

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: AC4108

Date ISDS Prepared/Updated: 01/15/2009

I. BASIC INFORMATION

A. Basic Project Data

Country: Nigeria	Project ID: P115386
Project Name: Nigeria - Public/Private Partnership Initiative	
Task Team Leader: Peter J. Mousley	
Estimated Appraisal Date: May 26, 2009	Estimated Board Date: November 17, 2009
Managing Unit: AFTFP	Lending Instrument: Specific Investment Loan
Sector: Non-compulsory pensions, insurance and contractual savings (50%); Payment systems, securities clearance and settlement (50%)	
Theme: Infrastructure services for private sector development (P)	
IBRD Amount (US\$m.): 0.00	
IDA Amount (US\$m.): 315.00	
GEF Amount (US\$m.): 0.00	
PCF Amount (US\$m.): 0.00	
Other financing amounts by source:	
<u>BORROWER/RECIPIENT</u>	0.00
	0.00

B. Project Objectives [from section 2 of PCN]

The overarching objective of this proposal is to assist the government of Nigeria to tackle binding constraints to firm productivity improvements and employment generating growth. This project will seek to increase infrastructure service levels and quality through a six year institutional development and PPPI financing program. The project will also contribute to strengthened institutional governance over key factor markets, improving risk and cost determinants.

C. Project Description [from section 3 of PCN]

The project components will encompass support to lead PPP agencies and legal and regulatory systems, provision of technical expertise for both Greenfield and Brownfield Investments, and financing facilities for selected pipeline PPP initiatives, building on the Energy APL I (i.e.: Nigeria Electricity and Gas Improvement Plan - NEGIP) “first mover” successes. The current total estimated cost for the project is \$115.5 million in technical assistance and capacity building (this would include also anticipated government budget subventions to ICRC, commencing in FY09), plus an additional \$200 million in IDA investment funds credit and risk guarantees. This figure involves a number of key assumptions that would need to be revisited critically as the

project preparation proceeds. Priority will be accorded to the establishment of effective “transactions”, “gate-keeping” and “monitoring and enforcement” institutional capacity across key lead MDAs – namely the Infrastructure Concession Regulatory Commission (ICRC – which will be responsible for guidance/enforcement and overall PPP institutional development and capacity building), the Federal Ministry of Finance (responsible for gate-keeping), and other central departments/agencies (e.g. the Bureau of Procurement, Bureau of Public Enterprises), line departments and sector/market regulators.

1. Infrastructure Concession Regulatory Commission Institutional Development: The first component would involve three elements of primary support to the ICRC institution building including, potentially: (a) works and supply, equipment and vehicles, incremental operating expenses; (b) skills and organizational development including departmental design, management information system and job specification and remuneration development; with particular focus on the ICRC specialized monitoring, evaluation and enforcement role; ICRC training, including strategic and change management training and the development/establishment of a core training curriculum; and the establishment of a capacity building fund to be managed by ICRC. This could lead a program of system training and skills and institutional upgrades to support key PPP MDAs and State governments to develop and refine their PPP capacities. This would encompass all the key elements of the PPP framework (viz: gate-keeping; project development and transactions; and monitoring and enforcement). The current projected budget for these components, over a six year period, is approximately \$25 million, including recurrent as well as capital costs. This is based on estimates taken from an initial ICRC business plan prepared by NIAF. This is being reviewed/revised in light of decisions to be taken on the overall scope of ICRC operations over the short and medium term.

2. Legal and Regulatory Reform and Capacity Building in MDAs:

In support of the objective of ensuring consistent and coordinated approach to the development of regulatory laws, the second component of the PPP project would provide capacity-building implementation of laws and related capacity building and technical support to regulators and line/cross-cutting MDAs. Some of these activities are currently under the BPE component of the soon-to-close PSP project. Allowing for additional costs resulting from the requirement to build capacity into the MDAs to effectively interface with the ICRS, as well as the new PPP dimensions that will apply to these laws and regulations, including the potential review and revision of the ICRC Act and promulgation of a PPP law, the overall budget is estimated at \$30.5 million for this component of the program. Capacity strengthening for EA governance and institutions and SEA would also be implemented under this component.

3. PPP Transactions Support: The third component treats the pipeline of existing PPP deal flow that the FGN wants to address in the short to medium term. While there is expertise within the FGN – particularly within the BPE - that can assist with this work, it will require extensive specialized expertise that will need to be recruited at market rates over the short to medium term. This will entail a budget for transaction advisors that would be contracted to the FGN. The estimated cost of this project component is highly sensitive to the volume of deals that targeted for development and negotiation over the timeframe of the proposed project. Additionally, the government capacity to manage a pipeline of technically complex project development and negotiation activities will be highly dependent on the effectiveness of the core technical

management team which, over the short term, would also need to be contracted. Based on various assumptions of deal flow volume and pace at which this deal flow moves from development to negotiation and financial close, the preliminary budget estimates (based on estimates from the ICRC Draft Business Plan produced by NIAF and the budget forecast for project development and transaction support produced by CPCS in the PPIAF study) for this component of the project budget is \$50 million over a six year period.

