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COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

FOR THE

FEDERAL REPUBLIC OF NIGERIA

FOR THE PERIOD FY10 – FY13

September 20, 2011

African Development Bank
UK Department for International Development
United States Agency for International Development
World Bank Group

CURRENCY EQUIVALENTS
(as of July 29, 2011)

Currency Unit	=	Nigerian Naira (N)
USD1	=	N150.6
1 Naira	=	0.01 USD

GOVERNMENT FISCAL YEAR
January 1—December 31

ABBREVIATIONS AND ACRONYMS

AAA Analytical and Advisory Activities
AfDB African Development Bank
CATI Country Accountability and Transparency Initiative
CBOs Community Based Organizations
CDD Community Driven Development
CDP Community Development Plan
CPS Country Partnership Strategy
CPSPR Country Partnership Strategy Progress Report
CSO Civil Society Organizations
DFID Department for International Development
DPO Development Policy Operations
DPC Development Policy Credit
DSA Debt Sustainability Analysis
ECA Excess Crude Account
EFCC Economic and Financial Crimes Commission
EITI Extractive Industries Transparency Initiative
FCT Federal Capital Territory
FGN Federal Government of Nigeria
FIA Freedom of Information Act
GEMS Growth and Employment in States
GIS Geographic Information System
HD Human Development
IBRD International Bank for Reconstruction and Development
ICP Investment Climate Program
ICT Information and Communication Technology
IDA International Development Association
IFC International Finance Corporation
IGR Internally Generated Revenue
LGA Local Government Authority
MDAs Ministries, Departments and Agencies
MDGs Millennium Development Goals
NEITI Nigeria Extractive Industries Transparency Initiative
NSEPIC Nigeria State Education Program Investment Credit
NSHPIC Nigeria States Health Program Investment Credit
NSDS National Statistics Development Strategy
NSHDP National Strategic Health Development Plan
PEFA Public Expenditure and Financial Accountability Assessment
PEMFAR Public Expenditure Management and Financial Accountability Review
PER Public Expenditure Review
PFM Public Financial Management
PHCN Power Holding Company Nigeria
PPP Public Private Partnership
P4R Program For Results Financing
PRG Partial Risk Guarantee
SBMC School Board Management Committees
SDPO State Development Policy Operation
SEEFOR State Employment and Expenditure for Results
SME Small and Medium Scale Enterprises
SPARC State Partnership for Accountability, Responsiveness and Capacity
SWF Sovereign Wealth Fund
USAID United States Agency for International Development
WDR World Development Report

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THE FEDERAL REPUBLIC OF NIGERIA
COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

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NIGERIA COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

I. The 2010-2013 Country Partnership Strategy

1. **This Progress Report (CPSPR) assesses the implementation of the Nigeria Country Partnership Strategy for 2010-2013 (CPS) and proposes mid-course corrections to the Strategy**. The CPS was prepared against the backdrop of two challenges facing Nigeria: the global economic crisis in the short term and the need to sustain non-oil growth and develop human capital over the medium term. The core issue of governance underpinned both challenges. The four CPS partners, World Bank (the Bank), UK Department for International Development (DFID), United States Agency for International Development (USAID) and the African Development Bank (AfDB), account for 80 percent of Nigeria's development assistance. They jointly agreed with the Government that the Strategy should help Nigeria strengthen management of own resources, especially of the states because they have considerable political autonomy, control about 50 percent of revenues, and deliver most essential services. The International Finance Corporation (IFC) focuses on private sector develoment to sustain non-oil growth by providing advisory services in improving the business enabling environment and enterprise-level capacity and by making catalytic investments in private sector companies and public-private partnerships (PPPs) and mobilizing private capital.

2. **The CPS marked four fundamental shifts from the 2005 CPS**. Although these shifts were determined before the new Africa Strategy was published in March 2011, they are very much consistent with the new Strategy, including the use of more diverse instruments to provide assistance and anchoring all development activities in improving governance and building capacity in public sector. The most important shift was the introduction of new and transparent criteria for selecting states to participate in partner-financed programs. Under the 2005 CPS, partners had selected five 'lead states', but this approach raised issues of fairness, geopolitical balance, and exclusion of the poorest states. In the CPS therefore, partners agreed to use five clear criteria for state-level engagement: demonstrated governance commitment and capability, need, relationship with state through existing programs, partner objectives, and Nigerian government priorities including geopolitical balance (CPS para 78, Table 6). A state's commitment to good governance would be demonstrated by its willingness to support better management of its own resources by preparing drafts of procurement and/or fiscal responsibility bills and undertaking fiduciary assessments which incorporate follow up action plans. A state's governance capability would be measured by its performance on partner-funded projects. In case of the Bank, this meant satisfactory ratings for procurement and financial management on projects under implementation in the state (e.g. the Health Systems Development Project that covered all 36 states). Partners agreed to no longer select a common set of 'lead states', since partners' programs are at different stages and have different operational constraints.

3. **A second shift was in instruments of support**. For the Bank, this meant moving away from providing only investment loans to a mix of lending instruments. State level Development Policy Operations (SDPOs) would be introduced to support states' policy making and budgetary and fiscal management. The Strategy proposed Lagos State as a candidate for a "pioneer" SDPO, given the quality of its Public Financial Management (PFM) system, the reform orientation of the state government, the importance of the state for Nigeria, and the need to preserve its fiscal sustainability. In the Human Development (HD) sectors, the partnership would finance projects

in states with poor health and education indicators and a weak track record on public sector reform, using them as entry points for dialogue on broader policy and governance reforms. In states with poor HD indicators that have embarked on public sector reform and have a stronger track record on governance, the partnership would work to develop sector programs to serve as overall framework of support.

4. **A third shift was a move towards a health systems approach**. Nigeria's poor results on key health Millennium Development Goals (MDGs) signalled the need for stronger focus on strengthening health systems, as distinct from addressing single diseases. The Maternal Mortality Rate of 545 per 100,000 live births and the under-five Mortality Rate, of 157 per 1,000 live births in 2008 were declining too slowly to achieve the MDG targets by 2015.

5. **The fourth shift was to make governance a stronger foundation for all interventions in the Non-Oil Growth and Human Development pillars.** The strategy for these two pillars was described in the CPS (paras 31 and 32). Governance as a foundation meant more transparency and accountability, capacity development, sector governance and involvement of civil society organizations (CSOs) and other stakeholders in monitoring service delivery. In the troubled states of the Niger Delta, the potential for deeper engagement going beyond Community Driven Development (CDD) projects was to be explored. This initiative would be consistent with the 2011 World Development Report's finding that in insecure situations there is a need to address immediate challenges pragmatically, within political realities, with approaches that can be expanded over time. The expectation was that, in these states, extensive fiduciary work would establish a basis to strengthen governance and institutions over the longer term.

6. **The CPS envisaged an International Development Association (IDA) allocation of USD1 billion in FY09 and USD2.3 billion in FY10-11.** In the event, actual IDA commitments in FY09-11 (USD2.836 billion) were about USD450 million less than planned, due to delays in program preparation caused by the country political developments. The overall IDA envelope for the FY10-13 remains largely the same as envisaged in the CPS. FY12 allocation ($1.415bn) is firm while the estimates for subsequent years are indicative and can change depending on a variety of factors related to both Nigeria and IDA.

7. **DFID's annual program allocation of £120million in FY09/10 was to rise to £140million in FY10/11**. USAID's FY10/11 annual allocation is expected to be USD400.7million up from USD380.4million in FY09/10 with AfDB projected loan approvals of about USD200million in FY09-10. IFC's investment commitment in FY11 was over USD925 million, having increased from about USD690 million in FY10 and USD517 million in FY09.

8. **The Government and the Bank have carried out intensive efforts to improve portfolio performance.** The share of commitments at risk declined from 46 percent in FY2010 to 24 percent in FY2011. The number of problem projects, however, rose from one in FY2010 to three in FY2011, but the three problem projects have now been restructured and their performance is improving. Nigeria's disbursement rate of 16.3 percent in 2011 was well below the Africa region target of 25 percent, largely due to long delays between Board approvals and effectiveness stemming from changes in Federal government of Nigeria (FGN) procedures. To address these delays, Government and the Bank have worked to standardize procedures for processing of new operations, and instituted regular bi-monthly meetings between the Bank and senior officials of the Federal Ministry of Finance. Procurement clinics were organized for 332

project staff from 150 project implementation units and special workshops were held for slow disbursing projects. Additionally, monitoring and evaluation training was provided to the key staff of the International Relations Department of the Federal Ministry of Finance.

9. **Partners jointly monitored the implementation of the Strategy.** As described in Box 1, semiannual meetings to assess progress toward each pillar's indicator have strengthened partnerships to the point that partners have agreed upon joint Presidential Policy notes for the incoming Government (Annex 1), the status of outcomes at mid-term (Annex 2), a mid-course correction to the Strategy and the revised CPS results matrix (Annex 3).

Box 1: Partners jointly monitor the implementation of the Strategy

Under the 2005 CPS, 'outcome champions' from DFID and World Bank had been nominated to report progress on results to the heads of the two agencies in joint meetings. Agency heads met regularly but rarely discussed results.

For the CPS, each agency was assigned a lead role in monitoring CPS Results Matrix and agencies nominated heads for each pillar to coordinate within and across agencies to update results (USAID for the Human Development pillar, DFID for the Governance pillar and the World Bank for the Non-Oil Growth pillar). Meetings were held semi annually, co-chaired by heads of agencies with the responsibility for organization and logistics rotated among the agencies. Government and civil society representatives were invited to the meetings, fostering country ownership, transparency, and mutual accountability.

Outcomes from the joint monitoring meetings have exceeded expectations. Teams became more engaged and motivated. The evidence presented on progress against the results indicators became the basis for agreements on areas of strengths and weaknesses in achieving results, for mid-course corrections to the Strategy, and for joint messages to the incoming government. The joint notes provide a status report and key issues for action in the key strategic areas: Power, Maternal and Child Health, Public Financial Management and Social Accountability, and Managing the Oil Wealth.

The joint CPS monitoring has significantly contributed to the improved dialogue and stronger relations between partner agencies.

II. Experience in Implementation of the CPS

10. This chapter outlines the steps taken by partners and the Nigerian government to implement the CPS.

11. **Political Context. The CPS started out being implemented in a rapidly changing political situation that culminated in the April 2011 elections**. President Yar'Adua fell ill in 2009 and after his death in May 2010, Vice-President Goodluck Jonathan assumed the Presidency. Elections took place in April 2011 for the Presidency, the National Assembly and the Governorship of 26 states. President Jonathan and 26 state governors were sworn in for four year terms on May 29, 2011 The elections signified substantial progress in Nigeria's electoral and democratic development and were characterized by observers as the freest and fairest in Nigeria's history. There were, however, unrelated incidents of violence before and after the elections that signaled the need to make more rapid progress on social inclusion, especially youth employment. Nigeria's new economic management team will play a crucial role in ensuring sound macroeconomic policies and strengthening governance in both the oil and non-oil sectors to sustain the growth that will be needed to create jobs.

12. **The CPS goal of engaging with state governments based on their demonstrated commitment to governance issues has largely been achieved**. In line with the state selection process described in paragraph 2, when a state requests participation in a new Bank project, a dialogue is launched about the criteria for accessing Bank resources. Even when the requested support only peripherally involves governance reforms, the financing request has provided partners with a first opportunity to encourage the state to review its public finance management framework. By the end of June 2011, a total of 20 states had completed, updated or started one or more of the key review exercises (Box 2) - Public Expenditure Review (PER), Public Expenditure and Financial Accountability Assessment (PEFA) or Public Expenditure Management and Financial Accountability Review (PEMFAR). In 2008, only 9 states had launched these exercises. Twenty states have passed procurement legislation and about 28 have established a procurement agency increased (both up from from 2 in 2008). And 21 states have passed a Fiscal Responsibility Bill.

Box 2: Tools for Assessing Governance Commitment

PEFA assesses the condition of country public expenditure, procurement and financial accountability systems, and develops a practical sequence of reform and capacity-building actions. It uses a standard methodology that assigns scores based on 28 performance indicators.

PER primarily looks at government revenues and expenditures. A comprehensive PER generally includes a review of fiscal performance, a PEFA assessment, an assessment of the efficiency of the public investment system, and a review of public expenditures in a particular sector.

PEMFAR is a more comprehensive review of public expenditure management and accountability systems. It covers a Fiscal Performance Analysis, PEFA assessment, Public Investment Management Assessment, sector PER, Financial Management Fiduciary Assessment, and a Procurement Assessment.

13. **This new and constructive engagement with states has had four benefits**. First, it has raised state governments' awareness of the importance of Public Financial Management (PFM) as integral to improving the efficiency, effectiveness and transparency of public resources. Second, it has improved the states' capacity to initiate PFM reforms. For example, DFID's State Partnership for Accountability, Responsiveness and Capacity (SPARC) programme has helped improve PFM in five states, with notable improvements in Lagos and Jigawa. A PEMFAR spurred the state of Bayelsa to prepare a new Finance Law and a new budget and accounts classification system. Third, the engagement has catalyzed financing by partners – for example, the European Union is supporting the State Employment and Expenditure Effectiveness for Results (SEEFOR) in four Niger Delta states. Fourth, the fiduciary reviews have improved the transparency of information to stakeholders at federal and state level.

14. **Instruments of support foreseen in the CPS have been launched**. In March 2011, Lagos State received an SDPO of USD200 million, the first in a planned series of three programmatic credits expected to total USD600 million. In approving the operation, the Bank Board endorsed the focus on governance and service delivery and requested that future SDPOs also address policy issues to address gender disparities in Nigeria. All SDPOs under preparation will, therefore, add gender considerations to the core issues of governance and service delivery (for example, an operation in Edo State for USD75 million addresses quality of girls education) but Government ownership would determine which sectors if any would be feasible to be included in SDPOs.

15. **The shift to health system strengthening envisaged in the CPS has proven challenging**. The main challenge is lack of clarity in responsibilty for health service delivery at Federal, State and Local levels, full autonomy at these levels in management and financing but little accountability for the use of funds. Partners worked with the Federal Ministry of Health in the development of a National Strategic Health Development Plan (NSHDP) 2010-2015 that puts governance at its center and the Federal Government of Nigeria (FGN) is in the process of enacting the National Health Care Bill and creating a National Primary Healthcare Development Fund to be financed by 2% of the Consolidated Federal Revenue Fund.

16. **A start has been made in introducing governance as a stronger foundation for programs**. Civil Society Organizations (CSO) and Community Based Organizations (CBOs) are beginning to be included in new projects (e.g., SDPO for Edo state, SEEFOR, Health project), and CSOs are now providing feedback on the progress of four projects (valued at USD880 million) under implementation. The Freedom of Information Act (FIA), pending since 2007, is now in effect and is expected to increase the ability of civil society and other organizations in the public sphere to demand accountability and transparency. In addition, the Bank is supporting the efforts of the Office of the Special Advisor to the President on Civil Society in procurement monitoring by civil society representatives and in advocating for the passing and implementation of Procurement Laws at federal and state levels. And now, that all Nigeria projects have been mapped by geographical location (states and Local Government Authorities, LGA), CSOs, CBOs and project beneficiaries will be able to use Information and Communication Technology (ICT) to provide information on: (a) progress in remote areas; (b) assets created; and (c) social services delivered.

17. **Opportunity for deeper engagement in Niger Delta arose in 2010 but the Bank is still proceeding cautiously given the risks involved**. The SEEFOR project in Bayelsa, Rivers, Delta and Edo States addresses the immediate challenge of creating employment for youth since the Niger Delta Region has some of the highest levels of youth unemployment in Nigeria (e.g. about 38.4% in Bayelsa and 27.9% in Rivers compared to the national average of 19.7%). It also addresses the longer-term challenge described in the World Development Report 2011 of building legitimate institutions to break the cycle of violence by strengthening transparency and accountability through reform of public expenditure management systems with a particular focus on demand side aspects of these reforms. The project has been under preparation for two years and state commitment to move forward has emerged only in small steps. While Bayelsa completed a PEMFAR in 2008, Rivers, Delta and Edo did so only in 2010. Bayelsa, Rivers and Delta States have now passed the procurement laws and Bayelsa and Rivers have also passed fiscal responsibility laws. While Bayelsa has instituted a multi-stakeholder Expenditure and Income Transparency Inititiative with support from Revenue Watch International and Niger Delta Citizens Budget Platform, the other three states have not yet taken this step. Given the risks involved the Bank is supporting additional activities building the capacity of CSO partners to participate in and independently monitor the project development and implementation and to strengthen the effiency and accountability of governance institutions over the longer term.

III. CPS Outcomes

18. **This chapter outlines progress toward outcomes along the CPS's main pillars and themes which set the stage for the mid-course adjustments described in Chapter IV**. Gender equality is a theme that cuts across all three pillars, and remains an area where much

more progress is needed. Early findings of the World Development Report 2012 on gender will help to guide the mid-course adjustment.

A. Mitigating the Impact of the Global Economic Crisis

19. **Nigeria was seriously affected by the international economic crisis**. The onset of the crisis and corresponding decline in oil prices hit Nigeria with a major terms-of-trade shock, sharply reduced budget revenues, forced the depriciation of the Naira, and brought major distress to the banking sector. A number of larger Nigerian banks had expanded their credit portfolios very quickly in a speculative manner, and had a corresponding large exposure to the internal stock market and oil price risk. The crash in both oil prices and the stock market left them undercapitalized and illiquid. Faced with the prospect of a recession in the context of a sharp decline in oil-related state revenues, the Government drew on its Excess Crude Account (ECA) fiscal reserve to prevent a fall in public expenditure levels and finance an economic stimulus package, while the Central Bank worked to prevent a collapse of the banking and financial sectors.

20. **A USD500 million Development Policy Credit (DPC) from IDA provided needed support for the budget and the continuation of structural reforms in the financial and public sectors.** The DPC, prepared by a multisectoral Bank's team and the Nigerian Government, was approved by the Bank Board in July 2009. It supported the program of the Government and Central Bank that stepped up bank monitoring, supervision, and accounting standards, maintained and increased levels of public spending during a time of falling revenues, and improved reporting and disclosure standards in public fianance and procurement. Through the program in 2009, supported by the DPC, the Government and Central Bank succeeded in preventing recession or collapse of the financial sector, as well as providing a foundation for financial sector recovery. Economic growth was still strong in 2009 (7%), capital adquacy ratios in the banking sector remained above 15 percent, and the execution of the capital budget increased to 72 percent in 2009, up from only 54 percent in 2008.

