15 years (%)	2011	42.8	40.4	28.7	16.5
Population >= 65 years (%)	2011	3.4	3.4	5.9	16.2
Dependency Ratio (%)	2011	86.1	78.1	53.0	48.6
Sex Ratio (per 100 female)	2011	102.6	99.5	103.4	94.6
Female Population 15-49 years (% of total)	2011	23.0	24.4	26.2	23.6
Life Expectancy at Birth - Total (years)	2011	51.9	57.7	67.0	77.7
Life Expectancy at Birth - Female (years)	2011	52.7	58.9	68.9	81.1
Crude Birth Rate (per 1,000)	2011	39.7	34.5	21.1	11.4
Crude Death Rate (per 1,000)	2011	14.1	11.1	7.8	10.1
Infant Mortality Rate (per 1,000)	2011	89.9	76.0	44.7	5.4
Child Mortality Rate (per 1,000)	2011	144.9	119.5	67.8	7.8
Total Fertility Rate (per woman)	2011	5.5	4.4	2.6	1.7
Maternal Mortality Rate (per 100,000)	2010	630.0	530.7	230.0	13.7
Women Using Contraception (%)	2008	14.6	28.6	61.2	72.4
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2008	39.5	57.8	112.0	276.2
Nurses (per 100,000 people)*	2008	160.5	134.7	186.8	708.2
Births attended by Trained Health Personnel (%)	2008	38.9	53.7	65.3	...
Access to Safe Water (% of Population)	2010	58.0	65.7	86.3	99.5
Access to Health Services (% of Population)	2007-09	...	65.2	80.0	100.0
Access to Sanitation (% of Population)	2010	31.0	39.8	56.1	99.9
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2009	3.6	4.3	0.9	0.3
Incidence of Tuberculosis (per 100,000)	2010	133.0	241.9	150.0	14.0
Child Immunization Against Tuberculosis (%)	2010	76.0	85.5	95.4	...
Child Immunization Against Measles (%)	2010	71.0	78.5	84.3	93.4
Underweight Children (% of children under 5)	2008	26.7	30.9	17.9	...
Daily Calorie Supply per Capita	2007	2 741	2 462	2 675	3 285
Public Expenditure on Health (as % of GDP)	2009	2.1	2.4	2.9	7.4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010	83.3	101.4	107.8	101.4
Primary School - Female	2010	79.3	97.6	105.6	101.3
Secondary School - Total	2010	44.0	47.5	64.0	100.2
Secondary School - Female	2010	41.2	44.3	62.6	99.8
Primary School Female Teaching Staff (%)	2010	48.2	44.3	60.7	81.7
Adult literacy Rate - Total (%)	2010	61.3	67.0	80.3	98.4
Adult literacy Rate - Male (%)	2010	72.1	75.8	86.0	98.7
Adult literacy Rate - Female (%)	2010	50.4	58.3	74.9	98.1
Percentage of GDP Spent on Education	2007-09	...	4.6	4.1	5.1
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2009	37.3	7.6	10.7	10.8
Annual Rate of Deforestation (%)	2007-09	2.6	0.6	0.4	-0.2
Forest (as % of Total Land Area)	2010	9.9	23.0	28.7	40.4
Per Capita CO2 Emissions (metric tons)	2009	0.5	1.1	2.9	12.5



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update :

June 2012

UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports.

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Nigeria Oil and Gas Sector and the Fuel Subsidy

Nigeria is the largest oil producer in Africa and the tenth largest in the world, averaging about 2.3 million barrels per day, with 37.2 billion barrels of proven oil reserves. Despite these impressive oil resource endowments, the contribution of Nigeria's oil and gas sector to the national GDP in 2011 was about 14.7%. This is the direct consequence of the importation of 80% of the goods and services needed for projects in the sector. However about 79% of federally collected revenue and 71% of total export revenue are from the oil and gas industry. The Federal Government of Nigeria passed into law the Nigerian Oil and Gas Industry Content Development Bill on 22nd April 2010.

The Nigeria oil and gas industry lacked transparency, accountability, and good governance. So, the Government initiated a process for Nigeria to comply with the principles of the Extractive Industry Transparency Initiative (EITI), which allowed the country to be declared EITI compliant in March 2011. To further enhance transparency, accountability, and good governance, the current administration has introduced the Petroleum Industry Bill (PIB) which is under consideration by the National Assembly. The PIB is an attempt to bring the various legislative, regulatory, and fiscal policies; instruments and institutions that govern the Nigeria Petroleum Industry under one law. The Bill establishes and clarifies the rules, procedures, and institutions that will ensure good governance, transparency and accountability in the oil and gas sector. It also introduces new operational and fiscal terms for revenue management that will enable the Nigerian Government to retain a higher proportion of the revenues derived from the operations in the industry.

Even though Nigeria is the tenth largest oil producer in the world, it imports about 85% of its refined petroleum product needs due to the low capacity utilization (around 30%) and frequent breakdowns of its refineries.

Whereas many African countries tax retail fuel to provide a major source of fiscal revenue, Nigeria provides a fuel subsidy to prevent rising international fuel prices from translating into increases in domestic fuel prices with a rigidly fixed retail fuel price. From a fiscal perspective, the importation of refined fuel has two negative implications. First foreign exchange reserves will be used to finance imports of refined fuel. Second international fuel prices tend to be volatile, thus causing the costs of fuel subsidy to fluctuate and hampering prudent financial management. In 2011, 30% of the total federal government expenditure or about 4.2% of Nigeria's GDP was spent on payment to fuel marketers as petrol subsidies. Poor and middle income Nigerians do not benefit much from the fuel subsidy because either they do not own cars and rely on public transportation or they use small cars that consume minimal fuel. Furthermore, the fixed fuel price was lower than that of neighbouring countries thus, encouraging smuggling for rent seeking

On January 1, 2012, the Nigerian Government decided to eliminate the subsidy on gasoline. This caused retail fuel price increasing from the NGN 65 (USD0.42) to NGN 141 (USD0.92) per litre, which triggered 8 days of national strike. After negotiations with the civil society the Nigerian Government agreed to reduce the fuel price to NGN 97 (USD0.63) per liter, and the strike was called off. The cost of the 8-day strike is estimated at about 0.5% of GDP. The savings from fuel subsidy removal is targeted for social safety net programs and key infrastructure projects through the Subsidy Reinvestment and Empowerment (SURE) Program.

The key messages from Nigeria's fuel subsidy removal include (i) the need to adopt a holistic approach to the exercise including the introduction of measures to mitigate the immediate impact of the fuel subsidy, increased transparency, improved regulatory framework and the promotion of good governance in the energy industry; (ii) the importance of building broad based political support by discussing the need to reduce fuel subsidy with the general public; and (iii) the need to adopt a gradual approach to provide the opportunity for consumers and business to adjust their energy consumption pattern without major disruptions.

The Nigeria Power Sector

Nigeria's current available power generation capacity stands at approximately 4,200MW, far less than the estimated demand of 10,000-12,000MW. The Federal Government of Nigeria is pursuing privatisation to encourage private sector best practices and technology to close the gap.

The Power Sector Roadmap will fully privatize power generation and distribution while reducing the cost of electricity to rural households and the urban poor. The reform focuses on a two-pronged approach. First, is the immediate repair of power plants, as well as transmission and distribution infrastructure in the short-term. The second is building institutions and providing enablers to attract investors. In this regard, a National Gas Emergency Plan has been launched to redress the problem of gas supply which arose from poor planning.

The Nigerian Government has put in place incentives to encourage investors such as a Tax holiday of 3 – 5 years granted to energy sector companies along with a reduced corporate tax rate of 30%. Power generation companies using natural gas as an input are allowed further incentives including: a) accelerated capital allowance of up to 90 percent after the tax free period with 10 percent retention in the accounting books b) 15% investment capital allowance which does not reduce the value of the asset c) all dividends distributed during the tax holiday are not subject to tax, and d) Interest on loans on gas projects are tax deductible, provided an approval was sought from the Ministry of Finance for such projects

The African Development Bank Group offers the Partial Risk Guarantee Instrument that will provide investors comfort with investing in the Nigerian power privatization program. PRGs protect private lenders and/or investors against the risk of a government entity not fulfilling its contractual obligations. PRGs are suitable for privatization of infrastructure assets as in the Nigerian privatization program. The PRG will also cover off-take obligations for the National Integrated Power Plant giving comfort to gas suppliers and providing regulatory risk cover to the Discos for non-review of tariffs by the NERC.