4. Infrastructure Financing: The fourth component would involve the deployment of IDA investment credits and risk mitigation products (IDA partial risk guarantee) to address political/regulatory risk and improve financing terms (e.g.: tenor and project risk premium). Additional outreach will also be made to engage MIGA and IFC facilities in support of specific deals, building on the different comparative advantages of their products in terms of pricing and other characteristics (e.g. partial credit guarantees for local currency funding, ability to provide financial support without sovereign counter-guarantee). The IDA credits would be used to contribute to the publicly funded element of selected PPP transactions. As such, this component could be structured initially as a facility rather than a fund (subject to more detailed due diligence on the project pipeline and more certainty about the quantum of bankable deals). Over time as PPP project financing progresses, there may be justification to progress more towards the pre-committed funding that would be for the creation of an Infrastructure Fund, including funding/support from the World Bank. The estimated budget for this component is \$200 million. This component of the project would also seek to promote domestic capital market development. This sub-component, with a preliminary budget estimate of \$10 million, includes inter alia:

- (i) Capacity-building support to domestic commercial banks and project funds in project finance, financial structuring and long-term credit risk analysis, management and supervision;
- (ii) Facilitating the long-term investment by local institutions in debt and equity instruments of infrastructure financing;
- (iii) Developing primary capital market issuance of corporate bonds;
- (iv) Increasing the penetration of credit ratings.

D. Project location (if known)

Project location and salient physical characteristics relevant to the safeguard analysis (if known): Nigeria

Based on discussions with Federal state level stakeholders, on commitment, geopolitical representation and potential economic gain, further preparatory work needs to be concluded as to the specific geographic reach of the proposed project (e.g. selection and location of infrastructure investment). Further details on the federal/state and social/physical environment of the project activities will be provided after the pre-appraisal mission and this will be contained in the appraisal stage ISDS.

E. Borrower's Institutional Capacity for Safeguard Policies [from PCN]

Nigeria has developed some institutional capacity for relevant safeguards policies with the satisfactory implementation of the safeguards instruments (EIA, ESMF, ESIA, and RPF) of the ongoing Lagos Urban Transport Project (LUTP), the PSP operation, the local Empowerment and Environmental management Project (LEEMP) and Fadama II project.

In regards to this project, the Borrower's institutional capacity will be further assessed and the Government team will receive guidance from the Bank's safeguard specialists on the project. The proposed project will further strengthen the borrower's environmental and social management capacity as per the recommendations to be made in the ESMF, RPF and Strategic Environmental Assessment.

Experience/expertise to date in safeguard system for PPPs in Nigeria is relatively limited. Mostly to date Nigeria has endeavored to undertake Brownfield PPPs under the BPE privatization program since 2001. This includes environmental audit work on transactions that the IDA project supported and development of environmental guidelines for transactions. The PPP team will be following this up and further develop project support to the safeguards system during the scheduled March/April pre-appraisal. While the team does not expect to exclude the Delta from the project, it is unlikely that any of the first mover PPP transactions will originate from this area (except perhaps Akwa Ibom power). Much of this depends on what the Federal Government produce in the preliminary project pipeline. Appropriate safeguard instruments would be prepared reviewed and disclosed in country and bank infoshop before project implementation in the Niger Delta Region commences.

F. Environmental and Social Safeguards Specialists

Mr Chukwudi H. Okafor (AFTCS)
Mr Amos Abu (AFTEN)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		

Planned activities under the PPP, particularly the prospective investments in infrastructure development and support to transaction advisors that will assist the FGN to structure PPP deals are likely to trigger environmental assessment policy (OP 4.01).

At this stage of project preparation where the location and types of activities to be supported by the project are evolving but may trigger Category A safeguards issues, the upstream work for the Environmental and Social Management Framework (ESMF) will be completed with public consultation and disclosure. Upon project initiation, Strategic Environment Assessment (SEA) of potential target sectors, focusing especially on the power sector, will be prepared to accompany the Environmental and Social Management Framework (ESMF). The ESMF and the Strategic Environmental Assessment will guide the preparation of project specific environmental assessments that will be prepared before any decision is made on financing projects that have been identified for possible financing under Component 4 of this project.

These products will be prepared by the borrower, and then reviewed and cleared by the Borrower and the Bank. The ESMF will have to be disclosed in-country and at the Infoshop prior to appraisal. The Strategic Environmental Assessment and any project-specific environmental assessments will be disclosed in-country and at the InfoShop as they become available during implementation, but prior to final decisions regarding financing of specific infrastructure investments.

Safeguard Policies Triggered	Yes	No	TBD
Natural Habitats (OP/BP 4.04)		X	
Forests (OP/BP 4.36)		X	
Pest Management (OP 4.09)		X	
Physical Cultural Resources (OP/BP 4.11)		X	
Indigenous Peoples (OP/BP 4.10)		X	
Involuntary Resettlement (OP/BP 4.12)	X		
Since the exact locations and potential adverse localized environmental and social impacts cannot be determined prior to appraisal, the project will prepare a Resettlement Policy Framework (RPF) with public consultation. This document will be disclosed in-country and at the Bank's Infoshop prior to appraisal.			
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	

Environmental Category: A - Full Assessment

III. SAFEGUARD PREPARATION PLAN

- A. Target date for the Quality Enhancement Review (QER), at which time the PAD-stage ISDS would be prepared: 04/30/2009
- B. For simple projects that will not require a QER, the target date for preparing the PAD-stage ISDS: N/A
- C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS.
The team will by April 15, 2009 conclude the ESMF and RFP preparation, review, approval and disclosure exercises in advance of appraisal. Considering the extra steps necessary to complete the SEA, the team expects to conclude the TOR and first round of consultations before negotiations so they can inform the final legal agreement. The team expects to have funding in place via RFP by February. This will keep the operation on track for a Board Submission in the last quarter of 2009.

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in-country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

IV. APPROVALS

<i>Signed and submitted by:</i>		
Task Team Leader:	Mr Peter J. Mousley	01/15/2009
<i>Approved by:</i>		
Regional Safeguards Coordinator:	Mr Warren Waters	01/15/2009
Comments:		
Sector Manager:	Mr Iraadj A. Alikhani	01/15/2009
Comments:		