21. **During the height of the banking crisis, IFC provided USD370 million of equity investments and loans in at least two systemic banks, and provided USD380 million in trade facilities to six banks**. IFC's crisis response strategy supported the positive Government actions to complement IDA's efforts. IFC teams reviewed the Banking system and select banks during November 2008–February 2009, and provided advisory programs for improving corporate governance (especially risk management and Board oversight). IFC helped diversify sources of financing through development of the local fixed income capital markets, including issuing an IFC Naira Bond to provide affordable long-term Naira financing. Coupled with the Central Bank of Nigeria's reform actions this helped to increase investment confidence by international and local private equity and lending institutions, and to stability in the financial system.

22. **Nigeria's GDP growth accelerated in 2010, although government spending arguably became excessive.** GDP growth expanded from 6.0 percent in 2008, to 7.0 percent in 2009, and 7.9 percent in 2010. Despite the world economic recovery and strong growth, fiscal stimulus spending continued, and even accelerated in 2010. Federal government expenditure grew to 14.2 percent of GDP in 2010, well above the 11 to 12 percent range in 2008 and 2009. While this exceptionally high expenditure may have helped somewhat to stimulate accelerated growth, it

came at the cost of double digit inflation, the exhaustion of remaining fiscal oil reserves (ECA), very rapid (60%) import growth, and a significant balance of payments deficit (loss in monetary reserves) in spite of the recovery in oil prices that brought a 13 percent improvement in the terms of trade.

23. **The expanded dialogue on macroeconomic policy included a reassessment of the ECA**. The drawn-down of the ECA in 2010, despite the economic recovery and stronger oil prices, exposed weaknesses in the rules surrounding the management of the fund. The Bank's dialogue with the Government on this issue helped to motivate the decision to establish a new Sovereign Wealth Fund (SWF) for excess crude oil revenues. The Fund has three components: (a) a stabilization component for protecting the budget against a fall in oil prices, (b) an infrastructure component for key areas of public investment, and (c) a savings component for the transformation of part of Nigeria's oil wealth into a diversified portfolio of financial wealth. Legislation establishing the Nigeria Sovereign Wealth Fund was signed into law on May 29, 2011.

24. **Nigeria's medium-term economic outlook is positive, although the removal of structural constraints to investment will be key to sustaining high growth rates.** Oil production has started recovering owing to the decline in militancy following the amnesty in the Niger Delta, leading to growth of oil GDP. The non-oil economy is projected to continue growing at around 7 percent in the medium term. In 2011, Nigeria's fiscal deficit is expected to improve from 6.1 percent of GDP in 2010 to about 3 percent of GDP, largely on account of planned expenditure cuts and continued improvements in oil revenue, and oil reserves should again begin to accumulate. However, sustaining high growth rates will depend on the Government's ability to remove the long standing structural constraints, including notably power and access to finance as found in the 2011 investment climate assessment. The balance of payments is projected to improve over the medium-term, as growth of exports is expected to exceed growth in imports, reflecting primarily the positive outlook for oil and gas production. The recent passage of a law establishing the SWF with stronger legal provisions than the ECA has improved the outlook for the management of oil revenues. Finally, a joint Bank-Fund Debt Sustanability Analysis (DSA) on Nigeria carried out towards the end of 2010 found that Nigeria's sovereign debt position and projected debt servicing are still at quite manageable levels for the medium term.

Pillar I: ***Sustainable and Inclusive Non-Oil growth***

25. **The non-oil sector has grown at about 8% or better over the 2003-2010 period, yet unemployment has not fallen materially since 1999**. The 15-35 age group comprises a third of the work force but two-thirds of the unemployed (see Annex 1 policy note on Youth Employment Crisis). Analytical work supported the Government's decision in November 2010 to replace import bans on textiles, cassava, furniture, fruit drinks and other products with tariffs, a move that should spur growth and job creation. Financing through the Nigeria Growth and Employment in States project (GEMS), approved in March 2011, aims to strengthen competitiveness and job creation in Information and Communication Technology (ICT), tourism, entertainment, meat and leather, construction and wholesale trade. And a project under preparation addresses youth employment by combining public workfare programs with vocational training (Table 1, Chapter 4). The following paragraphs outline key initial achievements in the CPS' key areas of sectoral/thematic emphasis: power and roads; supporting

private sector development, improving agricultural productivity, and supporting environment and mitigating climate change.

26. **The FGN's "Roadmap to Power Sector Reform", developed with partner support and launched in 2010, is expected to unleash important improvements in the hitherto underperforming power sector.** It provides a framework for FGN to increase power supplied from existing thermal plants, to catalyze new investments, and to address structural issues (as described in policy note, Annex 1). Power supply from exisiting thermal plants has long been restricted because of International Oil Companies' unwillingness to supply them with gas in the absence of acceptable security for Power Holding Company of Nigeria (PHCN)'s payment obligations. Following a Bank-mediated three year dialogue, Gas Supply and Aggregation Agreements between PHCN and Shell and Chevron were signed in 2011. Going forward, the IDA-financed Nigeria Electricity and Gas Improvement Project will finance Partial Risk Guarantees to backstop PHCN's payment obligations to the International Oil Companies. And a planned additional USD1 billion in guarantees (reflected in the revised lending program in Table 1) will support FGN's request to catalyze private investment in generation capacity.

Box 3: Key Country Partnership Strategy Results

Pillar I: Achieving Sustainable and Inclusive Non-Oil Growth

- 2010 Roadmap for Power Sector Reform; Gas Supply and Aggregation Agreements signed between Government and joint venture partners; actual power supplied increased from 2,800MW to 3,800 MW;
- National Policy on Public Private Partnership approved;
- Nigeria's mining sector positioned to take advantage of worldwide minerals boom;
- National Agricultural Strategy adopted.

Pillar II: Human Development

- Proportion of children (12-23 months) fully vaccinated increased from 16% in 2006 to 53% in 2010;
- 44.6% of children in selected states under-5 sleep under insecticide treated nets (Baseline: 2.5%; Target: 40%);
- 81% of households in selected states have at least one treated bed-net (Baseline: 2.6%; Target: 80%).

Pillar III: Governance for Results

- Legislation establishing the Sovereign Wealth Fund signed into law;
- Nigeria complies with the Extractive Industries Transparency Initiative;
- 11 billion cumulative corruption proceeds recovered by the Economic and Financial Crimes Commission;
- Procurement – Federal level: Major contracts above threshold awarded through open competition and 100% of public contract awards published; State level - Procurement bills passed in 20 states and drafted in 7 more; Fiscal Responsibility Bills passed in 21 states;
- 17 states produced State Statistical Year Books with 2007, and in some cases, 2008 data.

27. **Progress in the roads sector has not been satisfactory.** The establishment of the planned National Road Fund and the Federal Roads Authority are still pending, the roads review under each tier of government has not been completed, and there has been little progress with road classification within local council areas. The IDA Federal Roads Development Project has faced delays in its institutional development components, and poor response by contractors to the Output- and-Performance-Based Road Contract (OPRC) approach. The project has recently been restructured. The piloting of the OPRC approach to the rural roads maintenance under the Rural Access and Mobility Project 1 also experienced delays. As for urban roads, the slow process of transport planning and management, in the face of rapid urbanization, has resulted in the poor

state of most roads in Nigerian cities. The one bright spot has been Lagos Urban Transport Project 1 which provided critical support in improving the management of the Lagos metropolitan urban transport sector. The project's success is prompting other states to improve planning, management and coordination of urban transport functions in their metropolitan areas.

28. **Supporting private sector development.** Partners have supported a wide range of improvements to the institutional environment for private firms.

- *Access to Finance* for small and medium enterprises has been an area of focus, in line with the 2010 Investment Climate Assessment's findings that this is a major constraint. The FGN has passed a microfinance policy. IFC has invested in commercially-managed microfinance institutions, downscaling in banks to increase small and medium enterprise (SME) lending, and increasing SME capacity building tools. The African Development Bank has provided private sector credit lines to four banks for on-lending to small and medium enterprises. Other notable outcomes are: Naira 14 billion raised in microfinance deposits; establishment of Credit Bureaus and Alternative Dispute Resolution mechanisms; and a Secured Transactions law.
- *Public-Private Partnerships (PPPs).* FGN intends to rely on PPPs for development of key sectors and has put in place a PPP policy. The signing of the Gas Supply and Aggregation Agreements (para 25), the concessioning of 23 port terminals and implementation of industry regulations for the telecommunications sector attest to PPPs' potentially important role. Since experience demonstrates that capacity to implement PPPs must precede financing transactions, the PPP project in the CPS has been broken into a two-phase operation, with the first phase devoted to capacity building and the second to financing transactions. At the state level, two states have adopted PPP arrangements in water services delivery and IFC intends to provide transaction advice in selecting a private partner for a hospital PPP through a transparent and competitive process.
- *Mining.* The Federal regulatory framework and institutional structure in the mining sector is in place and airborne geophysical surveys of the entire country are completed. Over 50 international companies are carrying out exploration activities today, compared to none in 2004/5.
- *Lagos state as the largest commercial center and performance benchmark for other states*: Lagos state has eliminated pre-inspections for building permits. The digitisation of nearly 10 million land records, combined with an on-line search facility already introduced, will enable faster processing of registration transactions in Lagos.

29. **Increasing agriculturural productivity.** IDA has successfully targeted smallholder agriculture, and the program will include more support in the future. The Bank's flagship agricultural project, Fadama III, is the third since 2002 to support smallholder agriculture by reducing input costs for millions of small farmers. To address problems of low agricultural productivity and employment opportunities on a larger scale, Nigeria's decaying irrigation infrastructure must be rehabilitated, requiring institutional arrangements for sound operations and maintenance. The FGN has therefore requested an Irrigation and Water Resource Management project, included in the revised lending program (Table 1, Chapter 4), which IDA intends to finance in place of the previously planned agricultural productivity/competitivenes

projects forseen in the CPS. Financing for the latter will await the results of the regional West Africa Agricutural Productivity Project.

30. **Climate Change and Environment**. There is progress in reducing gas flaring and in environmental management more generally. The flaring of gas by offshore oil platforms is one of Nigeria's main environmental issues because it generates harmful greenhouse gases. Gas flaring has already dropped by about a third since 2004, and should drop further once more gas is supplied to thermal power plants rather than being flared, as described in para 26. At the federal level, a National Environmental Policy is in place. At the state level, watershed management and coordination capacity has been built in six states and Geographic Information System (GIS) for poverty and environmental information management has been set up in 9 states. The implementation of the Bus Rapid Transport system under the Lagos Urban Transport project has helped reduce buses' carbon dioxide emissions and strengthened the capacity of the city's urban transport agency to monitor and reduce greenhouse gas emissions. At the request of the government, the program in the Progess Report (Table 1, Chapter 4) now includes a new Erosion and Watershed Management project to restore degraded lands and reduce longer-term erosion vulnerability in targeted areas (CPS included a place holder for a Climate Risk Management project).

Pillar II: Human Development

31. Although outcomes have improved in Malaria and HIV/AIDs, and skilled birth attendance has also improved in selected states, analyses of recent trends show that the pace of progress in reducing maternal and child still remains too slow to achieve the Millennium Development Goals by 2015. Similarly, primary and junior secondary enrollment rates are increasing but the learning achievements in education have not shown marked improvements.

- **Malaria**: Some 12.4 million insecticide-treated bed nets have been distributed, contributing to a dramatic increase from 3.6% in 2009 to 45% in 2010 in the percentage of children under 5 who sleep under them in seven states. The proportion of households that have at least one treated bed-net has increased to 81% from just 3% in 2009 and the procurement of more than 2 million doses of malaria medicine has contributed to 17% of pregnant women receiving 2 or more doses, double the share in 2006.

- **HIV/AIDS:** The share of people reporting condom use has increased to one-third of women and over half of men, up from single digits before the HIV/AIDS program. The share of people 15 and older who received HIV/AIDs counseling and testing, and received their test results, has increased to 14.5%, progressing toward the 20% target for 2013. More pregnant women living with HIV are receiving a complete course of antiretroviral prophylaxis (11% in 2010 compared to 5% in 2007). All states have functional coordinating HIV/AIDS institutions and a federal agency leads a coordinated multi-sectoral response operationalizing the national HIV/AIDS strategy. USAID has trained and provided technical assistance at all levels of government in quality assurance, quality control, and logistics management. These achievements have contributed to the stabilizing of the HIV/AIDS epidemic in Nigeria.

- **Primary Health:** Health Facility data from six states showed a dramatic increase in skill birth attendance in 24 facilities, from 7,568 annual births in 2007 to 12,628 in 2010

(67%). These results are, however, insufficient to enable Nigeria in meeting the maternal and child mortality Millennium Development Goals and have prompted partners to focus increasingly on how these key services are delivered at various levels referred to as 'sector governance'.

- **Education:** Education sector strategies have been finalized in five states, primary and secondary enrollment and completion rates have improved in selected states (Annex 3) but the quality of education remains an issue in Nigeria because of low quality teachers, teacher absenteeism and unclear accountability relationships between education providers, LGAs and states. These developments have provided the Bank with an opportunity to pilot a governance-focused Nigeria States Health Program Investment Credit (NSHPIC) and a Nigeria State Education Program Investment Credit (NSEPIC) to strengthen management and accountability in the sector. It also sets the stage for mid-course correction discussion in chapter IV, since partners have agreed to take a lead role in both primary education and primary health.

Pillar III: Governance for Results

32. **Partner-supported fiduciary assessments and the Bank SDPOs have been instrumental in generating and sustaining state governments' interest in improving their public finance management frameworks and passing procurement and fiscal responsibility laws.** Some states have also improved sector governance for service delivery, as illustrated in para. 33 below and at the Federal level, transparency and accountability have improved. More progress is still needed to involve CSOs and CBOs more systematically in service delivery at the state level and stronger public finance management systems at the Federal level (discussed in policy note on establishing effective public financial management and social accountability systems in Annex 1).

33. To improve service delivery, states have undertaken reforms in the following key areas:

- *Urban Transport*. The Bank has over eight years supported the establishment and effective functioning of the Lagos Metropolitan Transport Authority. Kano, the second largest state in Nigeria and Federal Capital Territory (FCT) of Abuja have shown interest in this model.

- *Water*. DFID grant funding has helped Kano State to establish a framework for the water sector that may now allow the Bank to proceed with planned investments that were postponed pending progress in the institutional framework. Water Agencies in four states are introducing public-private partnerships and billing and collection efficiency has improved from 40% to 70%. Lagos State Water Corporation now has five CSO partners that conduct regular customer surveys and forums. The FCT Abuja has also launched customer forums and has introduced more PPP arrangements in the sector.

- *Education.* School Board Management Committees (SBMCs) that include parents, teachers and other community stakeholders have been set up to manage school grants and design School Development Plans. About 3000 trained SBMCs continue to play key roles in identifying and addressing school maintenance needs and enabling community participation in school governance.

- *Involvement of Local Government Authorities (LGAs) in community development plans (CDPs).* The number of LGAs that have incorporated CDPs into their Local Government Development Plans is rapidly increasing

34. **Transparency and accountability in the use of resources at the Federal level.** Nigeria is now compliant with the Extractive Industries and Transparency Initiative's requirements. About N68 billion of government resources have been saved by rooting out corruption in the public procurement system. The Integrated Payroll and Personnel Information System launched in 2007 has reduced the public sector wage bill by about N12 billion by eliminating "ghost" workers and better payroll management in sixteen pilot Ministerial Development Agencies (MDAs). Finally, the Accounting Transactional Recording and Reporting System, which enables inputs to be tracked and costs attributed to specific government interventions, was rolled out to all MDAs.

35. **Democratic governance.** Major progress in Nigeria's democratic transition was achieved with USAID and DFID support for the 2010 electoral process, notably help with a new voter register of 74 million people (up from 35 million in 2007), voter education, election management, media training, election monitoring, and efforts to reduce electoral violence. The US and UK supported an innovative mobile phone 'parallel vote tabulation' system, the biggest yet worldwide, to enable civil society monitors to verify results.

IV. Adjustments to the CPS

36. **The broad strategy of the CPS remains valid**. A comprehensive review conducted for this progress report confirms that the three-pillar approach involving governance, non-oil growth and human capital development remains relevant. The focus of the partners' support will remain at federal level but with enhanced engagement at the state level guided by the CPS criteria outlined in para 2. Lending instruments will continue to be tailored to the conditions of each state, with IDA resources serving as a catalyst for greater leveraging through guarantees, and other partners' financing. SDPOs will continue, and the program may add a horizontal DPO to allow us to engage in more states. [1] The emphasis on flexibility in the lending program in the CPS will be retained. In particular, if the Petroleum Industry bill is passed, the lending program may include a technical assistance project for supporting its implementation.

37. **Mid-term adjustment**. Four aspects of the Strategy will be adjusted in light of operational experience during 2010 and 2011, evolving government priorities and need for scaling up attention to gender. The four areas for adjustment are: the lead roles under partnerships, scope of analytical work, proposed financing, and the results matrix.

38. **The forthcoming WDR 2012 "Gender, Equality and Development" presents recent evidence that greater gender equality can enhance economic efficiency and improve other development outcomes in three ways.** First, removing barriers that prevent women from having

[1] The horizontal DPO could provide a stronger platform for competition among states with technical assistance support from DFID. States would compete for entry in the horizontal DPO operation, increasing incentives for reform, and the speed whereby reform spreads from state to state. The operation would be consistent with current rules and regulations for DPOs (OP 8.60). Nevertheless, the proposed approach of a multi-state sub-national DPO will be new to Nigeria, and to World Bank lending practices as well.

equal access to education, economic opportunities, and productive inputs can generate broad productivity gains. Second, improvements in women's status affect many other development outcomes, especially for children. Third, when women and men have equal chances to become socially and politically active, make decisions, and shape policies, better development outcomes are likely. The Bank program going forward will use these findings to rekindle attention to gender issues in Nigeria, monitor impact on women in performance-based loans in health and education and ensure that upcoming projects identify women as a specific target group.