Some of the existing gaps the Government of Nigeria is seeking to fill are in transmission and generation, with much scope for Bank participation. Constraints related to the transmission lines are partly responsible for frequent outages and the Bank's financing could increase the network's reliability. Support to increase the country's generation to achieve its ambitious target of 40,000MW by 2020 is similarly vital. PRGs are seen as important for attracting private financing in the sector and for enhancing the credit-worthiness of the NBET; whilst the World Bank and MIGA are involved, there is also need for Bank involvement as the financing needs are significant.

Interconnection projects could also play a role in fostering the participation of the private sector in the investments needed to construct major electricity generation plants as regional integration creates economies of scale and the benefits of larger markets can improve Nigeria's productive capacity.

Fiduciary strategy

1. Public Financial Management Systems

The recent Public Financial Management (PFM) diagnostic reviews and the Bank's fiduciary risk assessment indicate that the fiduciary risk at the federal level is high. Despite recent progress, the fiduciary assurance at the federal level is weak. The Federal government has enacted the required Fiscal and PFM Acts, but the challenge is to improve enforcement of the laws and regulations. The areas of key fiduciary risks are: 1) lack of proper scrutiny of external audit reports; 2) limited independence and effectiveness of external audit; 3) low level involvement of internal audit in systems audit and risk assessment; 3) lack of proper follow-up of audit findings issued by internal and external auditors; 4) non-disclosure of the annual financial statements and audit reports; and 5) the complexity of the intergovernmental (between federal, states and localities levels) transfer system.

The Federal Government has launched several PFM reforms to reduce inefficiency and waste in budgets and ensure a steady improvement in the quality of public expenditures. The PFM reforms are not coordinated by a central authority at the federal level. Each of the ministries, departments and agencies is responsible for coordinating and implementing the PFM reforms. There is a need to establish a central authority to coordinate the various PFM reforms, sequence the reforms steps and ensure the sustainability of the reforms.

Recent PFM reports indicate a number of positive developments in public finance management at the states level. However, these improvements in PFM do not go far enough to significantly influence the overall quality of public finance management in states. The states need to build modern PFM reforms to ensure effective public service delivery.

To mitigate the fiduciary risk in the country, the Bank, working with other development partners, and federal and states governments, will push the agenda for a coordinated approach in the implementation of the PFM reforms in the country and the revision of the PFM reform strategy. The Bank will also work with relevant stakeholders to raise funds to support the PFM reforms and will finance some of the reforms through the institutional support project. The Bank's intervention could be in the areas of internal and external audits; budget implementation, monitoring, and reporting. The Bank will also undertake PFM related analytical and advisory activities focusing on assessing PFM reforms implementation and needs assessment of oversight institutions. Depending on the specific risk assessment of each future project, the Bank may include a component for building the financial management system of a project.

2. Procurement

In compliance with Clause 3.3 of the African Development Bank's 2008 Rules & Procedures for Procurement of Goods and Works (R&P)—which provides for the use of Borrower's National Procurement Procedures (NPP) in Bank-financed projects when National Competitive Bidding (NCB),—the Bank is currently assessing Nigeria's national procurement system for the use of national competitive bidding (NCB) procedure in the procurement of works and goods under its financed projects. The draft report indicates that the system complies with basic principles of fairness, transparency, competitiveness and cost effectiveness. However, the report noted three (3) areas of material deviation from acceptable practices. They are: (i) a lack of conditions to allow parastatals to bid and be awarded contracts, (ii) the granting of Margin of Domestic Preference are allowed under NCB, including in Bank-financed projects, and (iii) lack of an independent mechanism for complaints and appeals (the role of BPP in dealing with complaints and appeals is in conflict with its oversight responsibility). These deviations need to be addressed in order to make national procurement procedures (NPP) comply with AfDB's rules and procedures. Hence, it will constitute the basis for dialogue between the Bank and the Government.

The mission noted the slow-paced implementation of the procurement reforms particularly at the state level; and concludes that enhancing good procurement practices will significantly improve project implementation and the achievement of value for money. The potential areas of intervention include (i) institutional capacity building (including use of e-procurement) at federal and state level; and (ii) introduction of sustainable procurement to incorporate social values, economy and the environment.

As the Bank is moving progressively towards the Use of Country Systems in procurement, future interventions in the country will be substantially implemented using the Country's procurement guidelines. In this respect, there is the urgent need for dialogue with the Government in addressing some fundamental issues with the National Procurement Procedures: (1) The Federal Public Procurement Act 2007 identified the composition of a National Council on Public Procurement, but it has not been constituted as yet. (2) Procurements for Bank intervention in states will continue to be guided by the Bank's Rules until such a time when acceptable procurement structures are put in place in the respective states.

N I G E R I A ' S C L I M A T E F A C T S H E E T

INTRODUCTION: This Fact Sheet identifies a range of development activities that could be targeted for investment by the Bank in its support to Nigeria's CSP for the period 2012 – 2017. The purpose is to help reduce Nigeria's vulnerability to many climate change impacts and promote low-carbon, high growth sustainable development.

COUNTRY VULNERABILITY: In general, Nigeria is strongly predisposed to severe negative impacts of climate change due to its fragile economy, weak resilience and low adaptive capacity. Much of the economy is relies on climate-dependent resources. For example, the agriculture, forestry and fishing sectors employ up to 70% of the workforce. Its fossil fuel-dependent economy will be particularly vulnerable to climate change-induced events, such as floods and droughts. All sectors of Nigeria's socio-economic development, including the natural ecosystems, are vulnerable to climate change. From various analyses and reviews, the most vulnerable are the energy, agriculture, water, forest, and health sectors. Significant impact is also anticipated in the frequency of natural disasters.

The 2011 Climate Change Vulnerability Index (CCVI) classifies Nigeria as of high risk country. Climate change could result in 6-30% loss in GDP by 2050, (about USD 100 to 460 billion). According to the DFID (2009) study, if no adaptation is implemented, 2-11% of Nigeria's GDP could potentially be lost by 2020, thereby hampering the national development goal of becoming one of the top 20 economies in the world (NPC, 2009). Overall, climate change presents significant threats to the achievement of the Millennium Development Goals especially those related to eliminating poverty and hunger and promoting environmental sustainability.

COUNTRY CLIMATE CHANGE STRATEGY: Nigeria has taken the challenge of climate change seriously. In addition to a number of policies and strategic initiatives, Nigeria now has a draft National Climate Change Policy and Response Strategy (NCCPRS) with the strategic goal of fostering a low-carbon, high growth economic development path towards building a climate resilient society. The seven pillars for the implementation of a 10-year Action Plan (2011-2020) are: (1) Mitigation and low carbon high growth development; (2) food security, poverty reduction, protection of the vulnerable and health; (3) integrated and comprehensive disaster risk management; (4) infrastructure; (5) research and development; (6) capacity building and institutional strengthening; and (7) sustainable and coordinated climate change financing. Key climate change actors in Nigeria include government, research institutions, civil society organizations, private sector institutions, and development partners.

RECOMMENDED PROJECTS OR PROGRAMS: Table 3 presents some of the projects and/or programmes that the Bank can support to promote low-carbon high growth sustainable development in Nigeria. Their relative contributions to economic growth, climate resilience and improved well-being, as well as their sustainability are assessed.

Table 3
Proposed Programmes / Projects for the Bank's Intention

Sector	Activities	Contribution to economic growth	Contribution to low-carbon climate resilient development	Contribution to poverty reduction and sustainable development
Agriculture	Support to Nigeria's Agricultural Transformation Agenda to establish financial mechanisms that link climate finance to agriculture investment for climate-smart agricultural development.	3	2	3
Power	Support the implementation of power sector reforms to unlock the huge economic and environmental potential benefits of the large reserves of gas to generate power	3	3	3
	Investment in small hydro power plants	2	2	1
	Promotion of renewable energy alternatives, particularly solar and biomass (energy crops)	1	2	2
	Energy efficiency programmes in public, industrial and residential buildings	1	2	1
	Reduce transmission and distribution losses	2	1	1
Transport	Urban mass transportation financing	3	3	2
	Improved rail transport system	3	2	2
	Support to the Road Sector Development Project (climate resilient roads)	3	2	3
Water resources	Expansion of efficient irrigation systems	2	1	2
	Water resources conservation	2	1	2
Forestry	Support to the Green Great Wall Initiative	3	3	3

0: no contribution; 1: small contribution; 2: moderate contribution; 3: significant contribution.

