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PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE

<Date>

Report No.: AB7461

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Operation Name	Nigeria Lagos Second State Development Policy Credit
Region	AFRICA
Country	Nigeria
Sector	Sub-national government administration (70%); General industry and trade sector (30%)
Operation ID	P123352
Lending Instrument	Development Policy Lending
Borrower(s)	FEDERAL MINISTRY OF FINANCE
Implementing Agency	LAGOS STATE GOVERNMENT
Date PID Prepared	November 20, 2013
Estimated Date of Appraisal	January 31, 2014
Estimated Date of Board Approval	March 19, 2014
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

This is the second in a series of three planned programmatic development policy operations (DPO) for Lagos State in Nigeria. Lagos, predominantly a mega-city with an estimated population of 16-21 million people, has suffered for decades from large-scale poverty, rampant crime, environmental degradation, and insufficient public services. Over the last decade, Lagos State has embarked on a wide range of reforms that have improved governance, reduced crime, and helped to bring more than a million citizens out of poverty. The improvements in public services has increased trust in Government, and provided a foundation for a rapid increase in internally generated tax revenues.

But Lagos still faces enormous challenges going forward.for sustaining the strong momentum in economic growth and poverty reduction. Rapid economic and population growth have made Lagos increasingly congested, which can be associated with soaring rental rates, traffic jams, and growing demand for public services that has put particularly strain on water and power. Increases in tax rates and tax collection have boosted IGR, but they have also increased costs to entrepreneurs that face a still very challenging overall environment for doing business. The sharp increases in IGR achieved during the last decade exploited some lower handing fruit of larger and more visible taxpayers, and sustaining this pace of growth has proved a challenge. While Lagos State still has a manageable debt position, it has been borrowing significant amounts to finance its infrastructure projects, and the medium-longer term sustainability of its debt position depends on continuing to achieve rapid economic growth. As the business center of the country, Lagos State also faces security risks from the recent unrest and conflicts in Nigeria.

The DPO provides budgetary support to Lagos State in the context of support for the realization of key reforms in budgetary planning, budgetary execution, and business climate (land registration,

construction permits), while ensuring the close monitoring and management of fiscal risks. The continued success of Lagos State has major implications for development in all of Nigeria and West Africa.

II. Proposed Objective(s)

This DPO's project development objective is to support the Lagos State Government in sustaining its momentum in rapid growth, improved services, and poverty reduction through budget support that is linked to key reforms for increasing value for money in budgetary spending, improving the business climate, and achieving fiscal sustainability

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In the area of fiscal sustainability, the objective is to anchor the budget in medium-term sustainable frameworks supported by a full accounting of expected contingent and other liabilities. With regard to budget planning, preparation and execution, the DPO's objective is to support the adoption of more strategic and medium-term budgeting, the implementation of new Procurement and Audit laws, and the rollout of the Oracle system.. Lastly, the DPO's objective with regard to investment climate is to support in improving access to investment land, and reduce transaction procedures and costs in Lagos state.

III. Preliminary Description

The proposed Second Nigeria Lagos State Development Policy Credit is the second in a programmatic series of three operations in Lagos State. The policy and institutional reforms to be supported under this engagement fall under four pillars: fiscal sustainability; budget preparation; budget execution and; the investment climate. The policy and institutional reforms to be supported under the four pillars will support the State's key reforms in budgetary planning and execution and also support reforms to further improve debt reporting and accounting, as well as the fiscal and debt sustainability analysis. Finally, the Lagos State Development Strategy prioritizes the business climate to improve incentives and opportunities for the private sector to simplify procedures and reduce the cost of property registration.

IV. Environment Aspects

The specific measures supported by this operation are not expected to have likely and significant adverse effects on the environment, natural resources, and forests. Environmental effects may arise under the broader overall activities funded by the government's budget, and implemented under national regulations, but not be directly linked to the specific policies.

V. Tentative financing

Source:	($m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	200

Borrower/Recipient	
IBRD	
Others (specify)	
Total	200

VI. Contact point

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