A. Partnerships

39. **DFID and USAID will take lead roles in primary health and education, including girls' education, where they both have significant comparative advantage (**Box 4). DFID and USAID are the largest bilateral donors in primary health and education with DFID's health program in Nigeria its largest worldwide, with 20 states receiving some form of support and strong field presence in Northern states.

40. **The lead roles for DFID and USAID do not imply that the Bank is disengaging.** Rather, the Bank will move away from financing inputs in primary education and health towards improving governance in support of service delivery (e.g. the NSHPIC and NSEPIC). These approaches may be expanded to other states that request support. Alternative financing instruments that may also be deployed are the new Program For Results Financing (P4R) instrument to finance a slice of sector budgets at the state level, or SDPOs that include elements of health and education policy in addition to the core PFM agenda.

41. **Partnerships with CSO's will build on initiatives already underway**. These include third party monitoring of budget and procurement processes in a range of sectors, and in implementation of projects. Support will be given to a number of CSO platform or coalition initiatives, as well as to building their capacity to represent various constituencies and to engage effectively with government.

Box 4: DFID and USAID Support for Education and Health

DFID is expanding its current health support to improve maternal care for 600,000 mothers; provide 2.75m women and girls access to safe water and sanitation and 2.5m girls under five with supplementary nutrition. Following a major review, DfID plans to double its assistance to Nigeria from 2011-2015 with more focus on increasing access to services and opportunities for girls and women.

DFID has supported the MDG Office in setting up a Management Information System that will collect detailed service delivery information on health and education from all 774 LGAs. DFID is also engaged in long-term capacity building of the Governors' Forum, a venue for governors to discuss their states' track records, generating peer pressure for results

USAID is increasing access to integrated, high-impact health interventions affecting approximately 1.8m women and as many children in its two focus states of Bauchi and Sokoto in Northern Nigeria, where health statistics are particularly grim. For example, USAID has strengthened the federal-level procurement of a range of contraceptives and is strengthening distribution of those contraceptives to public sector primary health care. facilities which had previously stocked out. USAID and DfID are providing substantial funding for family planning social marketing to increase access to contraceptives through private sector channels, strengthened clinic-based family planning providers. USAID is also providing assistance to public sector hospitals and clinics to address the problem of fistula which affects Nigerian women.

B. Analytical work/Dialogue

42. **Advisory and Analytical Activities (AAA) will continue to follow the principles of the Africa Region's strategy.** In Africa, the Bank's AAA is expected to nourish evidenced-based debate on pressing policy issues, empower stakeholders to participate in the debate, contributing to political consensus and paving the way for more robust reform. The thrust of AAA in Nigeria will be on (i) benchmarking states' performance in key areas (PERs, procurement bills, Investment Climate and partner-led education and health benchmarking); (ii) just-in-time policy notes like those prepared jointly with partners for the new government, (iii) Extractive Industries Transparency Initiative; (iv) skills development, and (v) climate assessment. Drawing on the government's successful leadership in drafting the National Strategic Health Development Plan (NSHDP) with knowledge support from partners, the government would be similarly supported to lead the development of an education strategy, and AAA proposed for the education sector will therefore be dropped. The proposed conditional cash transfer lending operation will be replaced with trust-funded studies to deepen the dialogue with states about social protection. For state water boards, partner support will be deployed to help build institutions and engage in dialogue about the commitments needed to improve them, before possible follow-on investments to test the institutional framework and finance physical investments in the water sector.

43. **New AAA/Dialogue:** The Bank proposes two new flagship pieces. One will be an integrative piece with ICT to support accountability in government, building on the participatory governance theme of the President's acceptance speech and the passage of Freedom of Information Act. A second product will address the theme of competitiveness and employment (the third pillar of the Bank's Africa Region Strategy) to identify paths for transforming Nigeria into an African "lion". As Africa's second largest economy, Nigeria should be a leader and a linchpin for economic integration with its neighbors, but the dialogue on integration has not yet been fruitful. Going forward, the Bank will try to re-engage with FGN on these issues.

C. Proposed changes in financing

44. **IDA financing going forward will be in fewer areas where our CPS partners are not heavily engaged**, with priority to areas where the resources of partners can be leveraged. Nigeria's ability to realize its full IDA allocation may be jeopardized if IDA remains under utilized (para 6) and disbursements don't pick up (para 7). CSO and CBO monitoring may help increase awareness of, and pressure to resolve, the bottlenecks causing low disbursements.

45. **The CPS now adds proposed operations in three areas**: an Erosion and Watershed Management project (para 30), Irrigation and Water Resource Management project (para 29) and support to FGN priorities in the power sector (para 26). Traditional investment loans earlier envisaged in the CPS for health (FY10), maternal and child health and nutrition (FY12) and State Education (FY12) have been replaced with performance-based loans in health and in education (para 31). Support to single disease-control programs will remain modest, so a proposed Malaria II project has been dropped, although additional financing for a polio eradication project has been added at the Government's request to take advantage of the IDA buydown financed by the Gates Foundation. A youth employment project has been moved up and may include the Conditional Cash Transfer program envisaged in the CPS as a component.

Table 1: Changes in Lending Program for the FY2010 – 13 CPS (USD million)

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Operations	*Original CPS (IDA)*				*Actual and Proposed (IDA)*			
	FY10	*FY11*	*FY12*	*FY13*	*FY10*	*FY11*	*FY12*	*FY13*
Pillar 1 – Non Oil Growth								
Transport Sector Operations	250			300	190			278
Urban Water I & II Additional Financing	180				80			
Energy Sector Operations		200	400				100	
NEGIP Additional Financing (New)							200	
Public/Private Partnership		300				115		200
Growth Employment & Markets	175					160		
Climate Risk Mgmt./Erosion			100				450	
Agric. Competiveness/Productivity		100		200		*51		
Irrigation & Water (New)								400
Pillar 2 – Human Development								
Youth Employment Scheme			150					300
Cond. Cash Transfer		100						
State Health		300					150	
Mat. Child Health Nutrition			200					
Malaria II			100					
Polio Eradication Additional Fin.						60		
State Education			200					150
Pillar 3 – Governance								
State Governance & Capacity Building (II &I II)	100			100	120			
State Level DPO		200		400		200	75	400-600
SEEFOR							200	
Fin.Sector Publ. Fin. Mngm. DPO	500				500			
Yearly Total	**1205**	**1200**	**1150**	**1000**	**890**	**586**	**1175**	**1728-1928**

*USD51m is Nigeria's share in a USD300m Regional Project for Nigeria and 11 West African Countries.

46. **International Bank for Reconstruction and Development (IBRD) Eligibility.** Nigeria's per capita income is classified as being above the operational cutoff for IDA in FY12. A creditworthiness assessment for IBRD financing is scheduled to take place in the third quarter of 2012. Should Nigeria be deemed creditworthy, it would be reclassified as a 'blend' borrower and could begin borrowing from IBRD. The Bank and the authorities would in that case explore the possible use of IBRD financing for up to $1 bilion for Power Sector Guarantees.

47. **DFID and USAID will design new programs to focus on improving democratic governance, strengthening the rule of law and fighting corruption.** The programs will build on the progress of the 2011 elections towards strengthing the electoral commission, increasing women's participation in politics, improving internal party democracy and reducing violence. DFID and USAID will strenghten the police and judiciary and fight corruption, and directly address security and stability in the North East, Middle Belt and Niger Delta. New program under development will strengthen civil society and social accountability and focus directly on the challenges facing girls and women in Nigeria.

48. **DFID plans to double its assistance to an average of £250 million per year over the next four years.** DFID is planning new programs on family planning, nutrition, and infrastructure and increasing its number of state partnerships, especially in the North where

needs are greatest. It is expanding its work on economic growth, governance, rule of law, security and gender as is USAID.

49. **IFC plans to increase its annual investment commitment in Nigeria in 2011-2013 to at least USD1 billion per year, with continuing focus on Non-Oil Growth.** Priority will be given to agribusiness and services and infrastructure sectors, especially power, also supporting greater leveraging of IDA resources, through catalytic private and PPP investments, innovative collaborations, and advisory services where appropriate. This will include collaborative efforts with IDA in the power sector, and sequencing or pooling lending instruments, including guarantees. IFC will also broadly engage with power sector stakeholders, to ensure that bankable privatizations emerge with appropriately structured and tailored risk guarantees to attract private sector participation into the power sector. IFC will continue to support Banking and Non Bank Financial Institutions, with assistance to the former in trade finance, SME-focused credit facilities and advisory services, and equity to strengthen the capital base of banks.

D. Results Matrix

50. **There will be two types of modifications to the CPS Results Matrix:**

a) **Revision of the indicators to reflect developments not foreseen in the CPS**. As examples, developments in the power sector (signing of Gas Supply Agreements), results of the Federal DPC and creation of the Sovereign Wealth Fund. In energy, reduced transmission losses will be tracked instead of reduced system losses to take into account the government's planned privatization which will impede its control overall system losses. Country Accountability and Transparency Initiative (CATI) has been inactive for some years so will not be tracked going forward.

b) **Revisions due to slow processing/restructurings**. These include revisions to outcomes (growth of 10-30% in private investment in targeted industrial and agribusiness clusters' has been dropped), baselines and targets (for example, roads).

V. Risks

51. **Two of the six risks identified in the CPS 2010-2013 remain highly relevant**. The risks of continuing impact of the global financial crisis, of policy reversals, lack of commitment at state level and absence of strong reform champions (paras 118-120 and para 122) have not materialized and are unlikely to impact implementation in the remaining CPS period. However, the risk related to institutional weakness and capacity constraints in states (para 121) remains and mitigating measures include even stronger coordination with partners to provide technical assistance, dissemination of analytical work such as PEMFARs to support states own efforts at capacity building, and use of project preparation facility to build capacity in project implementation units. The recent bombing of the United Nations office in Abuja shows that the risk of a deterioration in security and law and order (para 123) is real. The Government is commited to forestalling such incidents in the future in particular, by enhancing coordination of police, security agencies and the military personnel.

Annex 1: Nigeria Policy Notes

NIGERIA: ACHIEVING AND SUSTAINING JOB- INTENSIVE GROWTH

Policy Priorities for 2011 and Beyond

Key Message

Achieving sustainable high growth and employment in Nigeria depends critically on the effective and transparent management of the country's oil wealth. Many resource-rich countries have fallen victim to the so-called "resource curse." A high dependence on resource exports is often associated with lower growth and greater economic instability due to "boom-bust" government spending under highly volatile commodity prices. During boom times, economic overheating hinders development in labor-intensive sectors that compete on world markets, while investment becomes concentrated in speculative high-risk areas that collapse along with commodity prices. Nigeria has often been cited in the past as an example of this resource-curse syndrome. Nevertheless, world experience suggests that the responsible macroeconomic management of resource wealth can transform the resource curse into an advantage for economic development. This is demonstrated by the example of the United States, and more recently by countries such as Indonesia, Malaysia, and Botswana. All of these countries took sufficient measures to insulate their economies from volatility in commodity prices and prevent excessive real appreciation of their currencies, while at the same time exploiting resource wealth to provide key public inputs to infrastructure, education, and other areas essential for building a competitive economy. Nigeria has the opportunity to do the same.

Key Actions

1. Strengthen institutions to ensure the responsible and effective management of Nigeria's oil wealth, and insulate the economy from oil-price volatility.
2. Target a sustainable range for the volume of public expenditures consistent with the realization of Nigeria's development objectives, but low enough to prevent economic overheating.
3. With strong oil prices now prevailing, Nigeria needs to rebuild its fiscal oil reserve quickly to mitigate the current high vulnerability of the country, and to strengthen credibility with the population and investors.
4. Ensure that public finance, on and off budget, is consistent with the coordinated strategic objectives of federal and state governments.
5. Disclose and publish information that would allow Nigerian citizens and investors to monitor closely how the fiscal oil reserves of the country are accrued and managed.
6. Ensure transparency in the operation of the oil sector.

Where Nigeria Stands Now

Nigeria has experienced strong economic growth since 2000, although a number of constraints, including problems related to high oil dependency, have hindered the development of competitive, employment-intensive niches outside of the oil sector. The time has now come to harness the country's oil wealth and other resources in a manner to overcome these problems and constraints. The proper management of the country's oil wealth must be a key component to the realization of this objective.

Past macroeconomic management of the country's oil wealth has not been adequate for supporting the employment-intensive growth that Nigeria desperately needs. Not protecting the country sufficiently from oil price volatility has negative implications growth and job creation. Fears of vulnerability to an oil price shock are a big concern to potential investors. Excessive real appreciation of the naira from overheating places Nigerian manufacturers at a competitive disadvantage, and favors the concentration of growth in sectors such as trade and agriculture. Such a structure of growth is inadequate for solving Nigeria's unemployment crisis.

Nigeria took a huge step toward improving the management of the country's oil wealth by establishing the Excess Crude Account in 2004. Accumulating a fiscal reserve during 2005-2008 mitigated the overheating of the economy from exceptionally high oil prices, while Excess Crude Account resources proved invaluable for maintaining strong growth in domestic demand and GDP during the global financial crisis of 2009.

Nevertheless, the year of 2010 gave a clear indication that institutions surrounding the macroeconomic management of the Nigeria's oil wealth are in need of strengthening. Despite the recovery of oil prices, Nigeria proved unable to rein in the stimulus spending of 2009, and instead fell victim to a further fiscal expansion that depleted its remaining Excess Crude Account reserves. While the exceptionally high government spending in 2010 may have made some positive contributions to growth and investment, it came at too high a macroeconomic cost to the country: a substantial balance of payments deficit, high inflation, rapid real appreciation of the naira, and much greater vulnerability to a decline in oil prices. In this context, investors became less confident in the macroeconomic prospects for Nigeria, which was reflected in Fitch's downgrade of the country's sovereign credit outlook at the end of the year. This came at a time when stronger oil prices and world economic recovery should have instead increased investor confidence in Nigeria.

In light of these concerns, the Government has been working on building a political consensus for the establishment of a new Sovereign Wealth Fund (SWF). Cooperation between the Federal Government and the States is a key to the creation of durable rules and institutions for the management of the country's oil wealth. The quite low internally generated revenue of most Nigerian states places considerable political pressure on fiscal oil reserves. The current proposal is divide the SWF into three separate components: (a) a stabilization component for protecting the budget against a fall in oil prices, (b) an infrastructure component for key areas of public investment, and (c) a savings component for the transformation of part of Nigeria's oil wealth into a diversified portfolio of financial wealth.

How Nigeria Can Move Forward

The current draft SWF Law provides a framework for the responsible management of the country's oil wealth, but success will still depend critically on specific policies adopted under this Law. The division of the SWF into stabilization, investment, and savings components is consistent with good practices in other countries. Given this division, it is most important that the SWF be able to smooth government expenditures, thereby preventing overheating in boom times and insuring the country against negative shocks. The management of this fund also needs to be integrated in an overall expenditure framework for achieving the country's development objectives. While the draft Law is consistent with such a function, it does not guarantee it by any means.

The accumulation of a stabilization buffer should be an immediate priority. Following the depletion of the Excess Crude Account, Nigeria has become vulnerable to oil price shocks. The eyes of the public and investors are now focused on the question of whether Nigeria can muster the determination and consensus necessary to build its fiscal reserve back up to sufficient levels. Given the current situation of strong oil prices, rebuilding the fiscal reserve to protect the country and calm investors should be the overriding priority of Sovereign Wealth Fund (Excess Crude) management. Thus, the stabilization component of the SWF should not only receive the minimum 20 percent of excess crude revenue guaranteed by the SWF Law, but also the 40 percent that remains at the discretion of SWF managers. If strong oil prices remain, this 60 percent of excess crude resources, plus the additional 20 percent that will accrue to the savings component, should build back necessary levels of fiscal reserves rather quickly. Once the stabilization component reaches a comfortable level (perhaps USD 25 billion or so to cover about three years of potential low oil prices) priorities can shift to the savings and infrastructure components.

After the creation of a sufficient stabilization buffer, the choice of placement for additional oil reserves into domestic or foreign assets should reflect the overriding goal of macroeconomic stability and a competitive real exchange rate. Nigeria has huge investment needs for public investment in infrastructure, education, and other areas. It is therefore sensible to devote a share of excess crude resources to these needs. This share should not be so large, however, as to "overheat" the economy, putting upward pressure on inflation and the real exchange rate, as was the case in 2010. In the case of a severely appreciated real exchange rate, production costs in Nigeria will remain prohibitively high for the development of manufacturing and other employment-intensive sectors, even after infrastructure and other constraints to business are alleviated. Maintaining a real exchange rate consistent with building competitive industries has been central to countries like Indonesia that overcame the resource curse. This cannot be accomplished only through exchange rate policy, and depends on the accumulation of a good portion of resource-related inflows in the form of foreign assets (alternatively, some of these resources could be used for the purchase of key investment imports).

The Government would be wise to target a specific range for the size of government expenditures (including SWF outlays to the domestic economy) that can be maintained independently of oil prices. In the case of low oil prices, they would be maintained by drawing down the stabilization component of the SWF. In the case of high oil prices, they would be maintained by accumulating a significant proportion of the SWF reserve in foreign assets. While the infrastructure component of the SWF is for investment and expenditures in Nigeria, the savings component should be invested primarily in foreign assets to prevent overheating. Given

the existence of a separate stabilization (buffer) component of the SWF, the savings component can be invested in longer term (less liquid) assets with a higher average return and a negative correlation with oil prices. The portfolio management of this component can be performed by international professionals, and over time Nigeria can accumulate a significant source of income that is not positively correlated with oil.

A coordinated public expenditure strategy is needed. Under the draft Law, the SWF will function as corporate entity that is independent of federal and state budgets. Nevertheless, it should be managed in such a way that its investments are well coordinated with those of government budgets, and closely linked to the development strategy of the country. For this purpose, it is also vital that comprehensive information on federal and state budgets, as well as for the SWF, be gathered and shared.