Nigeria –Areas of Donor Intervention

Donor	Infrastructure																						
	Energy/Power	Transport	Water Supply/Water Resources	ICT	Agriculture & Forestry	Environment & Climate Change	Industry & Manufacturing	Oil & Gas	Solid Minerals Mining	Education	Health	Poverty Reduction	Governance & Human Rights	Financial Services / Lines of Credit	Private Sector Development	Decentralization	Regional Integration	Trade Facilitation	Peace Keeping & Conflict Resolution	Export Promotion	Tourism	Risk Guarantees	
World Bank IDA																							
World Bank IFC																							
AfDB - ADF																							
AfDB - ADB																							
DFID																							
USAID																							
European Commission (EDF)																							
UNDP																							
UNICEF																							
IFAD																							
WHO																							
UNIDO																							
AFD (France)																							
GIZ (Germany)																							
KfW (Germany)																							
JICA (Japan)																							
China																							
India																							
Brazil																							
Bill and Melinda Gates Foundation																							
Canadian International Development Agency (CIDA)																							
Centre for Disease Control (CDC)																							
Global Alliance for Vaccines and Immunisation (GAVI)																							
Rotary International																							
The Micronutrient Initiative (Canada)																							

Legend:

Major Intervention

Minor intervention

p



proposed intervention

Sources: CPS (AfDB, WB, DFID, USAID, UNICEF, AFD, GIZ, AFD etc)

AFRICAN DEVELOPMENT BANK - NIGERIA FIELD OFFICE														
ON-GOING PORTFOLIO : NIGERIA & REGIONAL OPERATIONS														
PUBLIC SECTOR														
20 January 2013														
ALL PROJECTS (including those that are not yet disbursement effective *)														
Sub-Sector	Number of Projects	PP/PPP	IP	DO	PPR	Net Amount approved (UA)	Share of Portfolio	Average Age (years)	Amount disbursed (UA)	Disbursement rate	Average annual disbursement (UA)	Average annual disbursement rate	Date approved	Closing Date
AGRICULTURE	4					96,900,000	16%	6.4	37,937,268	39.2%	7,372,474	7.6%		
National Fadama Development Project (NFDP)			2.14	2.75	2.28	22,000,000		9.1	16,075,286	73.1%	1,762,535	8.0%	12/10/2003	12/30/2012
Community based - Agricultural & Rural Development Project (CBARDP)			2.36	2.67	2.22	13,000,000		9.4	11,411,916	87.8%	1,218,295	9.4%	9/11/2003	12/31/2012
Support to the National Program for Food Security (SNPFS)			2.43	2.75	2.50	22,000,000		6.3	7,623,533	34.7%	1,217,231	5.5%	10/18/2006	12/31/2013
CGIAR: SUPPORT TO AGRICULTURAL RESEARCH FOR DEVELOPMENT OF STRATEGIC CROPS IN AFRICA (SARD-SC)						39,900,000.0		0.9	2,826,533	7.1%	3,174,413	8.0%	3/18/2009	12/31/2013
INFRASTRUCTURE	8					441,000,000	75%	4.5	59,236,296	13.4%	13,086,656	3.0%		
Rural Water Supply & Sanitation Sub-Programmes (RWSS)		PPP	2.08	1.75	2.00	51,000,000		5.3	4,000,290	7.8%	756,924	1.5%	10/10/2007	12/31/2013
URBAN WATER SUPPLY AND SANITATION PROJECT FOR OYO AND TARABA STATES (UWSSP)		*				50,000,000		3.4	-	0.0%	-	0.0%	9/2/2009	4/30/2016
ZARIA WATER SUPPLY AND SANITATION PROJECT (ZWSSP)		*				63,920,000		1.0	-	0.0%	-	0.0%	2/8/2012	
ECONOMIC AND POWER SECTOR REFORM PROGRAM (EPSERP)		*				100,000,000		3.2	-	0.0%	-	0.0%	10/28/2009	12/31/2013
Rural Access and Mobility Project (RAMP)			2.57	3.00	2.67	35,270,000		5.5	12,699,296	36.0%	2,302,654	6.5%	7/18/2007	12/31/2013
Capacity Building for PPP in Infrastructure Project			2.57	3.00	2.67	21,800,000		1.9	-	0.0%	-	0.0%	3/13/2011	
Capacity Building Programme for the Supervision of Aviation Safety in West & Central Africa		PPP	2.1	2.0	2.1	4,600,000.0		7.7	1,862,873.8	40.5%	240,689.9	5.2%	4/27/2005	12/30/2012
TRANSPORT FACILITATION PROGRAMME FOR THE BAMENDA-MAMFE-ABAKALIKIENUGU CORRIDOR - Nigeria (NCH&TFP)		PPP	2.1	3.0	2.3	98,250,000.0		4.2	40,510,228.1	41.2%	9,747,022.6	9.9%	11/25/2008	12/31/2014
TRANSPORT FACILITATION PROGRAMME FOR THE BAMENDA-MAMFE-ABAKALIKIENUGU CORRIDOR - ECOWAS (NCH&TFP)		PPP	2.1	3.0	2.3	16,160,000.0		4.2	163,607.8	1.0%	39,365.1	0.2%	11/25/2008	12/31/2014
MULTI SECTOR	1					10,000,000	2%	8.3	7,873,460	78.7%	946,891	9.5%		
ECOWAS Peace and Development Project (PADEP)		PPP	2.1	2.3	2.2	10,000,000.0		8.3	7,873,459.8	78.7%	946,890.6	9.5%	9/29/2004	12/30/2012
SOCIAL SECTOR	2					37,000,000	6%	5.7	13,890,209	37.5%	2,235,826	6.0%		
Skills Training and Vocational Education (STVEP)		PPP	2.08	3.00	2.25	30,000,000		7.5	10,874,202	36.2%	1,451,750	4.8%	7/27/2005	11/30/2013
SUPPORT TO NETWORK OF REGIONAL AFRICAN INSTITUTIONS OF SCIENCE AND TECHNOLOGY (AUST & 2IE) PROJECT			2.2	3.0	2.4	7,000,000.0		3.8	3,016,007.6	43.1%	784,076.0	11.2%	3/18/2009	12/31/2013
ENVIRONMENT	1					5,240,000	1%	2.1	27,314	0.5%	1,078,659	20.6%		
Lake Chad Basin Sustainable Development Programme / Programme de développement durable du Bassin du Lac Tchad (PRODEBALT)			2.3	3.0	2.4	5,240,000.0		4.1	27,313.6	0.5%	1,078,659.1	20.6%	12/12/2008	12/31/2015
TOTAL PUBLIC SECTOR	16					590,140,000	100%	5.1	118,964,546	20.2%	24,720,505	4.2%		

Legend: IP = Implementation Progress
DO = Development Objectives
PPR = Project Performance Rating
PP = Problematic Project ; PPP = Potentially Problematic Project

AFRICAN DEVELOPMENT BANK - NIGERIA FIELD OFFICE

ON-GOING PORTFOLIO - NIGERIA

PRIVATE SECTOR

Sub-Sector	Number of Projects	PP/PPP	IP	DO	PPR	Net Amount approved (US\$)	Net Amount approved (NGN billion)	Net Amount approved (UA)	Total Net Amount approved (UA)	Average Age (years)	Amount disbursed (US\$)	Closing Date of Facility Tenor
Lines of Credit (LOC) to Financial Institutions:									753,205,128			
Access Bank Plc	1		2.09	2.00	2.07	35,000,000	5.60	22,435,807		5.5	35,000,000	31-Dec-2014
Guarantee Trust Bank (GTB)	1		2.25	2.40	2.27	40,000,000	6.40	25,041,028		6.5	40,000,000	30-Jun-2013
Zenith Bank LOC II	1		2.33	2.60	2.40	100,000,000	16.00	64,102,564		5.5	100,000,000	1-Aug-2013
United Bank of Africa (UBA) (Trade Finance Initiative - TF)	1		2.36	2.00	2.29	100,000,000	16.00	64,102,564		2.8	100,000,000	1-Nov-2014
United Bank of Africa (UBA) (Emergency Liquidity Facility - ELF)	1		2.36	2.00	2.31	50,000,000	8.00	32,051,282		2.8	50,000,000	1-Nov-2014
Zenith Bank Plc (Emergency Liquidity Facility)	1				2.83	50,000,000	8.00	32,051,282		2.8	50,000,000	1-Nov-2014
Guarantee Trust Bank (GTB)	1				2.62	100,000,000	16.00	64,102,564		1.9	100,000,000	31-Dec-2019
DOMESTIC-ORIENTED SME FINANCING PROGRAM FOR THE BANK OF INDUSTRY (BOI LOC)	1					500,000,000	80.00	320,512,821		1.0	-	
EXPORT-ORIENTED SME FINANCING PROGRAM FOR THE NIGERIAN EXPORT-IMPORT BANK (Nexim LOC)	1					200,000,000	32.00	128,205,128		1.0	-	
Direct Investments (Equity)									32,051,282			
United Bank of Africa (UBA)	1					50,000,000	8.00	32,051,282		5.1	50,000,000	NA
Technical Assistance:									1,028,485			
FAPA Grant to Africa Business Round Table	1					500,000	0.06	320,513		2.6	200,000	1-Mar-2012
Access Bank Microfinance Nigeria (ABN)	1				2.83	1,101,286	0.18	705,053		2.6	801,286	NA
Infrastructure (PPP):									69,230,789			
ROAD TRANSPORT: Lekki Toll Road Project	1		1.64	1.80	1.71	85,000,000	13.60	54,487,179		4.0	85,000,000	1-Aug-2013
Helios Towers	1		2.64	2.20	2.50	23,000,000	3.68	14,743,500		2.7	23,000,000	15-Mar-2017
TOTAL PRIVATE SECTOR	14					1,334,601,286	213.54	855,513,845	855,513,845	3.6	634,001,286	

Legend:

IP = Implementation Progress
DO = Development Objectives
PPR = Project Performance Rating
PP = Problematic Project ; PPP = Potentially Problematic Project

Nigeria - 2012 Country Portfolio Improvement Plan (CPIP)

2012 Country Portfolio Improvement Plan (CPIP) for Nigeria

31 July 2012

Operations	Major issues	Actions required	Responsible	Deadline
GENERIC ISSUES				
1. Compliance with loan conditions precedent to entry into force	1.1 Great delay in compliance with conditions	Selectivity of conditions; relax conditions; and dialogue precedent to entry into force of the loan	Bank	permanent action
		Sensitize States during loan negotiations for fulfillment of conditions	Government	permanent action
		Improve quality at entry of projects: Ensure that almost all conditions are met before Board Approval (to avoid delays at a later stage)	Bank/Government	permanent action
2. Counterpart funding (CF)	2.1 Delayed availability of CF inhibits project progress	Encourage States to participate in CF	Government	permanent action
		Find mechanisms to timely release CF to existing projects	Government	permanent action
		Improve design of new projects so as to minimize impact of CF on project implementation	Bank	permanent action
3. Loan signature & effectiveness	3.1 Delays in Loan signature & effectiveness	FGN to immediately sign loan agreements after Board, FEC & National Assemblies' approval (do not wait for 180 days)	Government	permanent action
		Improve quality at entry of projects: Ensure that almost all conditions are met before Board Approval (to avoid delays at a later stage)	Bank	permanent action
		Relax conditions	Bank	permanent action
4. Procurement, Disbursement & Financial Management	4.1 Delays in procurement & disbursement	Government to ensure that original documentation exists (invoices, ...)	Government	permanent action
		Ensure that emails are sent from safe & official sources	Government	permanent action
		Identify best electronic communication means	Government	permanent action
		Accept use of email for official correspondence	Bank	permanent action
		Accept certified copies of originals instead of requiring originals at the HQ	Bank	permanent action
		Streamline procurement processes	Bank	permanent action
		Find ways to simplify communication between PIUs & Bank	Bank	permanent action
	Train PIU staff in Procurement, Disbursement & Financial Management	Bank	permanent action	
	4.2 Delays in submission of Audit Reports	All projects to adhere to Loan Agreements and to submit Audit Reports on time	Government	30-Jun-12
5. Delegation of Authority	5.1 The Field Office is not sufficiently empowered to make decisions; the need to revert to the HQ Tunis leads to delays	Empower Field Office	Bank	permanent action
		Reinforce ongoing decentralization process	Bank	permanent action
	5.2 Current financial threshold is UA 50,000 only	Increase in threshold of decision making (underway); NGFO proposes UA 200,000, to be increased to UA 1 m after performance evaluation	Bank	permanent action
		5.3 Insufficient staff to efficiently supervise projects	Increase in staffing levels and improve skills-mix at NGFO (underway)	Bank	permanent action
5.4 Planned staffing levels at NFGO by 2009 are not commensurate with portfolio, size & population of the country when compared to other offices	"One size fits all" not appropriate for NGFO – NGFO size to be commensurate with portfolio & size of country	Bank	permanent action	

ANNEX 9 (C o n t ' d)

6. Project Quality (at entry & at exit)	6.1 Certain projects and/or components were designed in the absence of exhaustive high quality feasibility studies	Ensure that comprehensive studies have been conducted before appraisal (<i>NB: efforts are undertaken but not always possible</i>)	Bank/Government	permanent action
	6.2 Consultation of beneficiaries was inadequate in some instances	Prior needs assessment to be carried out	Bank/Government	permanent action
	6.3 Poor project quality at entry results in too many components & contracts, excessive administrative input & is responsible for implementation delays	Avoid overloading project design and conduct Mid Term Reviews to simplify project design	Bank/Government	permanent action
	6.4 Some PIUs are understaffed	Staff PIUs commensurate with work load	Government	permanent action
7. Monitoring & Evaluation (M&E)	7.1 Monitoring & Evaluation is inadequate for some projects	Management Information Systems shall be introduced into all participating States	Government	permanent action
		Devote more resources to M&E & support National Planning Commissions' M&E Department	Government	permanent action
		Establish baseline data / indicators before project	Government	permanent action
		Monitor baseline data during project life & thereafter in a regular fashion	Government	permanent action
		Put in place an appropriate national M&E system	Government	permanent action
		Prepare annual workplans & budgets	Government	annual action
		Devote more resources to M&E	Bank	permanent action
8. Communication, Networking & Interaction	8.1 Infrequent and inefficient communication between all stakeholders	More efficient use of email/internet when communicating with Bank	Government	permanent action
		Improve communication between State & Federal levels	Government	permanent action
		Improve communication between Federal Sector Ministries & FMF	Government	permanent action
		Ensure that Project Steering Committees (PSCs) meetings are held at least on a quarterly basis	Government	permanent action
		Regular at least quarterly interactive advocacy meetings between Bank, PIUs & FMF on issues of delays	Government	permanent action

9. Staffing Policies & Issues	9.1 Inefficient staffing policies	One year renewable performance based contracts incl. performance indicators, annual assessment on basis of indicators : make it binding through loan agreement for new projects	Government	permanent action
		Link allowances and remuneration to PIU / Project performance that would increase staff motivation	Government	permanent action
		Create conditions for stability of PIUs in order to decrease staff turnover in PIUs	Government	permanent action
		Avoid politically motivated changes/nominations	Government	permanent action
	9.2 Poor knowledge of Bank procedures, rules & regulations	Capacity Building through training of PIU staff (procurement, financial management ,...)	Bank	permanent action
10. Sustainability	10.1 Sustainability of project funding after completion is not always ensured	Govt to create budget lines for all project activities to ensure maintenance of infrastructure	Government	permanent action
		Counterpart funding to be embedded in project document and increased at end of project to meet 100% of recurrent expenditure	Government	permanent action
		Increase beneficiaries participation in infrastructure financing through introduction of cost reflective tariff structures for utilities	Government	permanent action
		Ensure community driven approach from design to implementation	Government	permanent action
	10.2 Utilities' tariffs must cover operation, maintenance & depreciation costs	"Commercialization" of operations: user fees / tariffs must cover operation, maintenance & depreciation costs	Government	permanent action
	10.3 Current policy foresees Road Fund and Roads Authority at Federal Level	Feeder road sector: States to create State Road Authorities & Road Funds	Government	permanent action
	10.4 Sustainability of project funding after completion is not always ensured	Dialogue for beneficiary contributions in cash or kind	Government	permanent action
		Employ a business oriented project manager at completion of projects	Government	permanent action
10.5 Bank has not yet developed standard Engineering-Procurement-Construction (EPC) / turnkey and output & performance based contracts for works	Allow for EPC / Design & Build (D&B) / Turnkey contracting and output & performance based contracting (eg see FIDIC Silver Book and WB OPRC roads contracts)	Bank	2014	