Management of the country's oil wealth should also be integrated with Nigeria's overall finance and borrowing strategies. Nigeria should finance its investment needs with a strategy that trades off the advantages and disadvantages of using fiscal reserves, domestic borrowing, and foreign borrowing. Domestic borrowing should be sufficient to provide a liquid and relatively safe domestic asset to the recovering financial sector, but not high enough to crowd out private investment. Foreign borrowing should be evaluated relative to the use of oil reserves, accounting for expected costs and the institutional value of maintaining strong discipline around the rules governing the use of the SWF.

For accountability and credibility, it is essential that the public and investors have access to detailed information about the SWF and activities in the oil sector. Current practice is quite inadequate. The Fiscal Responsibility Commission has the mandate to disclose information on reserves to the public, but has proved unable to do so. Following practices in other countries, Nigeria should publish current information on fiscal reserve (SWF/excess crude) balances on the web in the same manner that the Central Bank publishes information about monetary reserves. All activities of the SWF should be subject to international audit, with the results of such audits also publicized on the web. Otherwise, the country's resource wealth will remain at great risk, and the management of the SWF will have insufficient legitimacy.

Nigeria can improve credibility and transparency by building on the Nigerian Extractives Industry Transparency Initiative (NEITI). NEITI has been conducting good-quality revenue audits, but these need to be done in a more timely manner, and their results better communicated. NEITI should start to publish figures for oil production on the web.

How Development Partners Can Help

A continuing and deepening engagement at the state level in Nigeria on fiscal issues, including fiscal responsibility, transparency, strategic budgeting, and better internal revenue generation (expenditure management and accountability reviews (PEMFARs, development policy lending)

Partnership at both the federal and state levels, based on relevant world experience, for better harmonizing and coordinating public investment and fiscal responsibility agreements

Capacity building for NEITI (audits, disclosure, inputs to legislation).

NIGERIA: ACHIEVING VISION 20:20

Policy Priorities for 2011 and Beyond

Energizing Nigeria: Developing Nigeria's Power Sector as a Future Engine of Growth

Key Messages

A reliable, affordable and sustainable supply of power is essential for Nigeria to emerge as a G20 country and achieve its Vision 20:2020 objectives. Nigeria still has less than 10 percent of South Africa's power supply to support three times as large a population. Changing this will require continuous and disciplined implementation of policy and reform actions over the next four-year period, with continued strong leadership from the Presidency. To address the persistent shortcomings of the sector, the government will have to tackle a complex set of challenges including sector accountability, commercial viability and gas and transmission system bottlenecks while ensuring efficiency and effectiveness of scarce investment resources.

Historically, Nigeria's short-comings in the power sector have had four major causes:

1. Limited Accountability – Power holding Company of Nigeria (PHCN) Successor companies require major reform of management incentives and operating environment
2. Low Tariffs and Collection rates – To finance much needed investments the revenue collection must be dramatically increased.
3. Low levels of investments in delivery systems leading to capacity bottlenecks – Gas Supply and transmission system capacity will remain key constraints to increasing supply to end consumers; and
4. Lack of quality investment planning – Nigeria lacks a credible power demand forecast and a least cost system expansion plan to ensure efficiency and effectiveness of sector investments.

Key Actions

1. Implement the Nigerian Electricity regulatory Commission (NERC) Multi-Year Tariff Order (MYTO) recommendations for tariff increases as soon as possible. This is vital if reform is to succeed and build investor confidence.
2. Ensure Distribution Companies (private or public) meet quarterly revenue and performance targets and are encouraged to install metering of all consumers by end of 2014.
3. Mainstream the use of the Gas Supply and Aggregation Agreements (GSAA) developed for Egbin GENCO (with Chevron Nigeria Ltd and Shell Petroleum Development Company) to all remaining government owned power plants.

4. Entrust the management of Transmission Company of Nigeria (TCN) to an experienced international transmission system operator and ensure that the new management team produces a comprehensive transmission system expansion plan based on a credible nationwide demand forecast.
5. Operationalize the Nigeria Bulk Electricity Trading Co. and ensure the unit is supported by world class advisory services (technical, financial, legal) to successfully negotiate power purchase agreements with international and local investors.
6. Focus attention on completion of the NIPP projects. The long lead time on new investments mean that delivery of the NIPP projects will shape public perceptions of the reform process.

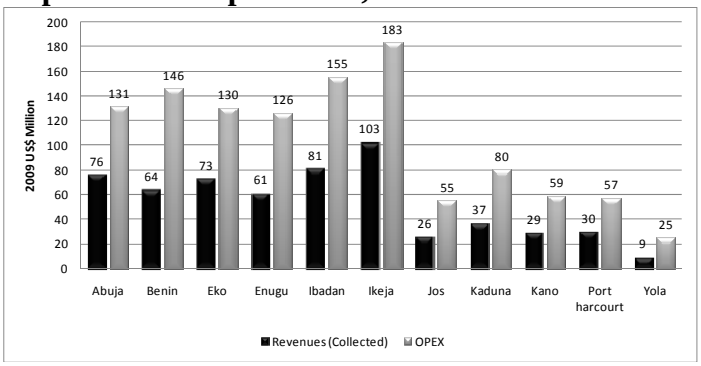
Where Nigeria Stands Now

Although Nigeria is one of the largest oil producers in the world and has the seventh largest gas reserves, the country continues to suffer from a chronic shortage of power. This shortage has resulted in approximately 55 percent of the country's population to live without access to electricity and a deficit estimated at 70 percent of the country's current demand for power. In addition to insufficient and unreliable generation supplies, the transmission and distribution networks required to deliver the power available suffer from severe capacity constraints. These constraints are exacerbated by years of poor maintenance brought about by inadequate funding from tariffs and poor revenue collection rates.

In the recently released Nigeria Investment Climate Assessment, 83% of Nigerian business owners state that a lack of electricity is the biggest obstacle to doing business (compare this to Indonesia 14% and Kenya 28%). They experience an average of 239 hours of power outages per month accounting for losses in sales of nearly 7%.

Further exacerbating these losses to the country's economy, the power sector is posting significant financial losses that have to be absorbed by the Government. PHCN is unable to stem energy losses, cut costs and collect adequate revenue from customers to meet its costs (see graph).

Figure 1: DISCO Commercial Revenues v. Operational Expenditure, incl. Power Purchases



Against this grim backdrop, the Federal government re-launched the stalled reform agenda in August 2010, and has taken some significant steps forward in addressing the dysfunctions in the sector. The "Roadmap to Power Sector Reform" clearly outlines the Nigerian government's current strategy and actions to undertake comprehensive power sector reform to expand supply, open the sector for private investment and address some the chronic sector issues hampering improvement of service delivery. The core reform actions are centered on the unbundling of the national utility's distribution and generation assets, and their gradual opening to private sector investment and management.

A critical element of the reform effort is the establishment of appropriate pricing mechanisms to ensure the sector's financial viability. The FGN has been adamant, in the Roadmap, of the need to rapidly adjust the end-user tariffs to cost reflective levels while devising a tariff structure that protects the most vulnerable consumer groups. The Roadmap estimates the cost-reflective end-user tariffs to be close to Naira 22 per kWh, more than triple the current retail tariff of Naira 7 per kWh. In light of this revenue shortfall, NERC have commenced the process of revising the MYTO to reflect a realistic market-based cost of new generation supplies and the large need for transmission and distribution system rehabilitation and capacity expansion. The revised MYTO, including feed-in tariffs for generation plants, is to be released by NERC by the end of June 2011, following an extensive consultation process.

How Nigeria Can Move Forward

In order to accomplish the goals set forth in the Roadmap and achieve vision 2020, Nigeria can take the following steps:

- **Ensure continuity on policy and reform agenda:** Focus need to remain firmly on implementation of the reform actions such as completed privatization, improved quality of services, transparent regulatory framework for Gas and Electricity supply, improving financial viability and building institutional capacity.

- **Implement cost-reflective tariffs and consumer metering:** It is imperative for the credibility of the sector reform process that an initial set of tariff adjustments is implemented as soon as possible to bolster the confidence of local and foreign investors as well as the general public. Tariff increases need to be paired with roll-out of consumer metering to enable consumers to manage their consumption and minimize the waste and electricity theft linked to the "estimated bills" currently in use by PHCN.

- **Increasing transparency in government investment decisions, sector subsidies and award of PPAs:** The FGN should rapidly operationalize the Nigeria Bulk Electricity Trading Co. as a "Single Buyer" to enter into power purchase agreements (PPAs) with Independent Power Producers (IPPs) and manage the contractual risks. A culture of excellence and transparency needs to be established for this apex organization to ensure adequate confidence from private sector investors to develop cost efficient electricity generation projects.

- **Improve Accountability by private operators, GENCO/DISCO management and sector staff:** A large part of the shortcomings in the Nigeria power sector stems from the lack of accountability by the PHCN successor companies (with regards to tech. and commercial performance, efficiency and quality of service). Whether the companies are in private or public hands, clear and transparent performance indicators should be established with the quarterly performance publicly available to their consumers.

How Development Partners Can Help

Current Support

Since 2001, the World Bank Group, in partnership with development partners such as AFD, AfDB, DFID, KfW and USAID, has supported Nigeria's reform efforts with both operational and analytical activities. The support includes the below projects:

- **The Nigeria Electricity and Gas Improvement Project (NEGIP).** The USD600 million IDA Credit and Partial Risk Guarantee (PRG) operation supports the FGN to improve the availability and reliability of gas supply to increase power generation in existing public sector power plants and improve the power network's capacity to deliver electricity to the consumers. The program is currently being considered for an extension to cover gas supply to the NIPP power plants.

- **The National Energy Development Project (NEDP, USD 172 m, IDA).** The Project's objective is to support the energy sector reform effort by funding core investments in transmission and distribution as well as technical assistance and capacity building to the sector institutions.

- **The Nigeria Infrastructure Advisory Facility (NIAF)** is a £32.6 million technical advisory facility funded by DfID to support the Governments capacity to plan, finance and operate infrastructure at the Federal and State levels. Notable achievements during the last year have been the support to PTFP, BPE and MoP to develop the Roadmap and re-vitalize the power sector reform effort.

- **The Africa Infrastructure Program (AIP),** funded by USAID, provides capacity building and late-stage transactional services on energy projects. Current activities in Nigeria include (i) assistance to BPE and PTFP on power sector reform, IPP transactions and asset sales; (ii) technical advice to PTFP to develop a Voltage Management System for the existing transmission network, (iii) assistance on the monetization of 31 gas flare sites in Niger Delta under the Accelerated Gas Development Project.

- **The Economic and Power Sector Reform Program (EPSERP, USD157million):** The program, funded by AfDB, supports the Government's reforms in the power sector aimed at developing an efficient and competitive power sector and creating an enabling environment for private sector participation.

- **The Nigeria Capacity Building for Public Private Partnership for Infrastructure (CB4PPPi, USD27million, AfDB)** is aimed at improving the efficiency of PPP projects in priority infrastructure sectors such as energy and power.

- **Regional Projects** include the Niger River Basin Development Project involving rehabilitation of the Kainji hydropower plant and the West Africa Gas Pipeline Project.

Future Support

The World Bank, AfDB, DfiD, and USAID welcome the government's renewed commitment to an accelerated reform roadmap to address the issues facing the power sector.
The second phase of DFID's NIAF: (2012-2017, £48m) will continue to support better planning of Government spending and sector wide reform and privatization.

Future activities under the **USAID funded AIP** will continue support to the government to diversify the energy resource base with increasing focus on energy efficiency and renewable energy projects.

The Nigeria Action Plan for Infrastructure, to be financed by AfDB, will identify priority areas for infrastructure investment including technical and financial evaluation of the infrastructural needs for Nigeria to achieve its Vision 20:2020.

The World Bank is preparing the Power Sector Guarantees Project (PSGP) to cover the payment risk of the Nigeria Bulk Electricity Trading Co as it enters into PPAs with IPPs. The project will also explore avenues to tap into the existing in-house power generation capacity held by some of Nigeria's larger industries. WBG Group can also provide advice in the following areas:

- **Power Sector Analysis**: The World Bank, in cooperation with MoP, NERC and PTFP, is developing core performance indicators for the power sector based on best practice standards.

- **Building Capacity: Nigeria Power sector twinning program with fast growing emerging markets**: During 2010-11 the World Bank has facilitated a twinning program with India's premier training institution, the National Power Training Institute (NPTI). The program has provided technical and commercial training, in India, for over 120 PHCN staff.

NIGERIA: ESTABLISHING EFFECTIVE PUBLIC FINANCIAL MANAGEMENT AND SOCIAL ACCOUNTABILITY SYSTEMS

Policy Priorities for 2011 and Beyond

Effective Public Spending for the Poor

Key Messages

The most important action Nigeria can take to reduce poverty, deliver on Vision 20:2020, and improve its international reputation is to better use its own resources. This can only be achieved with stronger public financial management systems and social accountability mechanisms which allow ordinary citizens and/or civil society organizations to hold government accountable for use of public resources. Sound public financial management requires better planning and prioritization, increased internally generated revenue (IGR), improved budget prioritization and execution, and procurement systems that deliver value for money. Social accountability mechanisms include, among others, participatory budgeting, public expenditure tracking, monitoring of public service delivery, public commissions and citizen advisory boards. These citizen-driven accountability measures complement and reinforce conventional mechanisms of accountability such as political checks and balances, accounting and auditing systems, administrative rules and legal procedures. By reducing spending waste by N68billion2 (USD450 million) and increasing in internally generated revenue (IGR) of N71.24 billion in 2009 to N153.55billion in 2010 (i.e. N82.31 billion or USD548.7million),3 Nigeria would have delivered USD1billion in additional investment in infrastructure and priority areas such as Energy, Roads, Water Health, Transportation and Security without jeopardizing macroeconomic stability.

Key Actions

1. Legal and Regulatory: Establish the Financial Reporting Council to enforce compliance with governance and financial reporting. Enact modern Finance and Audit bills.
2. Budget Execution: Streamline cash management process and gradually implement Performance Based Budgeting.
3. Accounting and Financial Reporting: Roll out the Integrated Payroll and Personal Information system and Accounting Transactional Recording and Reporting System to all MDAs.

[2] BPP publication government savings resulting from improved public procurement system.
[3] Budget Office and Office of Accountant General of the Federation estimates.

4. Public Procurement Systems: Establish the National Council on Public Procurement that is empowered to promulgate procurement policies for the development of the country's procurement system and a procurement cadre in all MDAs.
5. Social Accountability: Ensure implementation of the Freedom of Information Bill, participatory budgeting, public expenditure tracking, and monitoring of public service delivery. Formalize the Office of the Special Advisor and establish an independent body that can support Civil Society in its relationships with the Government.

Where Nigeria Stands Now

Legal and Regulatory Framework: The Government has strengthened the PFM legal framework. However, the Bill to repeal the Nigerian Accounting Standards Board (NASB) Act 2003 to establish the Financial Reporting Council with powers to approve enforcement of compliance with accounting, auditing, corporate governance and financial reporting standards in Nigeria is yet to be passed. The framework for financial reporting is very weak impeding transparency in government accounts and adversely affecting Nigeria's ratings in international markets making it more costly to borrow money and attract high quality foreign investors. Also the legal framework to provide for day-to-day financial management, such as the Finance (Control and Management) Bill and the Audit Bill are yet to be enacted.

Budgeting: An efficient cash management system is critical for effective budget execution. Despite requirement by the Fiscal Responsibility Act, Annual Cash Plan or Disbursement Schedule is not prepared to guide cash allocation during the year and this affects predictability of availability of cash for budget execution.

Accounting and Financial Reporting: Accounting and reporting systems aim to improve the effectiveness of public expenditures and reduce wasteful spending. The objective of an integrated Payroll and Personnel Information System (IPPIS) is to entrench transparency and accountability in the Public Service Human Resource records and Payroll administration. This system launched in Nigeria in 2007 has reduced the wage bill by about N12 billion in sixteen pilot Ministries, Departments and Agencies (MDAs) by eliminating "ghost" workers and better management of the payroll. The IPPIS now needs to be deployed in the remaining MDAs for greater savings to public funds. The Accounting Transactional Recording and Reporting System (ATRRS) enables inputs to be tracked and costs attributed to specific government interventions. This system was rolled out to all MDAs and is expected to provide a platform to transit to the Government Integrated Financial Management Information System (GIFMIS) which is central to improving the effectiveness of expenditure, by making it easier to track what government monies have been spent on. Implementation of this system needs to be fast tracked to improve allocation of resources and service delivery.

Public Procurement Systems: Public procurement is the foundation of public finance systems. A good procurement system must provide value for money, open and effective competition, accountability, transparency and reporting on use of public funds. The Federal Government of Nigeria has made substantial progress in reforming public procurement in Nigeria. The reform, driven by Bureau of Public Procurement (BPP) has saved substantial amount of government resources (about N68 billion) by rooting out corruption in the public procurement system,

resulting in improvement of the public image and international perception of Nigeria. However, while the Public Procurement Law (PPL) of 2007 empowers in principle the National Council on Procurement (NCP) to be an independent authority to regulate the BPP, the NCP is yet to be established. The BPP also needs a new procurement cadre in the MDAs to enable full decentralization of procurement implementation to MDAs. One other key control measure that has not been deployed is the procurement audit for MDAs, publication of its findings and sanctions for misusing public resources.

Social Accountability: An empowered public can check on budgets, seek and publish information, challenge stifling bureaucracies, protect private property, and monitor service delivery. An empowered public is the foundation for a stronger society, more effective government, and a more successful state. New technology enables more effective, customized feedback in real-time. The Government is beginning to put in place mechanisms to improve its accountability to the citizens; Freedom of Information Bill (FOI) outstanding since 2007 has been passed which will increase the ability of civil society and other organizations in the public sphere to demand accountability, transparency and a more responsive government. In addition, the Office of the Special Advisor to the President on Civil Society is facilitating procurement monitoring by Civil Society representatives. The Government is encouraged to ensure speedy implementation of the FOI, formalize the Office of the Special Advisor, and establish an independent body that can support Civil Society in its relationships with the Government.