11. Fungibility of Budgets	11.1 Perceived inflexibility to change allocations to budget lines: Changes are necessary in particular for poorly designed & aged projects due to cost increases & changed requirements	Government to request for changes in budget categories & allocations if justifiable	Government	permanent action
		Update Operations Manuals of PIUs (add info on budget flexibility) & rewrite to make them more user friendly	Government	permanent action
		Harmonize PARs, Loan Agreements & Operations Manuals	Government	permanent action
		Do not ask for use of savings if project is aged (has had several extensions) as it would result in poor country portfolio rating (this reduces access to concessional resources)	Government	permanent action
	11.2 Lack of awareness of existing rules	Create awareness of existing rules, eg. revision of list of goods & services is permissible but can delay project progress as it has to be approved by Bank Management	Bank	permanent action
		Task Managers to be proactive & suggest to Government to request for changes in budget categories & allocations	Bank	permanent action
	11.3 Poor project design (too many categories & budget items)	Reduce the necessity of change of budget lines through good project design	Bank	permanent action
		Allow for savings made through efficient procurement to be used for new activities	Bank	permanent action
	12. Private Sector / PPP	12.1 ADB allocation is undersubscribed	FMF to encourage public and private sectors to access ADB funds	Government	permanent action
12.2 Lack of awareness of ADB loan conditions & availability		Sensitize public and private sectors on availability of ADB funding & Bank products	Bank	permanent action
12.3 Enhance attractiveness of public sector ADB loan conditions		Sensitize Federal Government to provide Sovereign Guarantees for public sector projects to soften ADB loan conditions (e.g. BOI, Nexim, etc.)	Bank	permanent action
12.4 Lack of awareness of PPP options		Sensitize Govt on availability of a mix of concessional (ADF-interest free) and non-concessional funding (ADB) for PPP projects	Bank	permanent action

ADB CSP Indicative Lending Programme 2013-16							1 UA = 1.54 US\$			
Projects/Programmes	Sectors	Funding sources (in million USD)			TOTAL	Observations	Funding sources (in million UA)			TOTAL
		ADF	ADB	Other (co-financing, CTF, etc.)			ADF	ADB	Other (co-financing, CTF, etc.)	
2013										
1 Transport Sector and Economic Governance Reform Program	Multi-sectoral		300		300	Funding request from FM Finance		195		195
2 Urban Water and Sanitation Project in Rivers State (Port Harcourt)	Water Supply & Sanitation		200		200	Funding Request from FM Finance (2012)		130		130
3 Support for the Nigeria Agricultural Transformation Agenda	Agriculture	200			200	Funding Request from FM Finance (2012)		-		-
2014										
4 Partial Risk Guarantees for the Power Sector (PRG for IPPs)	Energy / Power	50			50	Pipeline request from FM Power	32			32
5 Abuja Urban Transport Project	Transport	50		50	100	CTF Investment Plan (2010) and Funding Request from FM Finance (2011)	32		32	65
6 Support to a Development Finance Institute (Equity for DFI)	All	200	200		400	Request from CME (Jan 2013)	130	130		260
7 Development of FCT Satellite Towns	Water Supply & Sanitation and Transport		150		150	Dialogue with FM Finance		97		97
8 Water Resources Development Programme - Multi-purpose dams for irrigation and institutional support to RBDA	Agriculture & Water Resources		100		100	Dialogue with FM Water Resources and Funding Request for Institutional Support to RBDA		65		65
2015										
Total Public Sector Funding		500	950	50	1500		195	617	32	844
Total ADB Sustainable Lending Limit (US\$ 430 m p.a.)				2150						
Available for Private Sector Operations				1200						
Total Indicative Private Sector Pipeline:		Min	Max							
Infrastructure		350	400							
Industry & Services		400	500							
Other		275	325							
Total		1025	1225							

Total Indicative Private Sector Pipeline (details):

950

OKIPP Paper & Pulp Mill	30	as per PEN
Lagos Cable Car	60	as per PEN
Ngarjuna Fertilizer	50	estimate
Bonny Gas Transport	50	estimate
Okija Gas Power IPP	200	as per PEN
Azura Gas Power IPP	165	as per PEN
Indorama Fertilizer	100	as per ADOA
Smile	50	estimate
Lekki Port	150	estimate
Main One Fibre Optics Cable Phase II	30	as per ADOA
Brass Fertiliser	50	estimate
ARM Infrastructure Fund	15	as per SCN
Other	0	

Legend:

SCN = Summary Credit Note

PEN = Preliminary Evaluation Note

ADOA = Additionality and Development Outcome Assessment

RBDA = River Basin Development Authority

FM = Federal Ministry

WB = World Bank

AfDB CSP Indicative Non-Lending Programme (Grants) 2013-16								
	Projects/Programmes	Sectors	Funding sources (in million USD)					Observations
			AWF	MIC	Administrative Budget	NEPAD IPPF	Other Trust Funds	
	2012							
1	ESW: Infrastructure Action Plan Flagship Study	Infrastructure			0.10			on-going
2	ESW: Domestic Resource Mobilization Study	Policy Support			0.04			on-going
3	Statistical Support Programme	Multi-Sector		2.00				Dialogue with National Bureau of Statistics (NBS)
4	Study for the Creation of a new Development Finance Institution	Multi-Sector		2.00				request from CME
	Technical Support for the development of National Integrated Infrastructure Master Plan	Infrastructure			0.50			Request from the NPC
	Support for the establishment of CAF Secretariat	Policy			0.05			Donor coordination group
	2013							
5	Needs assessment of oversight institution in Nigeria	Multi-Sector			0.10			Dialogue with Authorities
6	Assessment of the implementation of PFM reform at the federal and states levels	Multi-Sector			0.20			Dialogue with Authorities
7	Feasibility Study for Katsina-Ala Hydropower Project	Power	3.00					Funding Request from Benue State Govt.
8	Feasibility Study and Detailed Design for Onyia Urban Water Supply and Sanitation Project	Water	4.50					Funding Request from Imo State Govt.
9	Support to Monitoring and Evaluation Department of the National Planning Commission (NPC)	Multi-Sector		2.00				Dialogue with NPC
10	Support to the Public Finance Management System (PFMS): Support to the Bureau of Public Procurement (BPP)	Multi-Sector					2.00	Dialogue with Authorities
11	ESW: Review of the Draft Road Sector Reform on the Creation of a Roads Authority, Road Funding and Tolling Policy	Transport			0.10			Dialogue with Authorities
12	Support to the Public Finance Management System (PFMS): Strengthening of the Office of the General of the Federation and Public Accounts Committees	Multi-Sector					1.50	Dialogue with Authorities
	2014							
13	Support to the Public Finance Management System (PFMS): Support to the Budget Office of the Federation	Multi-Sector					1.50	Dialogue with Authorities
14	Dakar-N'djamena Highway Corridor Missing Link (Nigeria/Cameroon/Chad - Feasibility & Detailed Design Study) (270 km)	Transport				2.00		Pre-Feasibility Study is on-going
15	Feasibility & Detailed Design Study for the Nigeria-Cameroon Power Transmission Interconnection Project	Power				1.50		Expression of Interest from the Adamawa State Govt.
	2015							
16	Health Insurance Scheme in Nigeria: Opportunity & way forward	Social			0.10			Expression of Interest from Federal Ministry of Health
17	Contribution of the Health Sector to the National GDP	Social			0.10			Expression of Interest from Federal Ministry of Health
	2016							
	Total Funding		7.50	6.00	1.29	3.50	5.00	
	GRAND TOTAL							
Legend:								
	AWF	African Water Facility Trust Fund						
	MIC	Middle Income Country Trust Fund						
	NEPAD IPPF	NEPAD Infrastructure Project Preparation Facility						
	ESW	Economic and Sector Work						

NIGERIA CSP 2013-2017 RESULTS FRAMEWORK

ANNEX 11

Strategic Objectives – Nigerian Development Goals	Constraints hindering achievement of desired Development Goals	Final Outcomes (expected by end of CSP in 2017)	Final Outputs (expected by end of CSP in 2017)	Mid-Term Outcomes (expected by CSP mid-term in 2014)	Mid Term Outputs (expected by CSP mid-term in 2014)	Bank Group Interventions during CSP period (Proposed & On-going) *
PILLAR I: Supporting the Development of a Sound Policy Environment						
Implementation of key national policies and programmes which will transform the Nigerian economy into the top 20 economies	Weak capacity for policy formulation and implementation	<p>Better policy formulation and implementation by the Government, underpinned by robust analytical work and sound policy advice from the Bank.</p> <p>Enhanced macroeconomic environment.</p>	<p>Key studies that will inform the quality of the Bank’s policy advice completed: (a) domestic resource mobilization, (b) fiscal federalism, (c) leveraging Nigeria’s huge domestic and regional market, (d) Leveraging Nigeria’s remittances from the Diaspora. (e) role of pension funds, insurance and the Sovereign Wealth Fund in the development of long-term financing. (f) financial intermediation, (g) national level gender mainstreaming, (h) regional integration, and other relevant analytical works in the power, transport, human development, private sector and agriculture.</p> <p>Yearly stake-holder meetings organised to discuss policy-level issues.</p> <p>Active participation of NGFO staff in all donor coordination groups, including thematic and sectoral groups.</p> <p>The Bank is officially part of the World bank and IMF team to undertake debt sustainability and other macroeconomic analysis. A formal advisory framework established to</p>	<p>Active involvement of the Bank on the policy space.</p> <p>Closer dialogue with key Ministries and Departments to improve the macro-economic environment, in conjunction with other partners</p> <p>Enhanced collaboration and coordination with other development partners on the key thematic and sectoral priorities outlined in the TA</p> <p>Enhanced macroeconomic environment.</p> <p>Low external debt position maintained.</p>	<p>At least five NGFO staff joins and actively participates in sector and thematic group meetings.</p> <p>The Bank is part of donor group preparing and monitoring the medium term expenditure framework, at least at the federal.</p> <p>The Bank is part of the group to undertake the 2014 Debt sustainability analysis</p> <p>A macroeconomic advisory panel set up</p>	Economic and Sector Work

Strategic Objectives – Nigeria Development Goals	Constraints hindering achievement of desired Development Goals	Final Outcomes (expected by end of CSP in 2017)	Final Outputs (expected by end of CSP in 2017)	Mid-Term Outcomes (expected by CSP mid-term in 2014)	Mid Term Outputs (expected by CSP mid-term in 2014)	Bank Group Interventions during CSP period (Proposed & On-going) *
Improve dialogue between the Public and Private Sector and the Federal Government and the States in the implementation of Nigeria's Transformation Agenda	Weak coordination of strategies and policies at the federal and state level	<p>Improved Public-Private Dialogue for policy formulation and better monitoring of the Transformation Agenda</p> <p>Enhanced role of state governments in the implementation of Nigeria's Transformation Agenda</p>	<p>provide the necessary policy advice which will sustain the low external debt position, economic stability and growth, with job creation.</p> <p>One or two seminars with the Presidential Economic Management Team to discuss the Transformation Agenda priorities, roadmap key policy issues, benchmarks and monitoring mechanisms and share international best practices (alternatively, we can have just one seminar and assist on the implementation of monitoring tools)-</p> <p>One seminar on how the Transformation Agenda can be implemented at the state level and how each state can devise its Private Sector Development Program Feasibility Study and detailed design for major infrastructure projects carried out.</p>	<p>Active involvement of the Bank in providing policy advice for the implementation of the Transformation Agenda</p> <p>Active engagement of the Bank with state governments in private sector development</p>	<p>One high level seminar completed</p> <p>One seminar completed</p>	<p>High level seminar for the Presidential Economic Management Team on key success Factors of the Transformation Agenda and international best practices in Economic Transformation</p> <p>High level seminar for the National Economic Council (Vice President and Governors) on the role of the states in promoting Private Sector Development under Nigeria's Transformation Agenda</p>
Mobilize significant public and private sector financing for infrastructure projects	<p>Lack of prioritization of the Vision 20:2020 infrastructure programme</p> <p>No comprehensive infrastructure development plan exists</p>	<p>The Road Sector Reform Bills on the Creation of a Roads Authority, Road Fund and Tolling Policy have been passed by the National Assemblies by 2017</p> <p>The infrastructure investment cost requirements for the</p>	<p>Review study of the Road Sector Reform Bills on the Creation of a Roads Authority, Road Fund and Tolling Policy is available</p> <p>An Infrastructure Action Plan Flagship Study is</p>	<p>The Road Sector Reform Bills on the Creation of a Roads Authority, Road Fund and Tolling Policy have been passed by the National Assemblies by 2014</p> <p>The infrastructure investment cost</p>	<p>Review study of the Road Sector Reform Bills on the Creation of a Roads Authority, Road Fund and Tolling Policy is available</p> <p>An Infrastructure Action Plan Flagship</p>	<p><u>Proposed non-lending programme (grants):</u></p> <p>ESW: Review of the Draft Road Sector Reform Bills on the Creation of a Roads Authority, Road Fund and Tolling Policy</p> <p><u>On-going non-lending programme (grants):</u></p>

Strategic Objectives – Nigeri Development Goals	Constraints hindering achievement of desired Development Goals	Final Outcomes (expected by end of CSP in 2017)	Final Outputs (expected by end of CSP in 2017)	Mid-Term Outcomes (expected by CSP mid-term in 2014)	Mid Term Outputs (expected by CSP mid-term in 2014)	Bank Group Interventions during CSP period (Proposed & On-going) *
		implementation of the Vision 20:2020 has been assessed, the financing gap calculated, and an investment priority programme has been developed	available	requirements for the implementation of the Vision 20:2020 has been assessed, the financing gap calculated, and an investment priority programme has been developed	Study is available (disseminated through a High level Workshop to facilitate PPPs in infrastructure and identify priority PPPs for potential support)	ESW: Infrastructure Action Plan Flagship Study
Promote transparency and enhanced accountability and integrity in the management of public resources, and reduce opportunities for rent seeking Strengthening arms of government and independent governance institutions Ensure efficient internal revenue generation and transparency in resource management	Weak public financial management practices Weak institutional capacity to fight corruption; Weak and ineffective execution of parliamentary over-sight responsibilities Low quality of and lack of availability and low quality of statistical data and weak institutional capacity of National Bureau of Statistics (NBS) and Government MDAs with a view to producing these data	Improving public financial management Increased non-oil revenue in order to reduce the dependence on oil revenue through a clearly defined national tax policy The Nigerian National accounts are upgraded	Automation of cash system and weekly overview of commitments and outstanding payments established Internal audit fully operational for majority of federal government entities By 2017, the NPC's M&E Department has established a computerized GIS based database of all Federal Budget funded projects to monitor progress of major construction projects Assistance provided in the upgrading of Nigeria national accounts systems	Improving public financial management Increased non-oil revenue in order to reduce the dependence on oil revenue through a clearly defined national tax policy	Automation of cash system and weekly overview of commitments and outstanding payments partially established by 2014 Internal audit fully operational for half of federal government entities by 2014 Assistance provided in the upgrading of Nigeria national accounts systems Availability of a comprehensive study on Domestic Resource Mobilization	Proposed non-lending programme (grants): Support to the Public Finance Management System (PFMS); Support to the Bureau of Public Procurement (BPP); Strengthening of the Office of the Auditor General of the Federation and Public Account Committees Statistical Support Programme Support to Monitoring and Evaluation Department of the National Planning Commission (NPC) Budget Support Operation On-going non-lending programme (grants): ESW: Domestic Resource Mobilization Study

PILLAR II: Investing in Critical Infrastructure to Promote the Development of the Real Sector of the Economy