How the Partners Can Help

Current Support

The World Bank (WB) is using the Economic Reform and Governance Project (ERGP) as the main vehicle to support the Federal Government's reform agenda in all PFM related MDAs such as the Office of the Accountant General of the Federation (OAGF), Office of the Auditor General of the Federation (OAuGF), the Bureau of Public Service Reform (BPSR), Bureau of Public Procurement (BPP), Economic and Financial Crimes Commission (EFCC), Bureau of Statistics and other related agencies. WBG is supporting the strengthening of CSOs and NGOs' capacities to engage in the supervision and monitoring of budget, procurement and service delivery. In particular, WBG has been providing financial support to the Office of the Special Advisor to the President on Civil Society under the ERGP to develop and strengthen the capacities of both public officials and NGOs to monitor public procurement and budget execution.

At the State level, the WB is supporting Bauchi, Cross River, Kaduna, Anambra, Kogi, Ondo and nine other sub-national governments' PFM reform agenda with the State Governance and Capacity Building Project vehicle. The components of the project include the deployment of State IFMIS, Overhaul of the financial management and Audit reporting systems, Improvement of the State Procurement and Budget systems. WBG is also working with 6 States to review their procurement systems through the Programmatic Integrated Fiduciary Assessment of Nigeria States (PIFANS). These States are (Lagos, Bayelsa¸ Edo, Ekiti, Ondo and Rivers).

WBG supports participatory planning and budgeting, in particular in the framework of Community-Driven Development (CDD) projects. In all CDD projects, mechanisms and activities have been developed to ensure communities' access to critical project information, and participation in project budgeting, planning and implementation at the local level.

DFID is also supporting PFM Reform at state level through the State Partnership for Accountability Responsiveness and Capability (SPARC) program, which focuses on 5 states – Lagos, Enugu, Kano, Kaduna and Jigawa and also has a Federal component which works with the Nigeria Governors Forum and the MDG Office.

Currently, USAID's local governance and decentralization program is promoting democratic local governance in Bauchi and Sokoto states, with the possibility of an extension to the Niger Delta should security conditions permit, by building the capacity of local and state governments to assume greater roles and responsibilities in addressing the demands of their constituents.

Future Support

DfID is also developing a technical assistance program, the Federal Public Administration Reform (FEPAR) program, to support the PFM and civil service reforms pillars of the NSPSR. Within the PFM stream, the program will include support to the Federal Government with its ongoing efforts to embed a stronger performance focus in the budget, and strengthen the budget process more broadly.

At sub-national level, the State Employment and Expenditure Effectiveness for Results (SEEFOR) project is the proposed vehicle of support to four (Bayelsa, Delta, Edo and Rivers States) Niger- Delta sub-national governments' economic reform agenda. These projects will promote measures to improve public engagement in budget preparation, the reporting of procurement and expenditure decisions, and in external audit and legislative oversight. The Governors Forum will also be explored as a strategic partner to dialogue on PFM reforms at the State level and to deepen reforms to the Local Government Authorities.

NIGERIA: ACHIEVING VISION 20:2020

Policy Priorities for 2011 and Beyond

Jobs for the Young: Addressing Nigeria's Youth Unemployment Crisis

KEY Messages

Nigeria's youth hold the key to achieving vision 20:2020. The 15-35 year age cohort accounts for close to 60% of Nigeria's population. Although they account for only a third of the workforce they account for almost two-thirds of the unemployed. The age bracket 15 – 25 actually account for 32% of the unemployed. If young people are provided with employment opportunities they can take productive roles in mainstream society, offering the best of their skills and talents and growing the Nigerian economy. If this opportunity is not forthcoming there is a chance that disaffected youth will quickly turn to crime and violence in order to survive and this pose a great threat to the nascent democracy in the Country as stated in the document of the National Committee on Job Creation of the NEMT.

Nigeria's youth unemployment crisis is a result of four major causes:

1. High fertility rates - it is estimated that there are approximately 6 million new entrants to the labor market annually.
2. Low literacy and numeracy rates – Nigeria has low education outcomes, with high dropout rates
3. A poor investment climate– mired in red tape the formal economy remains stagnant, and
4. A lack of targeted investments in key, youth-dominated sectors.

KEY Actions

1. Provide labor intensive public workfare program to address the "unskilled youth bulge" as an immediate action.
2. Create a labor market that works better for the young; promote apprentice schemes to help the young develop experience, networks and reputation
3. Improve access to and the quality of education particularly at the primary and secondary levels with adequate attention to demand side support (e.g. through conditional cash transfers) Also make tertiary and vocational education more relevant to the needs of the market place through industry linkages and joint ventures.
4. Address constraints to access to finance by developing a financial market that supports small, growing businesses and overcomes the specific challenges faced by young entrepreneurs;
5. Improve the investment climate and target youth-specific sectors.

Where Nigeria Stands Now

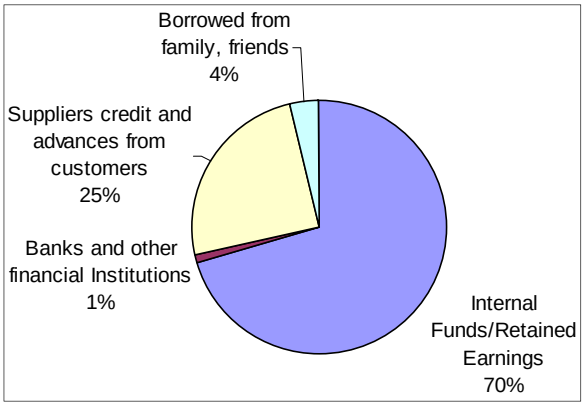
Nigeria's prudent macroeconomic management has enabled rapid growth in the non-oil economy. Despite impressive growth rates the economy has been unable to create sufficient jobs to keep up with the estimated 6 million new entrants to the labor market. As a result the informal sector continues absorb most of Nigeria's young people. Women and adolescent girls face additional barriers that need to be addressed in the design of programs.

The weak performance of the job market reflects three key factors on the demand side; (i) a weak investment climate that deters domestic and international investors, (ii) poor access to finance especially for SMEs and (iii) ineffective public sector interventions in industrial sectors.

Despite progress in several areas, foreign and domestic investors face regulatory uncertainty, cumbersome bureaucratic procedures (especially to register land and property, get construction permits and trade across borders), corruption and weak physical infrastructure, especially power and roads. Government's neglect of the investment climate has resulted in Nigeria slipping in Doing Business rankings from 110 in 2008 to 137 in 2011.

Sustainable job creation has to come from the private sector. Businesses that wish to expand and employ more people require capital. But most Nigerian businesses are starved of formal sector credit, and female headed businesses are doubly disadvantaged. Although more than 80 percent of businesses report wanting to access a bank loan, only 1 percent gets one (Figure 1.). These figures are in stark contrast to more dynamic economies such as China, and Indonesia where more than a fifth of businesses are able to secure bank loans and India and South Africa where more than one-third can. The situation is especially dire for Nigeria's SMEs.

Figure 1: Nigerian Business are starved of credit



In an attempt to tackle these issues the public sector has announced various schemes from directed credit to venture capital to subsidized interest rate schemes. None of these schemes have successfully addressed the problem and in many cases they have exacerbated the situation by destroying the credit culture in rural areas, politicizing the schemes and closing the schemes down when they prove ineffective.

According to current NBS statistics, unemployment rate in the age bracket 15 -25 is 46%. There is a large number of unskilled and semi-skilled youth who are out of job, due to high school drop-out rate and limited access to schooling (caused by poverty). There is also large number of graduate unemployment due to poor quality of education as well as limited relevance to market requirements. Improving access to education services – especially through demand side support

such as conditional cash transfer and other safety net interventions and full alignment of the education curriculum to the needs of the Nigerian market, are imperative strategies.

How Nigeria Can Move Forward

In order to address the immediate challenge of the growing youth bulge and also create a great platform for becoming a G20 Nation and achieve vision 2020 Nigeria can take the following steps:

- **Establish a National labor intensive public workfare program** to arrest the unskilled youth bulge as an immediate action. The Public works program should be designed as a safety net to serve as bridge out of poverty and springboard into labor/employment market. It can be linked to skills development, entrepreneurial training and credit to assist the youth participants to move into permanent jobs/income earning opportunities in the economy.

- **Re-assess and strategically incentivize the agricultural sector** given its critical role and potential for job creation, food sufficiency and exports in Nigeria.

- **Support poor households to access quality education services** particularly at the primary and secondary levels (e.g. through conditional cash transfers) Also make tertiary and vocational education more relevant to the needs of the market place through industry linkages and joint ventures.

- **Increasing access to finance:** The most promising avenues to expand the amount of credit available to SMEs include; establishing a partial credit guarantee scheme on commercial lines, developing business development services tied to access to credit in key value chains, downscaling commercial banks to help them better serve the SME market. (As one or two banks have done, creating new products, mentoring SMEs and tailoring the fees on their accounts to encourage small businesses). In addition, government could also end some of the counter-productive programs run by various publicly owned financial institutions.

- **Supporting key growth sectors:** Government has announced its support for key growth sectors where large numbers of young Nigerians are employed including; ICT, construction, tourism, entertainment and meat and leather. Government can follow up this policy statement with intervention to overcome coordination issues (increase the public-private dialogue), provide the missing public goods (infrastructure, regulation, national promotion), and improve vocational training.

- **Improve the investment climate:** In the 2010 Investment Climate Assessment Survey more than 75% of firms ranked lack of power as the number one constraint. Reform of the power sector is likely to have the biggest impact in terms of enabling job creation. Streamlining some of the requirements to register property will allow ordinary people to leverage their greatest assets, start or expand their own businesses, upgrade their properties, and trade their land and migrate to where the jobs are.

How Development partners can help

Current Support

The World Bank Group is working closely with the Federal Ministries of Finance, Commerce and Industry, Health and Education among others to create jobs through the following ongoing interventions:

- Nigeria Investment Climate Program*:* For the past four years this initiative has conducted diagnostic assessments of the IC providing evidence for also innovative pilot reforms streamlining processes and procedures in land, tax and investment promotion.

- Growth and Employment in States (GEMS). This joint DFID/World Bank project will improve the investment climate and strengthen competitiveness and job creation in the tourism, ICT, entertainment, meat & leather, construction and wholesale and retail trade sectors. DFID funded components have started; wholesale and retail will start shortly. World Bank components await approval by the Federal Ministry of Finance.

- Improving agricultural and rural markets in northern Nigeria. DFID will fund a new program to improve agriculture in the north, with a strong focus on women, starting end 2011.

- AfDB Private Sector credit lines of up to USD545 million to four Nigeria banks for on-lending purposes to SMEs in Nigeria.

Future Support

A number of future projects are already planned.

- **MSME II:** Nigeria has requested support that could include; partial credit guarantees, bank downscaling, entrepreneurial training and business development services across the country. This include a credit line of up to USD500 million by the AfDB to WBG of Industry Limited for on-lending to SMEs in Nigeria. The proposed LOC is part of a Federal Government of Nigeria (FGN) sponsored program intended to promote growth and employment generation by increasing access to finance for SMEs. A similar facility of up to USD200 million is under process for the Nigerian Export Import Bank for on-lending to export-oriented small and medium-sized enterprises (SMEs) in Nigeria.

- **Nigeria Youth Employment Safety Net Project.** The World Bank has completed a comprehensive stock taking exercise on youth employment and empowerment schemes in the Country and also intensive dialogue, technical support and a one State pilot on Conditional Cash transfer in Nigeria. A youth employment safety net support program that would combine a public workfare program with vocational training and conditional cash transfer to improve access to quality education for the poor is under preparation.

Development Partners can also provide advice in the following areas:

- **Social Protection Policy.** Emphasis would be on policies and actions that would assist in supporting the poor and vulnerable to manage the various risks that they face, by insulating them from falling further into poverty and also graduating out of the poverty trap. The feasibility of various social safety net initiatives and the reform of current programs and practices would be the focus of technical assistance and advice in this area.

- **Developing the financial sector**: Support improved functioning of formal financial markets and combine financial access with youth initiatives, for example, education loans programs to keep youth in schools, or mobile phone banking with support from DFID's EFINA program.

- **Improve monitoring and evaluation:** Little systematic and scientific evaluation of youth employment programs has been undertaken. WBG can help produce a body of evidence-based best practice guidelines to improve future interventions. WBG can dedicate increased resources to experimenting with innovative approaches, disseminating the lessons and ensuring that future interventions start with a robust M&E framework.

NIGERIA: ACHIEVING VISION 20:2020

Policy Priorities for 2011 and Beyond

Addressing Nigeria's Maternal and Child Health Challenges

Key Messages

Many billions of naira are lost each year to the Nigerian economy as a result of the extraordinarily poor health status of Nigerians. Economists estimate that USD1 to USD2 billion dollars is lost to the Nigerian economy each year as a result of malaria alone with workers staying off the job as a result of their own ill health, or to take care of sick family members which often results in premature death. Most of this ill health is preventable.

Nigeria has 10% of the world's maternal deaths, 10% of the world's under-five mortality and 25% of the world malaria burden and yet only 2% of the world's population. Nigeria is the country with the second greatest number of people living with HIV (behind South Africa). Nigeria's health statistics are worse than the average for African countries. More than 30,000 Nigerian families are devastated each year with the loss of a mother and caretaker as a result of a maternal death, and the deaths of mothers often lead to deaths of infants and children under five years of age - one million Nigerian children under the age of 5 die each year. Nigeria is seriously "off- track" to reach Millennium Development Goals 4 and 5 i.e. reductions in maternal and child mortality.

This trend could be reversed in short order. Nigeria has developed a new National Strategic Health Development Plan (NSHDP), which has been hailed by the international community as robust and credible. If the Government were to implement this plan fully, with determination and resolve, the health of Nigerians would improve dramatically. Implementation of the NSHDP requires a shift in emphasis toward ensuring that cost-effective primary health care intervention emphasizing the health of women and children, and primary and secondary education of girls and women are given priority attention and funding. The cost of funding primary health care and primary and secondary education programs is well within Nigeria's capacity to support.

Passage of the National Health Bill into law would provide resources to enable the shift in emphasis toward primary health care. The new Government should urgently and publicly commit itself to passing the Health Bill within the first 100 days of the Inauguration.

Following passage of the Health Bill, focused, implementation of primary health care program interventions and services at federal, state and local government area levels, and in communities

throughout Nigeria - has the promise of putting the country on track to reduce maternal and child mortality and therefore meet its Millennium Development Goals.

Key Actions

1. Urgently pass the Health Bill to provide 2% of the consolidated federal revenue to fund primary health care.
2. Fully implement the National Strategic Health Development Plan (NSHDP) and monitor implementation at all levels of government.
3. Increase planning and budget allocations for health from an average of 6% to 15% at all levels of the Nigerian Government (as recommended in the NSHPD and also taken as a commitment by the Government and Development Partners in Nigeria's National Health Compact).
4. Support evaluation and research to help policy makers choose the most cost-effective primary health care interventions that result in reductions in maternal and child mortality and morbidities.
5. Engage citizens and communities in decision-making regarding their own health particularly concerning availability, quality and supervision of health services, in order to ensure accountability for results and funding throughout the health care system.

A. Where does Nigeria stand now?

The health status of women and children has improved only slightly over the last decade. The progress is not commensurate to the investment in health during the same period and is slow compared to other countries.

Nigeria is grossly off-track with regard to Millennium Development Goals 4 and 5. With a maternal mortality ratio of 545 per 100,000 live births, Nigeria ranks second highest globally to India in the number of maternal deaths, and it contributes more than 10% of the global burden of maternal deaths. Similarly, the rates are also strikingly high for infants and children under five years of age (75 and 157 per 1,000 live births respectively) also higher than the average rates for these indicators in other developing countries.

Within Nigeria there are wide variations between regions in mortality and morbidity rates, and in access to and utilization of maternal and child health services. This produces the poor health outcomes for women and children not only in those regions but throughout Nigeria.

Malnutrition, malaria and communicable diseases such as measles, diarrhea and pneumonia significantly contribute to maternal and child mortality and morbidities. Most of this ill health is preventable and/or easily treatable.

The high maternal and under-five mortality ratios reflect a breakdown of basic services for the Nigerian people – particularly at the primary health care level and in communities.

Overall, the major challenges are:

- Insufficient resources committed to ensuring primary health care, particularly on known cost-effective primary health care interventions that are based on internationally recognized research. For example, basic and essential drugs and contraceptives recommended by the World Health Organization (WHO) are missing in many health facilities and communities.
- Too much money is being spent on inefficient activities such as funding tertiary care hospitals and specialized services for relatively rare health problems while under funding primary care information, counseling and services for common health problems.
- Health workers are poorly distributed and motivated, and are not supported by supervisors, administrators and Government officials.
- Insufficient attention is given to addressing the inequalities in availability of health care to the poorest segments of the population. Health facilities are inaccessible or not functioning in certain parts of the country and the policy of payment at point of service delivery in public sector facilities in hinders the poor from accessing services.

Passing the Health Bill and implementing the National Strategic Health Development Plan will address many of these challenges.

B. How can Nigeria move ahead?

The recently launched National Strategic Health Development Plan (NSHDP) for 2010-2015, and state-level plans provide purposeful articulation of result-oriented primary health care focused program interventions with clearly-articulated intended results related to the Millennium Development Goals and Nigeria's Vision 20:2020. In order for Nigeria to move ahead, there is need to:

- Pass the Health Bill and provide 2% of consolidated federal revenue capital to fund primary health care.
- Fully fund the priority health programs and interventions in the NSHDP and state plans and increase budget allocations from an average of 6% to 15% at federal, state and local government levels.
- Resolve to increase efficiencies and cost-effectiveness in implementation of primary health care at all levels by Government, private sector organizations and communities themselves.
- Rationalize and strengthen health systems – for example, health management information and health commodity logistics management.
- Increase the number of skilled health staff in rural areas.
- Integrate health interventions and services and prevent perpetuation of parallel disease-specific health approaches.
- Ensure greater participation of citizens and civil society organizations in health decisions.
- Diversify funding for health, including greater use of national and community health insurance, health equity funds, revolving community drug funds, etc., ensure participation and oversight by citizens, communities and private sector entities in health care delivery.
- Implement innovations in human resources management in order to increase the quality, mix and motivation of health worker.

C. What Partners can do to help.

The World Bank, DFID, USAID and the African Development Bank can support the implementation of the NSHDP and state-level health plans in the following ways:

The World Bank:

- Can support more analytical work on maternal and child health, for example:
- analytical work on 'Community-based Maternal and Child Nutrition and Health Interventions in Nigeria'; and
- studies on health care financing options for Nigeria, as a follow up to an exploratory study of 'financing options for primary health care in Nigeria'.
- Introducing a result-based financing approach to support the Government's focus on maternal and child health, in three states.
- Will continue large-scale ongoing malaria and HIV/AIDS projects that assist the Government to reduce the effects of these diseases among the population.

DFID supported Nigeria in development of the NSHDP and will continue to support NSHDP implementation through:

- Health systems strengthening (HSS) programming that provides an integrated and comprehensive approach to transformation of the Nigerian health system at federal, state and local government levels – and in close coordination with other development partners.
- Collaboration with the Federal Ministry of Health (FMOH) in refining the analytical and evidence-based assessments that helped develop the NSHDP, and that can now guide implementation.
- Support for programs to address maternal and child health, HIV and malaria, and provide routine immunization and other primary health care interventions to address maternal and child mortality and morbidities essentially supporting Nigeria to achieve its own NSHDP goals.
- Research integrated within DFID-assisted projects, which provide Nigerian policy- makers with new evidence for improved decision-making.
- Testing of innovative approaches in order to find new ways of delivering "value for money" in health care, within the Nigerian context.
- Work on nutrition, focusing particularly on challenges in Northern Nigeria, including work both on prevention as well as treatment of malnutrition.
- Work with the Government, UNFPA and other development partners to improve access to contraceptive commodities.
- A new program that will work with the National Primary Health Care Development Agency (NPHCDA) and state governments to improve the number of female health workers in Northern Nigeria.
- Future work that may include support for National Health Insurance, particularly ensuring free services at the point-of-use for poor women and children.

USAID will continue national-level and selected state-level projects and activities, for example:

- Social marketing of contraceptives and other health commodities (such as oral rehydration salts and point-of-use water products), and behavior change communications programming on health subjects, nationally and in selected focus states with poor health indicators.
- Strengthening integrated maternal and child health, reproductive health and family planning services and disease prevention/treatment in Bauchi and Sokoto, focus states with extremely high maternal and child mortality rates and low contraceptive prevalence.
- Provision of contraceptives, equipment and renovations of selected health facilities.
- Strengthening the quality of private sector primary health services, especially family planning and related reproductive health services, which many women patronize in Nigeria.
- Provision of a wide range of public and private sector assistance to address HIV/AIDS and tuberculosis at all levels of the health system.
- Emphasizing advocacy to revitalize the family planning program in Nigeria to increase the use of modern method contraception, including long-acting methods, as a primary health care measure to reduce maternal and child mortality and increase choice relating to timing of pregnancy for women and couples.

Annex 2: CPS FY2010-13 Results Matrix Progress to Date

Outcome Indicators	Baseline	Target	Status at Mid Term	Proposed Changes
Pillar I: Achieving Sustainable and Inclusive Non-Oil Growth				
1. Increased Access to Critical Physical Infrastructure				
Energy				
a) Increased power generation from 3000MW in 2009 to 4500MW by 2013.	3000MW	4500MW	3800MW	Proposed to track actual power supplied, being more meaningful than available power. Actual power supplied in 2009 was 2800MW. It is also proposed to add 3 new indicators (Annex 3).
b) Reduced System Losses from 42% in 2009 to 29% by 2013.	42%	29%		The indicator 'Reduction in system losses' is not fully aligned with the CPS outcome of 'Improved Power Transmission Efficiency'. Proposed to correct by revising to 'Reduced Transmission Losses'.
2. Transport				
c) Additional 1000 Km of selected unity roads rehabilitated to fair and good condition by 2013 (as a share of total classified roads).	99.8km	1000km	Corridor Management Group (CMG) processing incorporation. 12 Founding members signed, USAID to provide additional support through follow-on Trade project.	Slow progress under Federal Roads development Project (FRDP). FRDP was restructured in FY11; including scaling down the # of km of unity roads to be rehabilitated under the project. Accordingly, it is proposed to revise the CPS target to 150km.
d) Additional 600 Km of selected rural roads rehabilitated to fair and good condition by 2013 (as a share of total classified roads).	0	Additional 600km	460 km of rural roads being rehabilitated under Rural Access and Mobility Project (RAMP). Commercial Agriculture Development Project (CADP) rural roads contracts signed for 162 km. Lagos sub-component under construction.	

Outcome Indicators	Baseline	Target	Status at Mid Term	Proposed Changes
e) Average bus speed increased from 10 km/hour to 20km/hr on BRT corridors by 2013.	10km	20km	17km on the existing Bus Rapid Transit (BRT) lite corridor.	
Public Private Partnership				
f) Privately financed share of investment in targeted infrastructure increases from XX% in 2009 to YY% in 2013.	No baseline	No target		Proposed to replace this indicator with two new indicators (Annex 3).
Urban Water Supply				
g) Number of people connected increases from 5 million in 2009 to 12 million in 2013 in urban and peri-urban communities in targeted States.	5 million people	12 million people	12.4 million people	WB projects focus on access to improved water supply, including connections per property (house, building), boreholes and water tanks. To ensure better fit with WB projects, it is proposed to use '# of people with access to improved water supply' instead of '# of people connected'.
3. Sustainable Agricultural Development and Market Access				
Agricultural productivity				
a) Increased net sales of agricultural products in targeted areas for selected crops.				Proposed to replace by 'Increased volume of sales of agricultural products in targeted areas for selected crops'. Also, propose to add one new indicator (Annex 3).
b) Income from agricultural produce in selected communities increase from Nigerian Naira 135,000 per household in 2009 to Nigerian Naira 189,000 in 2013.	N135,000/hh/yr	N189,000/hh/yr	N173,520/hh/yr	Fadama 2 and Fadama 3 projects are tracking increase in income from agricultural produce in selected communities. As the geographical spread of the two projects differs, with different baselines and target values, results achieved under these two projects are proposed to be reported separately.

Outcome Indicators	Baseline	Target	Status at Mid Term	Proposed Changes
Environmental and climate change management				
c) An early warning system for coastal disaster risk assessment, planning, and management developed by 2013.	0	An Early Warning System (EWS) developed	Sector work in progress; to be completed by June 2012. Climate Change Commission established after 3-year delay.	Proposed to make this indicator more specific and less ambitious by revising it into 'key features of an early warning system for coastal disaster risk assessment, planning and management defined by 2013'. Propose to add one more indicator (Annex 3).
4. Enhanced Growth of High Potential Economic Clusters				
d) Improved performance in Doing Business Indicators (Days to register property, paying taxes and getting licenses).	108 (2008)		National Doing Business rank - 137 in 2011.	Proposed to revise so to focus on reducing procedures, time and cost involved in starting business and enforcing contracts in 6 selected states.
Improved Competitiveness in Selected Business Clusters				
e) Growth of 10-30% in private investment in targeted industrial and agribusiness clusters (ICT, entertainment, construction, meat, hospitality, & retail by 2013.		10-30%		This result is to be achieved under GEMS project. The project will not be able to deliver the result as it has not become effective as yet. Propose to drop this indicator and replace it with a new indicator (Annex 3).
Improved Access to Finance				
f) Individuals that have access to financial services (savings, loans, insurance, leases) increase from 15% to 20% of the total adult population by 2013.	15%	20%		
Maintained Confidence and Stability in the Financial System				
g) Capital adequacy ratios remain above 15% through 2013.	19.2%	>15%	16.8%	

Outcome Indicators	Baseline	Target	Status at Mid Term	Proposed Changes
Pillar II: Human Development				
1. Improved Access to and Utilization of Quality Health Care Services				
Health Primary Health Care				
a) Proportion of children under 2 years fully vaccinated with Oral Polio Vaccine (OPV) increase by 20% by 2013.	20 - 30%	40 - 50% (2013)	38% 3 doses of OPV (DHS 2008); 98.2% in 4 endemic states in the North.	One new indicator proposed (Annex 3).
Improved Access to Maternal Health Services				
b) Proportion of births attended by skilled health personnel increase from 44% to 80% in selected states by 2013.	44%	80%	4,411,742	The project baseline and target were revised. Proposed to revise CPS baseline to 870,300 and target to 6,000,000. One additional indicator proposed (Annex 3).
c) Coverage of contraceptive services (Couple/years of protection)				Couple/Years of Protection (CYP) has measurement challenges, for which reason it is proposed to be replaced by Contraceptive Prevalence Rate.
HIV/AIDS				
d) Percentage of persons aged 15 and older disaggregated by gender who received counseling and testing for HIV and received their test results.	14.5% (NDHS 2008)	20%		This indicator is ambiguous regarding what is being measured. Propose to revise to '% of women and men aged 15-49 who received HIV test in the last 12 months and who know their results', so to avoid ambiguity. This revision is in line with the National Strategic Plan and Joint United Nations Programme on HIV/AIDS (UNAIDS).
e) Percentage of adults and children with advanced HIV infection receiving Antiretroviral Therapy increase from 16.7% to 50% by 2013.	16.70%	50%	34.4% (FMOH 2009)	

Outcome Indicators	Baseline	Target	Status at Mid Term	Proposed Changes
Malaria				
f) Percentage of under-5 children sleeping under insecticide treated nets increased from 5% to 60% in seven states.	5%	60%	44.6%.	Propose to revise the baseline to 3.6% to reflect more recent, 2009 data.
g) Percentage of under-5 children with fever treated with an effective anti-malarial within 24 hours from onset of symptoms increase from 10% to 60% in seven states.	10%	60%	Lot quality Assurance Sampling (LQAS), currently ongoing, data will provide update.	
2. Improved Access and Inclusiveness to Quality and Relevant Education at all Levels				
Access to Basic Education				
a) Primary Net Enrolment Rate (NER) increased by 5% and exceed a primary Gender Parity Index (GPI) of 0.9, in targeted states by 2013.	No baseline	5%; Exceeds primary GPI 0.9	Awaiting results of 1) National Living Standards Survey (NLSS) and 2) Nigerian Education Data Survey (NEDS)	
b) Junior Secondary (JS) NER increased by 5% and exceeds a JS GPI of 0.9, in targeted states by 2013.	awaiting results of 2010 Annual School Census	5% increase		
c) Institutionalization of the Community Accountability and Transparency Initiative				As CATI has not been active for some years, propose to drop this indicator.

Outcome Indicators	Baseline	Target	Status at Mid Term	Proposed Changes
Quality of Basic Education				
d) Transition rates from Primary to Junior Secondary School (JSS) increased by 5% in targeted states by 2013.	Kaduna: girls: 49.4%, boys: 9.5% Kano: girls: 25%, boys: 49% Kwara: girls: 38%, boys: 44%	Kaduna: girls: 54%, boys: 64% Kano: girls: 30%, boys: 55% Kwara: girls: 81%, boys: 77%	Kaduna: girls: 51.8%, boys: 50.7% Kwara: girls: 59%, boys: 59% Kano: girls 34.3%, boys 48.2%	
e) Average national math and reading test scores of primary students (4th grade) improved by 4% in targeted states by 2013.	Kaduna: R26.4%, M8.7%, Kano: R7.3%, M 5.6%, Kwara: R 29.7%, M8.4%[4]	Kaduna: R30.4%, M12.7%; Kano: R11.3%, M 9.6%; Kwara: R33.7%, M12.4%.	Ongoing assessments	
Access to Post Basic Education				
f) 11,000 senior secondary students obtain credit in 5 subjects including English and Mathematics in West African Senior School Certificate Examination (WASSCE) in the selected state by 2013.		11,000		Propose to revise to '% of public senior secondary students with pass grade in WASSCE disaggregated by Math, English, and Science (Biology) so to align with what is being supported under Bank's Lagos EKO Project'
Quality of Post Basic Education				
g) Increase in the number of students obtaining grades B and above in S&T disciplines in federal post basic education institutions from 15% in 2009 to 20% by 2013.	15% Total 36,953; Male 14,975; Female 21,978 (2007)	25% increase	41% Total: 52,025 Male: 30,792; Female: 21,243 (2010)	

[4] R is Reading and M is Math.

Outcome Indicators	Baseline	Target	Status at Mid Term	Proposed Changes
3. Utilization of HD services by the Poor				
Equitable Utilization of HD services				
a) Increased number of poor households utilizing primary health care, basic education and rural water in targeted communities in selected states.	50,000	150,000	560 benefiting communities(with about 120,000 households)	
Pillar III: Governance for Results				
1. Improved effectiveness of anti-corruption institutions				
a) Cumulative total amount proceeds of corruption recovered increase from USD5 billion in 2008 to USD7 billion in 2013.	USD5.9 billion (2008)	USD7 billion	USD11.0 billion (March 2011)	Two new additional indicators are proposed (Annex 3).
2. Improved performance management system in the civil service				
b) No. of MDAs using new performance-based management system at Federal level increase from 0 in 2009 to 6 by 2013.	0	6	Technical evaluations of proposals for the diagnostic work has been completed and cleared by WBG.	
c) Reduced discrepancy between personnel records and payroll records in database in 5 selected states from 15% in 2009 to less than 5% by 2013.	20%	5%	Cross River 3%, Bauchi 12%; Kaduna is ongoing	The target value is based on 2 WB projects, of which the second one, due to slow processing, will not deliver results by 2013. Propose to revise the target value to 3 states.

Outcome Indicators	Baseline	Target	Status at Mid Term	Proposed Changes
3. Strengthened Public Financial Management				
Improved Auditing and Accounting				
a) Time for submission of Annual Financial Statement of government by Office of the Accountant General reduced from 6-9 months to 3 months of year end.	6-9 months	3 months	Backlog cleared. Cross River submits reports within 1 month; Kaduna and Bauchi submit reports in 3-4 months.	
b) Time for issuing of audit report on Annual Accounts by Office of the Auditor-General reduced from 12 months to 6 months of year end.	12 months	6 months	Cross River submits within 2 months while Kaduna and Bauchi submit reports within 6 months.	One additional indicator is proposed (Annex 3).
Improved Budget Planning				
c) Use of multi-year budgeting in FGN and at least 5 states by 2013.	0	Federal & 5 States	MTSS used to prepare Medium-term Fiscal Strategy Paper for FGN but annual budgets are still prepared. MTEF used to prepare 2010 budget in CRS, Bauchi and Kaduna.	The target value is based on 2 WB projects, of which the second one, due to slow processing, will not deliver results by 2013. Propose to revise the target value to Federal & 3 states. 2 new additional indicators are proposed (Annex 3).
Increased Value for Money and Transparency in the Public Sector Procurement System				
d) Public contracts awarded above threshold through open competition increased from 50% to 90% at the Federal level and from 25% to 70% in five selected states by 2013.	50% (Federal) 25% (State)	90% (Federal) 70% (State)	All major contracts of FGN above threshold are awarded through open competition (100%). 60% at Rivers State, 30% Ondo, 35% Edo and 30% Kaduna	

Outcome Indicators	Baseline	Target	Status at Mid Term	Proposed Changes
e) Public contracts awards published increased from 30% to 100% at Federal level and from 0% to 60% in 5 selected states by 2013.	Federal: 30% ; 5 states: 0	Federal: 100% 5 states 60%	Federal 100% of contract awards above N 75 million; Bauchi 80%; Kaduna 45%	One new additional indicator is proposed (Annex 3).
4. Strengthened National Statistical system				
a) Annual and monthly data disseminated by the National Statistical System (NSS) or National Bureau of Statistics (NBS) according to agreed pre-published release schedules.	10% of Statistical outputs released within General Data Dissemination System (GDDS) time & frequency limits	100% of statistical outputs released within GDDS time & frequency limits	83% of statistical outputs were being released within GDDS time & frequency limits as of October 2010 (100% for monthly and quarterly releases and 50% for annual releases).	Proposed to add one more indicators monitoring progress at state level (Annex 3).

Annex 3: CPS FY2010-13 Revised Results Matrix

	Outcome Indicator[5]	Baseline	Targets (2013)
	CPS PILLAR 1: ACHIEVING SUSTAINABLE AND INCLUSIVE NON-OIL GROWTH		
Increased Access to Critical Physical Infrastructure	Improved Power Generation Capacity • ***Increased power supplied from 2800 MW in 2009 to 4500MW by 2013.*** • ***Multi Year Tariff Order (MYTO), including corresponding feed-in tariffs for generation plants, revised by 2013*[6].*** • ***The Nigerian Bulk Electricity Trading (NEBT) Company takes effect as a "Single Buyer" to enter into power purchase agreements with Independent Power Producers and manage the contractual risks*.*** • Action Plan for Power Sector Reform with Indicative Timelines for Planned Actions*	2800 MW MYTO outdated "Single Buyer" not available	4500MW MYTO revised NEBT takes effect Roadmap for the Power Sector Reform
	Improved Power Transmission Efficiency • Reduced transmission losses from 13% in 2009 to 9% by 2013.	13%	9%
	Improved Road Network Condition • Additional 150 Km of selected unity roads rehabilitated to fair and good condition by 2013. • Additional 600 Km of selected rural roads rehabilitated to fair and good condition by 2013	99.8Km 0	150Km 600Km
	Improved Public Transport Services in Lagos • ***Average bus speed increased from 10km/hr to 20 km/hr on BRT corridors by 2013.***	10 Km/hr	20 Km/hr

[5] World Bank sole accountability for indicators which are bolded and italicized.
[6] * denotes new outcome indicator

	Outcome Indicator[5]	Baseline	Targets (2013)
	• ***Money spent by poor households on bus travel per trip along project corridor reduced from N108 in 2009 to N92 in 2013*.*** • ***Single Agency coordinating urban transport at the state and local level in Lagos*.*** <u>Improved Access to Urban Water Supply</u> • ***Number of people with access to improved water supply increases from 5 million in 2009 to 12 million in 2013 in urban and peri-urban communities in targeted States.*** <u>Increased Public Private Partnerships</u> • ***National Policy on Public Private Partnership approved**** • ***Inter-MDA Agreement reached by 2013 on key legislative amendments and new legislation required to strengthen the enabling environment for PPPs**** <u>Improved Agricultural Productivity</u>	N108/day No agency in place 5 million No policy No agreement	N92/day Lagos Metropolitan Area Transport Authority (LAMATA) established and performing key coordination functions. 12 million National PPP Policy approved Agreement in place
Agriculture	• ***Increased volume of sales of agricultural products in targeted areas for selected crops.*** • ***Increase in income from agricultural produce in selected communities per household per year.***[7] • National Agriculture Strategy Adopted* <u>Improved Environmental and Climate Change Management:</u> • Key features of an early warning system for coastal disaster risk assessment, planning, and	2.1m MT N70,604/hh/yr[8]; N135,000/hh/yr[9] No strategy. 0	2.94m MT N98,846/hh/yr N189,000/hh/yr The strategy is adopted. Key feature defined

[7] When reporting, Fadama II results will also be included.
[8] Fadama III baseline and related target
[9] Fadama II baseline and related target (Fadama III is being implemented in more communities than Fadama II).