TRANSPORT

Evolve a private sector led multi-modal and integrated transport system	Limited transport options to external markets High transport costs to sea ports due to long distances	Percentage of classified Federal Road Network in good condition increased from 27% in 2010 to 76% by 2017	17,730 km of Federal roads rehabilitated or upgraded 6,100 km of State roads rehabilitated or upgraded	Percentage of classified Federal Road Network in good condition increased from 27% in 2010 to 51% by 2014	8,680 km of Federal roads rehabilitated or upgraded 3,050 km of State	Proposed Transport Sector and Economic Governance Reform Program (TS&EGRP)
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Strategic Objectives – Nigeria Development Goals	Constraints hindering achievement of desired Development Goals	Final Outcomes (expected by end of CSP in 2017)	Final Outputs (expected by end of CSP in 2017)	Mid-Term Outcomes (expected by CSP mid-term in 2014)	Mid Term Outputs (expected by CSP mid-term in 2014)	Bank Group Interventions during CSP period (Proposed & On-going) *
<p>Create an enabling environment for Public Private Partnership (PPP)</p> <p>Ensure that the transport system is developed and operated in an integrated manner that promotes the efficient use of resources within the sector to improve productivity and enhance the level of service provided to Nigerians</p> <p>Facilitate urban and rural access and mobility</p> <p>Contribute to increasing trade and strengthening cooperation between countries of ECCAS zone and those of ECOWAS</p>	<p>and poor infrastructure</p> <p>Inadequate deep sea port capacity and moribund railways sub-sector</p> <p>Inefficient and polluting urban mass transit</p> <p>Road network constraints: Inadequate routine and periodic maintenance coupled with poor initial construction and design</p> <p>Lack of coordination in the construction and maintenance of the various road networks</p> <p>Lack of a coherent national road policy, consistent regulation and application of road standards</p> <p>Limited professional and business capacity resulting in inefficient services</p> <p>Dilapidated rural road network</p> <p>Huge rehabilitation cost outlay for the existing Federal and State road network</p>	<p>Reduce the percentage of network in failed condition of State Roads from about 50% in 2010 to 30% in 2017</p> <p>Reduce the percentage of network in failed condition of Local Government Feeder Roads from about 70% in 2010 to 40% in 2017</p> <p>Trade by road between both RECs (ECOWAS & ECCAS) increases by 15% by 2017</p> <p>Nigeria-Cameroon Highway: (a) The average Vehicle Operating Costs (VOC) on the corridor are reduced by 36% by 2017; (b) The travel time between Bamenda and Enugu of 8 to 12 hours in 2007 will be reduced to about 5 hours by 2017.</p> <p>Increase average travel speed of urban bus transport systems on major transport corridors in Nigeria's largest cities from the current 15 km/h during rush hours to 25 km/h</p> <p>Commuter travel time in Abuja and Lagos (from Mainland to VI) reduced by 50% during rush hours</p> <p>Port cargo throughput capacity of Nigeria deep sea ports increased from 75 MT</p>	<p>38,900 km of Local Government gravel roads rehabilitated or upgraded</p> <p>Nigeria-Cameroon Highway: In Nigeria (a) 25 km of road between Mfum and Ikom rehabilitated; (b) 50 km of road between Ikom and Ogoja Junction rehabilitated ; (c) 80 km of 7.30 m wide road reconstructed between Ogoja Junction and Abakaliki ; and (d) 86 km of road between Abakaliki and Enugu reconstructed; At the Ekok/Mfum border : 280m long new bridge built. A Joint Border Post is built at the border in Mfum by 2017</p> <p>Two new urban Bus Rapid Transit (BRT) corridors created in Abuja (FCT/Nassarawa State) and Lagos</p> <p>One new mass rapid transit project constructed in Lagos (Cable Car Project)</p> <p>Construction of one new deep sea port (Lekki)</p>	<p>Reduce the percentage of network in failed condition of state roads from about 50% in 2010 to 40% in 2014</p> <p>Reduce the percentage of network in failed condition of Local Government feeder roads from about 70% in 2010 to 55% in 2014</p> <p>Trade by road between both RECs (ECOWAS & ECCAS) increases by 7% by 2014</p> <p>Nigeria-Cameroon Highway: (a) The average Vehicle Operating Costs (VOC) on the corridor are reduced by 20% by 2014; (b) The travel time between Bamenda and Enugu of 8 to 12 hours in 2007 will be reduced to about 7 hours by 2014.</p> <p>Increase average travel speed of urban bus transport systems on major transport corridors in Nigeria's largest cities from the current 15 km/h during rush hours to 20 km/h</p>	<p>roads rehabilitated or upgraded</p> <p>19,440 km of Local Government gravel roads rehabilitated or upgraded</p> <p>Nigeria-Cameroon Highway: In Nigeria (a) 25 km of road between Mfum and Ikom rehabilitated; (b) 50 km of road between Ikom and Ogoja Junction rehabilitated; (c) 80 km of 7.30 m wide road reconstructed between Ogoja Junction and Abakaliki; and (d) 86 km of road between Abakaliki and Enugu reconstructed</p> <p>Two new urban Bus Rapid Transit (BRT) corridors designed in Abuja (FCT/Nassarawa State) and Lagos</p> <p>One new mass rapid transit project designed in Lagos (Cable Car Project)</p> <p>One new deep sea port designed and financial closure</p>	<p>Abuja Urban Transport Project</p> <p>Development of FCT satellite Towns (Road Transport Component)</p> <p>Lagos Cable Propelled Transport Project (OPSM)</p> <p>Lekki Deep Sea Port Project in Lagos State (OPSM)</p> <p>Dakar-N'djamena Highway Corridor Missing Links: Nigeria/Cameroon/Chad - Feasibility & Detailed Design Study for Maiduguri Ndjamen Highway (270 km)</p> <p>On-going Rural Access and Mobility Project (RAMP I) in Cross River State</p> <p>Lekki Toll Road Project in Lagos State</p> <p>Capacity Building for PPP in Infrastructure Project (Transport Sector component)</p> <p><i>Multinational:</i> Transport Facilitation Programme for the BAMENDA-MAMFE-ABAKALIKI-ENUGU Corridor (“Nigeria-Cameroon Highway”; ECOWAS, ECCAS)</p>

Strategic Objectives – Nigeria Development Goals	Constraints hindering achievement of desired Development Goals	Final Outcomes (expected by end of CSP in 2017)	Final Outputs (expected by end of CSP in 2017)	Mid-Term Outcomes (expected by CSP mid-term in 2014)	Mid Term Outputs (expected by CSP mid-term in 2014)	Bank Group Interventions during CSP period (Proposed & On-going) *
		per annum in 2010 to 154 MT per annum in 2017		Port cargo throughput capacity of Nigeria deep sea ports increased from 75 MT per annum in 2010 to 121 MT per annum in 2014	achieved (Lekki)	
ENERGY / POWER **						
<p>Increase generation, transmission and distribution capacity in order to provide adequate and sustainable power supply (Vision 20:2020)</p> <p>Create a deregulated and competitive electric power sector</p> <p>Ensure a viable commercial framework for the electric power sector,</p> <p>Intensify rural electrification efforts in a more efficient manner</p> <p>Achieve optimal energy mix using most appropriate technologies</p> <p>Reduce electricity wastage</p>	<p>Inadequate energy infrastructure, regulatory capacity and enforcement in the sector</p> <p>Lack of regional interconnection (ECOWAS-ECCAS / Nigeria-Cameroon)</p>	<p>240,000 additional customers connected (60,000 new customers connected per year);</p> <p>Total power system energy losses reduced from 50% in 2010 to 36% in 2017</p> <p>Increase in the number of Nigerians with access to electricity from 40% in 2010/11 to 55% by the year 2017.</p> <p>Cost of public grid electricity reduced vs. self-generation</p>	<p>Power generation increased from 4,000 MW in 2011 to 12,000 MW in 2017</p> <p>Transmission network strengthened to wheel 12,000 MW by 2017</p> <p>3,000 km transmission line (8,900MVA) constructed; 22,600 distribution transformers (3,540MVA) installed through EPSERP and Federal Budget funded National Integrated Power Project</p> <p>Construction of 5,000 km transmission lines, 100 new substations and extension works for the 365 kV transmission lines</p> <p>Feasibility Study for the Katsina-Ala Hydropower Project (120 MW)</p>	<p>120,000 additional customers connected (60,000 new customers connected per year);</p> <p>Total power system energy losses reduced from 50% in 2010 to 43% in 2014</p> <p>Increase in the number of Nigerians with access to electricity from 40% in 2010/11 to 48% by the year 2014.</p> <p>Cost of public grid electricity reduced vs. self-generation</p>	<p>Power generation increased from 4,000 MW in 2011 to 8,000 MW in 2014</p> <p>1,500 km transmission line (8,900MVA) constructed; 11,300 distribution transformers (3,540MVA) installed through EPSERP and Federal Budget funded National Integrated Power Project by 2014</p> <p>Construction of 2,500 km transmission lines, 100 new substations, and extension works for the 365 kV transmission lines</p>	<p>Proposed Partial Risk Guarantees for the Power Sector</p> <p>Independent Power Generation Projects (IPPs): Azura-Edo IPP (450 MW gas-fired open cycle power plant); Okija IPP (495 MW combined cycle gas power generation plant) (OPSM)</p> <p>Feasibility Study for the Katsina-Ala Hydropower Project (120 MW)</p> <p><i>Multinational:</i> Transmission Interconnection Project Nigeria-Cameroon</p> <p>Ongoing Economic and Power Sector Reform Program (EPSERP)</p> <p>Capacity Building for PPP in Infrastructure Project (Power Sector component)</p>