	Outcome Indicator[5]	Baseline	Targets (2013)
	management defined by 2013. • ***Number of LGAs that are supporting communities with environmentally sustainable development plans*.*** • ***Watershed Management Coordination Capacity established in targeted states.****	0 0	200 6 states
Investment Climate and Financial System	• Policy making influenced by considerations on growth and employment, and trade liberalization. <u>Improved Business Environment</u> • Reduction in procedures, time and cost involved in starting business and enforcing contracts in 6 selected states. <u>Improved Access to Finance</u> ***b) Individuals that have access to financial services (savings, loans, insurance, lease) increase from 15% to 20% of the total adult population by 2013.*** <u>Maintained Confidence and Stability in the Financial System</u> c) ***Capital adequacy ratios remain above 15% through 2013.***	 Doing Business Sub-national, 2011 15% 19.2%	Issues addressed in the national strategic documents 20% 20% >15%
CPS PILLAR II: SUSTAINED IMPROVEMENT IN ACCESS TO, QUALITY AND UTILIZATION OF HUMAN DEVELOPMENT SERVICES			
Access to and Utilization of Quality Health Care	• National Health Bill passed by the National Assembly* <u>Improved Vaccination Coverage</u> a) ***Proportion of children under 2 years fully vaccinated with OPV increase by 20% by 2013.*** b) Proportion of children (12-23 months old) fully vaccinated.	No 20 – 30% 13%	yes 40 – 50% 71%

	Outcome Indicator[5]	Baseline	Targets (2013)
	Improved Access to Maternal Health Services c) # of births attended by skilled health personnel increase from 0.8 million to 6 million in selected states by 2013. d) ***Number of additional health service providers trained in Northern States**** e) Contraceptive Prevalence Rate Priority and Communicable Diseases: Improved Access to HIV/AIDS Health Care Services f) ***Percentage of women and men aged 15-49 who received an HIV test in the last 12 months and who know their results.*** g) Percentage of adults and children with advanced HIV infection receiving Antiretroviral Therapy increase from 16.7% to 50% by 2013. Improved access to Malaria Health Care Services h) Percentage of under-5 children sleeping under insecticide treated nets increased from 3.6% to 60% in seven states. i) ***Percentage of under-5 children with fever treated with an effective anti-malarial within 24 hours from onset of symptoms increase from 10% to 60% in seven states.***	0.8 million 0[10] 8% Males: 10.8% Females: 10.4% 16.7% 3.6% *10%*	6 million 2,700[11] 26% 20% 20% 50% 60% *60%*
Access and Inclusiveness to Quality and Relevant Education at all levels	Improved Access to Basic Education a) Primary Net Enrollment Rate (NER) increased by 5%, in targeted states by 2013. b) Junior Secondary (JS) NER increased by 5%, in targeted states by 2013.	NB NB	+5% +5%

[10] From the beginning of the project
[11] Cumulative till date

	Outcome Indicator[5]	Baseline	Targets (2013)
	Improved Quality of Basic Education c) ***Transition rates from Primary to JS increased by 5% in targeted states by 2013.*** d) ***Average national math and reading test scores of primary 4th grade students improved by 4% in targeted states by 2013.*** Improved Access to Post Basic Education e) ***Percentage of public senior secondary students with pass grade in WASSCE disaggregated by Math, English, Science (Biology).*** f) ***Increase in the number of students obtaining grades B and above in Science and Technology disciplines in federal Post Basic Institutions from 15% in 2009 to 20% by 2013.*** Equitable Utilization of HD services g) ***Increased number of poor households utilizing primary health care, basic education and rural water in targeted communities in selected states.***	Kaduna: Girls 49.4%; Boys 59.9%, Kano: Girls 25%; Boys 49%, Kwara: Girls 38%; Boys 44% Kaduna: R 26.4%, M 8.7%, Kano: R 7.3%, M 5.6%, Kwara: R 29.7%, M 8.4%[12] English: 21%, Math: 20%, Biology: 23% Total: 36,953; Male : 14,975 ; Female : 21,978 50,000	Kaduna: Girls 54.4%; Boys 64.9%, Kano: Girls 30%; Boys 54%, Kwara: Girls 38%; Boys 44% Kaduna: R 30.4%, M 12.7%; Kano: R 11.3%, M 9.6%; Kwara: R 33.7%, M 12.4% English: 50%, Math: 39%, Biology: 37% + 25% 150,000
CPS PILLAR III: GOVERNANCE FOR RESULTS			
Effectiveness of anti-corruption institutions	• ***Cumulative total amount proceeds of corruption recovered increase from USD5 billion in 2008 to USD7 billion in 2013.*** • ***Bill on Sovereign Wealth Fund passed by the Senate by 2013*.***[13] • ***Nigeria complies with the Extractive Industries Transparency Initiative (EITI*).***	USD5.9 billion No bill in place Nigeria is not EITI compliant	USD7 billion Senate passed the SWF Bill by 2013. Nigeria becomes EITI compliant

[12] R is Reading and M is Math.
[13] Nigeria was the only OPEC member state without a Sovereign Wealth Fund.

	Outcome Indicator[5]	Baseline	Targets (2013)
Performance Management in the Civil Service	• No. of MDAs using new performance-based management system at Federal level increase from 0 in 2009 to 6 by 2013. • ***Reduced discrepancy between personnel records and payroll records in database in 3 selected states from 15% in 2009 to less than 5% by 2013.***	0 15%	6 <5%
Public Financial Management	<u>Improved Auditing and Accounting</u> a) ***Time for submission of Annual Financial Statement of government by Office of the Accountant General reduced from 6-9 months to 3 months of year end at Federal level and in selected states.*** • ***Time for issuing of audit report on Annual Accounts by Office of the Auditor-General reduced from 12 months to 6 months of year end.*** • ***Month-end financial statements produced by 75 percent of federal government MDAs within 7 days.*** <u>Improved Budget Planning</u> • ***Use of multi-year budgeting in FGN and at least 3 states by 2013.*** b) ***Medium Term Sectoral Strategies (MTSS) prepared and published by 10 ministries in the Lagos State**** c) ***Preparation of the 2011 budget based on at least 10 MTSS and in accordance with the Medium Term Expenditure Framework (MTEF).****	6 – 9 months 12 months No automated statements No No No	3 months 6 months 75% Yes Yes Yes
Value for Money and Transparency in the Public Sector	• ***Public contracts awarded above threshold through open competition increased from 50% to 90% at the Federal level and from 25% to***	Federal: 50% States: 25%	Federal: 90% States: 70%

	Outcome Indicator[5]	Baseline	Targets (2013)
Procurement System	***70% in five selected states by 2013.*** • ***Public contracts awards published increased from 30% to 100% at Federal level and from 0% to 60% in 5 selected states by 2013.*** • ***Number of MDAs with third party procurement monitoring.******	Federal: 30% States: 0 0 (2010)	Federal: 100% States: 60 % 40 MDAs at the federal level; 20 MDAs (4 in 5 states each)
National Statistical System	• ***Annual and monthly data disseminated by the NSS or NBS according to agreed pre-published release schedules.*** • ***Statistical template for production of annual State Statistical Year Book by states***	10% of statistical outputs released within GDDS time and frequency limits. No state has produced statistical yearbook.	100% of statistical outputs released within GDDS time and frequency limits. Statistical yearbook produced by at least 17 states.

Annex 4: DFID and USAID Outcome Indicators

DFID and USAID outcome indicators - Improved democracy and accountability																
	Indicator (including data source)	**Baseline (B) - *include year***			**Milestones (M) and Progress (P)**									**Target (T) - *2014/15***		
					Year 1 (2011/12)			**Year 2 (2012/13)**			**Year 3 (2013/14)**					
		Overall	**Male**	**Female**	**Overall**	**Male**	**Female**	**Overall**	**Male**	**Female**	**Overall**	**Male**	**Female**	**Overall**	**Male**	**Female**
Outputs																
Output 2.1 Credible elections[14]	*Percentage of eligible population on the voter register. (Source: INEC) DFID contribution*	65% (2010)	60%	40%	65%	58%	42%	70%	57%	43%	75%	56%	44%	80%	55%	45%
					P:			P:			P:					
Output 2.2 Increased capacity to hold government to account.[15]	*Number of people supported to hold government to account. (Source: Programmes management information systems) DFID attribution*	55,000 (2010)	40,000	15,000	TBD		TBD	TBD		TBD	TBD		TBD	400,000	200,000	200,000
					P:			P:			P:					

[14] Number of people recorded on the voter register (INEC). Checks ensure voter eligibility. Population data from the national census. Baseline is an expert estimate.

[15] Total people supported from accountability components of DFID-N programs on governance, health, education and business issues. There may be a small amount of double counting if the same person is supported by two separate programs. Each component will assess impact of support. Sex disaggregation is a rough estimate; exact figures will be collected by end 2011/12. Milestones to be determined as programs are designed.

Annex 5: Millennium Development Goal Indicators

Goal	Indicator	NLSS 2009			NDHS 2008[1]			NDHS 2003		
		Female	Male	Total	Female	Male	Total	Female	Male	Total
Eradicate extreme poverty and hunger	1.8-Prevalence of underweight children under five years of age (%)	-	-	-	21.7	24.5	23.1			24.3
Achieve universal primary education	2.1-Net attendance ratio in primary school2	54.4	57.6	57	59.1	64.9	62.1	56.5	63.7	60.1
	2.2-Percentage of pupils starting grade 1 who reach grade 5				98.5	98.5	98.5			
	2.3-Literacy rate of 15-24 year olds	66.5	74.9	70.7	64.3	82.5	69.4	48.2	72.5	
Promote gender equality and empower women	3.1-Ratio of girls to boys in primary education	-	-	87.8						
	3.1-Ratio of girls to boys in secondary education	-	-	75.9						
	3.1-Ratio of girls to boys in tertiary education	-	-	75.2						
	3.1-Ratio of girls to boys in primary, secondary and tertiary education	-	-		-	-	83.9			
Reduce child mortality	4.1-Under-five mortality rate (per 1,000 live births)				166	175	157			201
	4.2-Infant mortality rate (per 1,000 live births)				81	93	75			100
	4.3-Percentage of 1 year-old children immunized against measles				41.4	41.5	41.4			31.4
Improve maternal health	5.1-Maternal mortality ratio (0-6 year period before survey)				-	-	545			
	5.2-Percentage of births attended by skilled health personnel			46			38.9			36.3
	5.3-Contraceptive prevalence rate (any contraceptive method, currently married women age 15-49)				14.6	-	-	12.6	-	-
Combat HIV/AIDS, malaria and other diseases	6.2-Condom use at last high-risk sex: youth 15-24 years				35.5	49.4	40.8	23	47	
	6.3-Percentage of population 15-24 years with comprehensive knowledge of HIV/AIDS				22.2	32.6	23.9			21.1
	6.4-Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years				1.3	1.1	1.2			
	6.7-Percentage of children under five sleeping under ITN			6.8	5.6	5.3	5.5	1.2	1.1	1.2
	6.8-Percentage of children under five with fever who are appropriately treated with anti-malarial drugs			41.4	31.8	34.4	33.2	35.2	32.5	33.9
		Urban	Rural	**Total**	Urban	Rural	**Total**	Urban	Rural	**Total**
Ensure environmental sustainability	7.8-Percentage of population using improved drinking water source, urban and rural				75.4	43.6	54.2	64.6	29.8	42.3
	7.9-Percentage of population using improved sanitation facility, urban and rural				37.5	28.1	31.2	34.2	8.6	17.8

Annex 6: Status of Analytical and Advisory Activities

	FY10	FY11	FY12	FY13
Fiscal Federalism Phase II (FY09)	-			
Financial Sector Strategy	Delivered			
ICT Policy Dialogue	Delivered			
Governance of Service Delivery Phase II (Water)	Delivered			
Malaria Control	Delivered			
Agric. Strategy & NACRDB Restructuring	Delivered			
EITI Mgmt./Gas & Oil	Delivered			
Lagos State Rolling PER	Delivered			
Transport Dialogue	Dropped			
Results Based M & E for Vision 20/20	Dropped			
Projects Procurement Capacity Building	Dropped			
Communication Outreach	Dropped			
Education Sector Strategy	Dropped			
Custom Reform/Revenue enhancement	Dropped			
Agricultural Competitiveness	Dropped			
An Assessment of Investment Climate in 26 states (SDO)		Delivered		
Socio-Economic Assessment		Delivered		
State level PER		Delivered		
Secondary Education & Training		Delivered		
Governance of Service Delivery		Delivered		
Community Based Health		Delivered		
Energy Sector Policy Analysis (Energy lending)		Delivered		
ROSC Accounting		Delivered		
Investment Climate Program			FY12	
Skills Development in IT and ITES			FY12	
Climate Change Implications for Growth in the Non-Oil Sector in Nigeria			FY12	
Federal Government of Nigeria PEFA plus (EFO 353)			FY12	
State Public Expenditure Management			FY12	
Strengthening Sector Governance and Promoting Partnership for Service Delivery			FY12	
Promoting Good Governance in Nigeria's Niger Delta			FY12	
PSIA on petroleum subsidies			FY12	
Programmatic Integrated Fiduciary Assessment			FY12	
Dialogue with Civil Society			FY12	
Transforming Nigeria into West African Lion				FY13
Regional Integration AAA				FY13
EITI Management/Gas & Oil Sector Policy Phase II				FY13
PPIAF/SNTA Nigeria State Credit Rating and Credit Advisory.				FY13
Social Safety Nets Development Dialogue and Policy Development				FY13

Annex 7: Status Update on Procurement Bills in Nigeria in States

As of July 4, 2011

2008		2009 - 2011		
Procurement Bills Drafted	**Procurement Laws Passed**	**Procurement Bills Drafted**	**Procurement Laws Passed**	**No Procurement Bills**
Cross-Rivers (redrafted in 2011)	Bauchi	Anambra	Abia	Benue
Kaduna (redrafted in 2011)	Rivers	Cross –Rivers (redrafting the law)	Adamawa	Borno
		Edo	Akwa Ibom	Imo
		Gombe	Bayelsa	Kano
		Katsina	Delta	Nazarawa
		Kwara	Ebonyi	Ogun
		Zamfara	Ekiti	Plateau
			Enugu	Sokoto
			Jigawa	Yobe
			Kaduna (redrafting the law)	
			Kebi	
			Kogi	
			Lagos	
			Niger	
			Ondo	
			Osun	
			Oyo	
			Taraba	
	2	**7**	**18**	**9**
Total	**36 States**			

Annex 8: Status of PEMFAR/PEFAs/PERs in States

As of July 1, 2011

Completed Review 2007 - 2008	Completed Review 2009 - 2011	Reviews underway/planned 2011	No PEMFAR
Anambra	Bayelsa	Abia	Akwa Ibom
Bauchi	Edo	Adamawa	Bauchi
Cross-River	Enugu	Anambra	Benue
Ekiti	Kogi	Cross-River	Borno
Enugu	Lagos	Delta	Ebonyi
Jigawa	Niger	Imo	Gombe
Kaduna	Ondo	Jigawa	Katsina
Kano	Plateau	Kano	Ogun
Rivers	Yobe	Kebbi	Oyo
		Kwara	Taraba
		Nassarawa	Zamfara
		Osun	
		Rivers	
		Sokoto	
		Yobe	
9	**9**	**15**	**11**

Annex 9: Standard CPS Annexes

Annex A1: Nigeria

Key Economic & Program Indicators - Change from Last CAS

Prepared for all CASs/Progress Reports, but included in Board version of Progress Reports Only

As of 6/21/2011

	Forecast in Last CAS			*Actual*			*Current CAS Forecast*			
Economy (CY)	*2008*[a]	*2009*[b]	*2010*[b]	*2011*[b]	*2008*[c]	*2009*[c]	*2010*[a]	*2011*[b]	*2012*[b]	*2013*[b]
Growth rates (%)										
GDP	5.3	2.9	2.7	4.9	6.0	7.0	8.4	6.9	6.6	6.3
Exports	..	..	..	..	..	..	..	..	..	..
Imports	..	..	..	..	..	..	..	..	..	..
Inflation (%)	11.2	..	10.1	8.5	11.6	12.5	13.7	10.8	8.7	8.5
National accounts (% GDP)										
Current account balance	4.5	-9.0	-3.5	-2.7	15.4	13.0	6.6	12.2	11.3	10.5
Gross investment	..	..	..	..	24.0	27.6	24.5	22.7	22.5	22.2
Public finance (% GDP)										
Fiscal balance	4.9	-8.4	-3.4	-2.4	4.6	-10.4	-6.9	-0.4	0.7	0.2
Foreign financing	..	..	..	..	0.0	0.5	0.6	0.4	0.2	0.1
International reserves (as months of imports)	11.3	8.8	7.5	7.5	13.1	8.0	6.6	7.6	8.5	8.8
Program (Bank's FY)	FY__[a]	FY__[b]	FY__[b]	FY__[b]	FY__[c]	FY__[c]	FY__[d]	FY__[b]	FY__[b]	FY__[b]
Lending ($ million)										
Gross disbursements ($ million)										

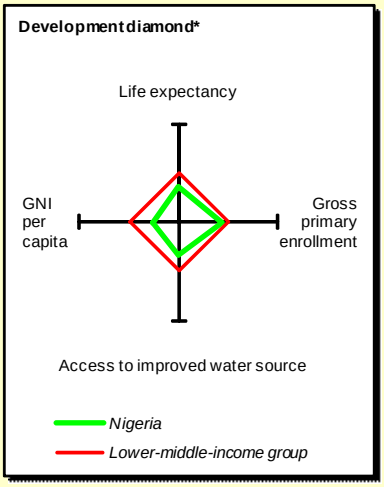
a. Estimated year
b. Projected year
c. Actual outcome

CAS Annex A2-1

Nigeria at a glance

2/25/11

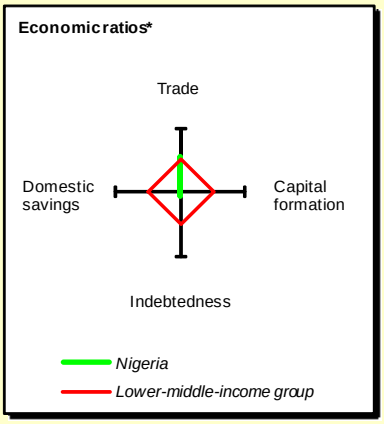
POVERTY and SOCIAL	Nigeria	Sub-Saharan Africa	Lower-middle-income
2009			
Population, mid-year *(millions)*	154.7	840	3,811
GNI per capita *(Atlas method, US$)*	1,190	1,126	2,316
GNI *(Atlas method, US$ billions)*	184.7	946	8,825
Average annual growth, 2003-09			
Population *(%)*	2.4	2.5	1.2
Labor force *(%)*	2.6	2.9	1.5
Most recent estimate (latest year available, 2003-09)			
Poverty *(% of population below national poverty line)*	..	..	..
Urban population *(% of total population)*	49	37	41
Life expectancy at birth *(years)*	48	52	68
Infant mortality *(per 1,000 live births)*	86	81	43
Child malnutrition *(% of children under 5)*	27	25	25
Access to an improved water source *(% of population)*	58	60	87
Literacy *(% of population age 15+)*	60	62	80
Gross primary enrollment *(% of school-age population)*	93	100	107
Male	99	105	109
Female	87	95	105



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1989	1999	2008	2009
GDP *(US$ billions)*	23.8	34.8	207.1	173.0
Gross capital formation/GDP	..	..	..	..
Exports of goods and services/GDP	32.7	36.9	41.7	35.9
Gross domestic savings/GDP	..	..	..	..
Gross national savings/GDP	..	..	..	..
Current account balance/GDP	-1.0	-9.5	15.4	13.4
Interest payments/GDP	6.3	1.3	0.1	0.1
Total debt/GDP	126.3	83.8	5.6	4.5
Total debt service/exports	20.9	8.1	0.6	0.5
Present value of debt/GDP	..	..	..	3.4
Present value of debt/exports	..	..	..	5.3

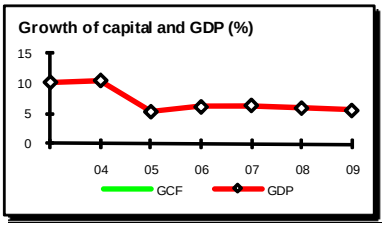
	1989-99	1999-09	2008	2009	2009-13
(average annual growth)					
GDP	2.7	6.4	6.0	5.6	7.4
GDP per capita	0.2	3.8	3.6	3.2	..
Exports of goods and services	..	..	..	..	..



STRUCTURE of the ECONOMY

	1989	1999	2008	2009
(% of GDP)				
Agriculture	..	..	..	..
Industry	..	..	..	..
Manufacturing	..	..	..	..
Services	..	..	..	..
Household final consumption expenditure	..	..	..	..
General gov't final consumption expenditure	..	..	..	..
Imports of goods and services	25.2	41.1	29.5	27.2

	1989-99	1999-09	2008	2009
(average annual growth)				
Agriculture	..	7.0	..	..
Industry	..	3.8	..	..
Manufacturing	..	..	..	..
Services	..	14.4	..	..
Household final consumption expenditure	..	..	..	..
General gov't final consumption expenditure	..	..	..	..
Gross capital formation	..	..	..	..
Imports of goods and services	..	..	..	..



Note: 2009 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

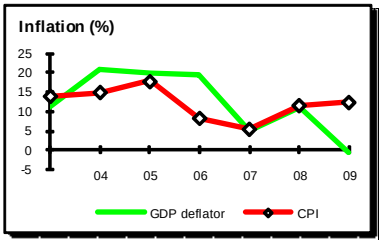
* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

CAS Annex A2-2

Nigeria

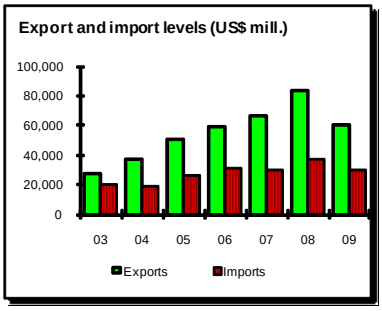
PRICES and GOVERNMENT FINANCE

	1989	1999	2008	2009
Domestic prices				
(% change)				
Consumer prices	50.5	6.6	11.6	12.4
Implicit GDP deflator	44.4	12.3	11.0	-0.6
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	30.7	32.8	19.4
Current budget balance	..	11.1	..	..
Overall surplus/deficit	..	-7.5	3.5	-10.0



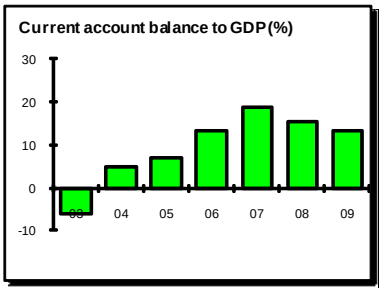
TRADE

	1989	1999	2008	2009
(US$ millions)				
Total exports (fob)	9,812	11,927	84,118	59,974
Fuel	9,411	11,393	74,304	..
Liquified natural gas	..	322	7,709	..
Manufactures	39	27	..	..
Total imports (cif)	6,544	11,658	37,101	29,368
Food	425	1,516	..	..
Fuel and energy	46	152	..	..
Capital goods	..	..	..	..
Export price index *(2000=100)*	68	60	..	..
Import price index *(2000=100)*	96	111	..	..
Terms of trade *(2000=100)*	71	54	..	..



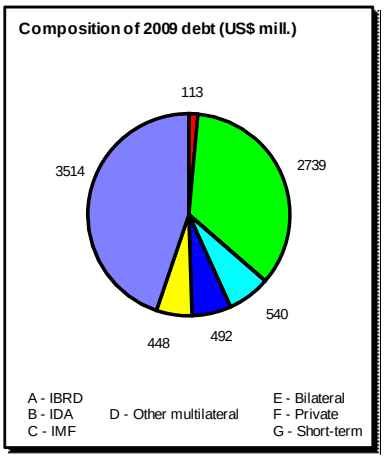
BALANCE of PAYMENTS

	1989	1999	2008	2009
(US$ millions)				
Exports of goods and services	9,979	12,871	86,396	62,227
Imports of goods and services	7,679	14,339	61,006	47,130
Resource balance	2,301	-1,468	25,390	15,097
Net income	-2,668	-3,467	-12,428	-10,130
Net current transfers	118	1,645	18,863	18,176
Current account balance	-249	-3,290	31,824	23,142
Financing items (net)	1,521	1,624	-30,157	-33,760
Changes in net reserves	-1,272	1,666	-1,667	10,618
Memo:				
Reserves including gold *(US$ millions)*	..	..	77,484	102,614
Conversion rate *(DEC, local/US$)*	9.4	92.3	118.5	148.9



EXTERNAL DEBT and RESOURCE FLOWS

	1989	1999	2008	2009
(US$ millions)				
Total debt outstanding and disbursed	30,122	29,128	11,509	7,846
IBRD	2,906	1,989	211	113
IDA	30	624	2,243	2,739
Total debt service	2,117	1,063	591	510
IBRD	411	443	205	104
IDA	1	7	37	39
Composition of net resource flows				
Official grants	128	48	843	962
Official creditors	460	-284	69	236
Private creditors	521	-146	-21	-55
Foreign direct investment (net inflows)	1,884	1,005	4,876	5,787
Portfolio equity (net inflows)	0	0	-954	522
World Bank program				
Commitments	702	0	887	985
Disbursements	450	119	353	497
Principal repayments	200	307	209	117
Net flows	250	-189	144	380
Interest payments	213	143	34	25
Net transfers	38	-331	110	354



Note: This table was produced from the Development Economics LDB database. 2/25/11

CAS Annex B2 - Nigeria
Selected Indicators* of Bank Portfolio Performance and Management
As of 6/30/2011

Indicator	2008	2009	2010	2011
Portfolio Assessment				
Number of Projects Under Implementation [a]	24	28	26	28
Average Implementation Period (years) [b]	4.2	3.8	3.8	4.0
Percent of Problem Projects by Number [a, c]	12.5	0.0	3.8	10.7
Percent of Problem Projects by Amount [a, c]	10.5	0.0	8.3	13.6
Percent of Projects at Risk by Number [a, d]	37.5	35.7	50.0	17.9
Percent of Projects at Risk by Amount [a, d]	26.6	30.4	46.5	23.8
Disbursement Ratio (%) [e]	16.8	18.4	20.4	15.7
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	88	3
Proj Eval by OED by Amt (US$ millions)	5,971.6	215.0
% of OED Projects Rated U or HU by Number	53.4	0.0
% of OED Projects Rated U or HU by Amt	52.0	0.0

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

CAS Annex B3
Nigeria: IFC Investment Operations Program

	2008	2009	2010	2011*
Original Commitments (US$m)				
IFC and Participants	465.18	517.00	734.17	835.20
IFC's Own Accounts only	465.18	517.00	690.17	835.20
Original Commitments by Sector (%)- IFC Accounts only				
ACCOMMODATION & TOURISM SERVICES			1.75	
AGRICULTURE AND FORESTRY			0.43	
COLLECTIVE INVESTMENT VEHICLES		1.93	1.45	
ELECTRIC POWER	0.86			
FINANCE & INSURANCE	99.14	87.43	87.31	96.53
FOOD & BEVERAGES			1.23	
HEALTH CARE		0.97		
INFORMATION		9.67	7.82	3.47
Total	**100**	**100**	**99.99**	**100**
Original Commitments by Investment Instrument (%) - IFC Accounts only				
Equity	0.86	2.18	1.67	2.75
Guarantee	94.84	79.44	74.17	65.04
Loan	4.3	5.61	18.15	26.34
Quasi equity***				3.47
Quasi loan		12.77	5.43	2.39
Risk product			0.58	
Total	**100**	**100**	**100**	**99.99**

* Data as of June 01,2011

CAS Annex B8
Operations Portfolio (IBRD/IDA and Grants)
As of 6/30/2011

IBRD/IDA
*

Total Disbursed (Active)	1,544.83
of which has been repaid	0.00
Total Disbursed (Closed)	1,614.10
of which has been repaid	1,681.41
Total Disbursed (Active + Closed)	3,158.92
of which has been repaid	1,681.41
Total Undisbursed (Active)	2,830.66
Total Undisbursed (Closed)	6.89
Total Undisbursed (Active + Closed)	2,837.55

Active Projects

Project ID	*Project Name*	Last PSR Supervision Rating		*Fiscal Year*	Original Amount in US$ Millions				*Undisb.*	Difference Between Expected and Actual Disbursements [a/]	
		Development Objectives	*Implementation Progress*		*IBRD*	*IDA*	*GRANT*	*Cancel.*		*Orig.*	*Frm Rev'd*
P106172	NG-Electricity and Gas Improvement	S	S	2009		200			210.7091514	-4.13661882	1.86337118
P083082	MSME	MS	MS	2004		32			7.75409818	4.99597617	
P096151	NG - State Edu Sector Project	S	S	2007		65			4.77658672	-10.73685396	-28.08185396
P112956	NG Nigeria - LUTP-II (FY10)	S	S	2010		190			183.150656	17.5	
P070290	NG- Health System Dev. II (FY02)	MS	MS	2002		217		0.19815009	13.76649598	-100.0372774	-83.06027173
P090644	NG-Comm. Social Dev. (FY09)	MS	MS	2009		200			131.9635888	85.49641234	
P096648	NG-Commercial Agriculture Development	S	S	2009		150			139.1691855	36.2942717	
P088150	NG-Econ Reform & Govern SIL (FY05)	MS	MS	2005		140			57.29912889	52.32316778	20.85202285
P096572	NG-Fadama Development-III SIL (FY08)	S	S	2009		250			138.1364328	52.56015539	
P109737	NG-Fadama III GEF-Sust. Land Mgmt. (SIP)	S	S	2011			6.8		6.8		
P090135	NG-Federal Roads Development	MU	MU	2008		330			319.2472094	74.36027097	34.86121485
P073686	NG-GEF Fadama 2 Crit Ecosys Mgmt (FY06)	S	S	2006			10.03		0.02020377	0.02020377	
P102119	NG-HIV/AIDS Prog. Dev. II (FY09)	MS	MS	2009		225			237.6764674	62.15	
P106280	NG-Lagos Eko Secondary Education (FY09)	S	HS	2009		95			58.37588616	-4.84903771	
P071340	NG-Lagos Metropolitan Dev & Governance	MU	MU	2007		200			158.6385743	111.6761536	
P117237	NG-Lagos State DPO I	#	#	2011		200			203.185815		
P114762	NG-Lagos Urban Transport Project 2	S	S	2010			4.5				
P097921	NG-Malaria Control Booster Project (07)	S	MS	2007		280			140.5742697	6.17711202	16.91702341
P086716	NG-Min Res Sustain Mgmt (FY05)	S	S	2005		120			15.14061675	10.97429906	-4.45028762
P090104	NG-Natl Energy Dev SIL (FY06)	MS	MS	2006		172			48.81048547	38.26984501	-5.56183006
P071391	NG-Natl Urb Water Sec Ref SIM 2 (FY06)	S	MS	2006		200			97.04731523	89.48588704	
P080295	NG-Polio Eradication (FY03)	S	S	2003		190.4		0.37637424	61.99242919	-99.20869805	-13.77332892
P072644	NG-Rural Access & Mobility - Ph. 1	MU	MS	2008		60			47.40530057	22.76351365	
P074132	NG-S&T Educ in Post-Basic Ed (FY07)	MS	MS	2007		180			82.72343807	51.91634151	-2.14165375
P097026	NG-State Gov & CB TAL 2 (FY10)	#	#	2010		120			111.815612		
P074447	NG-State Governance & Cp Bldg TAL (FY05)	S	S	2005		18.1			3.09424587	2.751316	2.731316
P071075	NG-Urb Water Sec Reform 1 SIL (FY04)	S	S	2004		200			78.63841113	-4.02479235	
P103499	NG:Growth & Employment in States	#	#	2011		160			162.67365		
P115386	Public/Private Partnership Program	#	#	2011		115			116.899255		
Overall Result						4309.5	21.33	0.57452433	2837.484509	496.7216478	-59.84427775

Annex B8 (IFC) for Nigeria Committed and Disbursed
As of 6/30/2011
(In USD Millions)

		Committed					Disbursed Outstanding				
FY Approval	Company	Loan	Equity	**Quasi Equity	*GT/RM	Partici pant	Loan	Equity	**Quasi Equity	*GT/RM	Partici pant
2011	Abn mf bank	2.65	1.61	0	0	0	1.66	1.61	0	0	0
2005	Accion nigeria	0	1.29	0	0	0	0	0.61	0	0	0
2003	Adamac	11.56	0	0	0	6.94	11.56	0	0	0	6.94
2010	Adlevo capital	0	10	0	0	0	0	1.46	0	0	0
2000	Aef safetycenter	0.3	0	0	0	0	0.3	0	0	0	0
2000	Cape fund	0	0.41	0	0	0	0	0	0	0	0
2009	Capic	0	9.6	0	0	0	0	2.63	0	0	0
2010	Capic hexagon	5.5	0	0	0	0	0	0	0	0	0
6/8/2005	Diamond bank	12.73	0	10.9	0	0	12.73	0	10.9	0	0
0	Ecobank nigeria	18.18	0	0	24.65	0	18.18	0	0	24.65	0
2007	Eleme	3.6	0	15	0	0	3.6	0	15	0	0
2011	Fcmb nigeria	50	0	20	0	0	0	0	0	0	0
2010	First bank of...	50	0	37.5	0	0	0	0	0	0	0
2011	Food concepts	7	13	0	0	0	0	0	0	0	0
1992	Fsdh	0	0.86	0	0	0	0	0.86	0	0	0
2008	Geometric	0	4	0	0	0	0	0	0	0	0
5/6/2004/11	Gtb	212.59	22.5	0	0	0	39.73	0	0	0	0
2006	Gtfp access bank	0	2.35	11.25	0	0	0	2.35	11.25	0	0
2009/10	Helios towers ng	50	0	60.16	10.44	44	37.5	0	60.16	8.64	33
2007/09	Hygeia nigeria	5.5	0	0	0	0	1.5	0	0	0	0
2006	Ibtc	0	0	3.95	0	0	0	0	3.95	0	0
2011	Ihs nigeria plc	0	0	29	0	0	0	0	29	0	0
1981	Ikeja hotel	0	0.01	0	0	0	0	0.01	0	0	0
2007	Leadway	0	13.3	0	0	0	0	13.3	0	0	0
2011	Mc nigeria co	0	0.99	0	0	0	0	0	0	0	0
2011	Moorhouse ii	7.5	7.4	0	0	0	0	0	0	0	0
2002/07	Mtnn	0	16.75	0	0	0	0	16.31	0	0	0
0	Skye capic	6.6	0	0	0	0	0	0	0	0	0
2006/07	Socketworks	1.4	0	1.25	0	0	1.4	0	1.25	0	0
2007	Star paper	9.98	0	0	0	0	9.98	0	0	0	0
2010	Tantalizers	7	0.84	0	0	0	0	0.84	0	0	0
2006	Uba	0	20.91	0	0	0	0	20.91	0	0	0
2007	Updc	16.7	0	0	0	0	1.7	0	0	0	0
0	Zambeef	3	0	0	0	0	1.8	0	0	0	0
Total Portfolio:		**481.79**	**125.82**	**189.01**	**35.09**	**50.94**	**141.64**	**60.89**	**131.51**	**33.29**	**39.94**

* Denotes Guarantee and Risk Management Products.
** Quasi Equity includes both loan and equity types.

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SEPTEMBER 2004

IBRD 33458