Strategic Objectives – Nigeria Development Goals	Constraints hindering achievement of desired Development Goals	Final Outcomes (expected by end of CSP in 2017)	Final Outputs (expected by end of CSP in 2017)	Mid-Term Outcomes (expected by CSP mid-term in 2014)	Mid Term Outputs (expected by CSP mid-term in 2014)	Bank Group Interventions during CSP period (Proposed & On-going) *
AGRICULTURE **						
<p>Increase agricultural productivity with focus on agribusiness</p> <p>Enhance the agricultural value chain</p> <p>Substitute food imports</p> <p>Generation of national and social wealth, particularly in the rural communities</p> <p>Provide the right incentives for private investment inflow into the Sector</p> <p>Promote the use of certified and improved seeds of major important crops</p> <p>Review and develop an agricultural land and water policy that will address the problems of soil fertility, water productivity, land and environmental degradation</p> <p>Promote special infrastructure such as dams, irrigation facilities, silos, extension services, rural roads, electricity, railway network, etc.</p>	<p>Limited resources to meet the required investment targets</p> <p>Inadequate policies in agriculture to encourage domestic agricultural production through value chain addition</p> <p>Inability of farmers and MSME agribusinesses to access agricultural credit</p>	<p>3.5 million jobs to be created within 5 value chains for rice, cassava, sorghum, cocoa and cotton</p> <p>300 billion Naira (US\$ 1.9 bn) in additional income for Nigerian farmers</p> <p>350 billion Naira (US\$ 2.2 bn) injected into the economy from savings from rice self-sufficiency initiative (due to import substitution)</p> <p>60 billion Naira (US\$ 0.4 bn) injected into the economy from substituting 20% of bread wheat flour with cassava flour</p> <p>Strengthened food security by increasing production of key food staples by 20 MT (rice, cassava, sorghum)</p>	<p>Production of paddy rice increased from 3.4 million MT to 7.4 million MT. Establishment and installation of 100 large scale rice processing mills</p> <p>Production of cassava tuber increased from 34 million MT to 51 million MT. Establishment of 18 large scale processing mills</p> <p>Production of sorghum grain increased from 9.3 million MT to 11.3 million MT</p> <p>Production of cocoa beans increased from 0.25 million MT to 0.50 million MT</p> <p>Production of cotton lint increased from 0.02 million MT to 0.14 million MT</p> <p>Fertilizer to reach 94% of farmers from the present 11% through disengagement of the public sector and involvement of the private sector in fertilizer supply and distribution</p> <p>Provision of up to US\$ 700 million as concessional credit at long maturities to the real sector engaged in agribusiness and transformation</p>	<p>1.5 million jobs to be created within 5 value chains for rice, cassava, sorghum, cocoa and cotton</p> <p>150 billion Naira (US\$ 1 bn) in additional income for Nigerian farmers</p> <p>175 billion Naira (US\$ 1.1 bn) injected into the economy from savings from rice self-sufficiency initiative (due to import substitution)</p> <p>30 billion Naira (US\$ 0.2 bn) injected into the economy from substituting 10% of bread wheat flour with cassava flour</p> <p>Strengthened food security by increasing production of key food staples by 10 MT (rice, cassava, sorghum)</p>	<p>Production of paddy rice increased from 3.4 million MT to 5.4 million MT. Establishment and installation of 30 large scale rice processing mills</p> <p>Production of cassava tuber increased from 34 million MT to 42 million MT. Establishment of 6 large scale processing mills</p> <p>Production of sorghum grain increased from 9.3 million MT to 10.3 million MT</p> <p>Production of cocoa beans increased from 0.25 million MT to 0.35 million MT</p> <p>Production of cotton lint increased from 0.02 million MT to 0.08 million MT</p> <p>Fertilizer to reach 40% of farmers from the present 11% through involvement of the private sector in fertilizer supply and distribution</p> <p>Provision of up to</p>	<p>Proposed Support for the Nigeria Agricultural Transformation Agenda.</p> <p>Ongoing National Fadama Development Project (NFDP)</p> <p>Community based - Agricultural & Rural Development Project (CBARDP)</p> <p>Support to the National Program for Food Security (SNPFS)</p> <p>Lines of Credit to the Bank of Industry and Nexim Bank</p>

Strategic Objectives – Nigeria Development Goals	Constraints hindering achievement of desired Development Goals	Final Outcomes (expected by end of CSP in 2017)	Final Outputs (expected by end of CSP in 2017)	Mid-Term Outcomes (expected by CSP mid-term in 2014)	Mid Term Outputs (expected by CSP mid-term in 2014)	Bank Group Interventions during CSP period (Proposed & On-going) *
					US\$ 150 million as concessional credit at long maturities to the real sector engaged in agribusiness and transformation	
WATER SUPPLY AND SANITATION **						
Increased access to safe potable water	Weak capacity for management of water facilities	70% of the population has access to clean drinking water in 2017 from 58% in 2010	1.2 million new urban water connections by 2017	64% of the population has access to clean drinking water in 2014 from 58% in 2010	0.5 million new urban water connections by 2014	Proposed Urban Water and Sanitation Project in Rivers State
Promote and develop sanitation facilities and hygiene	Limited access to improved sanitation facilities	50% of the population using hygienic sanitation facilities in 2017 from 31% in 2010	24,000 new improved rural water sources (boreholes, modern wells with hand pumps) by 2017 2 million new sanitation facilities by 2017 Feasibility Study and Detailed Design for Owerri Urban Water Supply and Sanitation Project	40% of the population using hygienic sanitation facilities in 2014 from 31% in 2010	10,000 new improved rural water sources (boreholes, modern wells with hand pumps) by 2014 1 million new sanitation facilities by 2014	Development of FCT satellite Towns (Water Supply & Sanitation Component) Feasibility Study and Detailed Design for Owerri Urban Water Supply and Sanitation Project
Rehabilitate and complete existing irrigation projects, establish new ones and provide incentives for the development of new community based and privately initiated irrigation projects	Low utilization of the existing public sector irrigation infrastructure Low development of Nigeria's huge irrigation potential	Increase of the actually irrigated area from the current 32% of the equipped area under River Basin Development Authority Management to 70% by 2017 Increase of the actually irrigated area from the current 55% of the equipped area under State Government Management to 80% by 2017	Rehabilitation of 20 large to medium existing dams and rehabilitation and expansion of the associated irrigation schemes	Increase of the actually irrigated area from the current 32% of the equipped area under River Basin Development Authority Management to 50% by 2014 Increase of the actually irrigated area from the current 55% of the equipped area under State Government Management to 65% by 2014	Rehabilitation of 10 large to medium existing dams and rehabilitation and expansion of the associated irrigation schemes	Water Resources Development Programme (Multi-purpose dams for irrigation and institutional support to RBDA) Ongoing Rural Water Supply and Sanitation Project (Yobe & Osun States) Urban Water Supply & Sanitation Project (Oyo & Taraba States) Zaria Water Supply and Sanitation Project (Kaduna State)

* Only on-going projects that are relevant to and contribute to the strategic goals of the focus areas of the 2012-16 CSP are included in this Results Framework and Monitoring Matrix

** Sources: Agricultural Transformation Agenda; World Bank; FAO Aquastat; Vision 20:2020; Project Appraisal Reports; Nigeria Ports Authority; Nigeria Infrastructure Action Plan; NHIS