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NIGERIA - COUNTRY STRATEGY PAPER 2020-2024

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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
AFD	*Agence Française de Développement* (French Development Agency)
CAF	Country Assistance Framework
CBN	Central Bank of Nigeria
CPIA	Country Policy and Institutional Assessment
CPIP	Country Portfolio Improvement Plan
CPPR	Country Portfolio Performance Review
CSP	Country Strategy paper
DMO	Debt Management Office
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
ECVP	Economic Governance and Knowledge Management Vice Presidency
EGDCSP	Economic Governance, Diversification and Competitiveness Support Program
EIB	European Investment Bank
ERGP	Economic Recovery and Growth Plan
ESW	Economic and Sector Work
EU	European Union
FCT	Federal Capital Territory
FEC	Federal Executive Council
FGN	Federal Government of Nigeria
FMARD	Federal Ministry of Agriculture and Rural Development
FMoF	Federal Ministry of Finance
GDP	Gross Domestic Product
HDI	Human Development Index
IITA	International Institute of Tropical Agriculture
IMF	International Monetary Fund
IsDB	Islamic Development Bank
JICA	Japan International Cooperation Agency
KOAFEC	Korea Africa Economic Cooperation
LOC	Line of Credit
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Spending Agencies
MIC	Middle Income Country
MICTAF	Middle Income Country Technical Assistance Fund
MPR	Monetary Policy Rate
MSME	Micro, Small and Medium sized Enterprises
MTR	Mid-Term Review
₦	Nigerian Naira
NIIMP	National Integrated Infrastructure Master Plan
PBO	Policy Based Operation
PEWASH	Partnership for Expanded Water Sanitation and Hygiene
PIB	Petroleum Industry Bill
PIU	Project Implementation Unit
PPP	Public-Private Partnership
PSRP	Power Sector Reform Programme
RBF	Results-Based Framework
RDNG	Nigeria Country Department
SMEs	Small and Medium-sized Enterprises
TVET	Technical and Vocational Education and Training

EXECUTIVE SUMMARY

1. **This report presents the Bank Group's Country Strategy Paper (CSP) for Nigeria for the period 2020-2024.** The report has been developed in the context of Nigeria's new middle-income country (MIC) status amidst lingering challenges of security and fragility, slow growth, infrastructure deficit and low level of human capital development notably widespread poverty, high inequality and rising youth unemployment. The preparation of the report also coincides with the adoption of 'ECO' as the name of the regional currency by Heads of State and Government of the Economic Community of West African States (ECOWAS), and the entry into force of the African Continental Free Trade Area (AfCFTA) both in 2019, designed to boost regional and continental trade. However, the COVID-19 global pandemic has resulted in drastic reduction in the international price of crude oil (Nigeria's main foreign exchange earner) and global lockdown thus stoking the fear of global recession. The CSP is underpinned by Nigeria's Vision 20:2020 and the Economic Recovery and Growth Plan (ERGP) 2017-2020 adopted by the Federal Government of Nigeria (FGN) in 2017 in response to the economic recession. The FGN has indicated that a successor plan based on the underlying strategic thrust of the ERGP with robust implementation framework will be prepared before the expiration of the ERGP and launched in early 2021. Meanwhile, following the mid-term review of the ERGP, the government has encapsulated eleven priorities.

2. **Nigeria is a land of abundant opportunities.** The country is the largest producer of oil and gas in Africa and the fourth largest producer of gas globally. There are also proven reserves and deposits of various mineral resources across the country. Also, Nigeria has untapped agricultural potential, over 1,000 km of coastline and some 279 billion cubic meters of surface water that can boost irrigated farming, development of the blue economy and tourism. The rebasing of Nigeria's GDP in 2013 from US$ 270 billion to US$ 510 billion revealed structural dynamics towards the growing importance of services in the economy. Over the past four decades, the service sector[1] has assumed an increasing role as the main contributor to the domestic output, while contribution of agriculture value added has declined to about 22% of GDP in 2018, down from over 50% in the 1970s. Despite the growing importance of the services sector, growth in the economy remains captive to developments in the oil economy, which contributes about 80% of exports and nearly two thirds of fiscal revenues. The ratio of oil revenues to GDP has declined substantially, underpinned by the rebasing of GDP, which increased the tax base without commensurate increase in collection efforts. Manufacturing value added has been stagnant at about 8% of GDP, plagued mainly by lingering supply-side constraints notably poor infrastructure especially shortage of electricity, declining factor productivity, limited skills, low access to finance, and loss of competitiveness due to proliferation of relatively cheaper imports and persistent shortage of foreign exchange to procure intermediate inputs.

3. **The abundant opportunities notwithstanding, Nigeria also has significant challenges.** The overarching challenge facing Nigeria is diversification of the economy away from dependence on oil revenues. Nigeria's economic development has also been held captive by policy failure to decouple the economy from oil dependence towards more shock resilient productive sectors. This challenge has not changed significantly since the previous CSP was prepared. Therefore, greater attention needs to be given to significant investment in infrastructure and human capital to address supply-side constraints and the country's high levels of poverty (estimated at 53.5% in 2017 in terms of proportion of population living below US$1.90 per day) and rising unemployment (estimated at 23.1% in 2018 with youth unemployment especially high at 29.1%), thus constituting a recipe for social discontent. Nigeria's challenges are however in no way intractable and only require sustained implementation of economic reforms in order to translate the abundant resources into meaningful investment opportunities for economic diversification and structural transformation.

[1] Notably financial and business services; real estate; creative arts and entertainment; information, communication and technology; and retail trade.

4. Real GDP growth rate decelerated during 2015-2019 relative to the earlier period. Nigeria's real GDP growth reached 6.3% in 2014 but decelerated to 2.7% in 2015, as the commodity price shock deepened. This was amplified by lower crude oil output due to insurgency in the oil producing Niger Delta. Weak manufacturing activity further dampened growth. As these factors intensified, growth decelerated rapidly, resulting in the economy contracting by 1.6% thus entering recession in 2016, improving to 0.8% in 2017 and 1.9% in 2018 as the economy recovered. Real GDP growth was estimated at 2.3% in 2019 and projected to inch higher to 2.9% in 2020 and consolidate at 3.3% in 2021. However, the outbreak of COVID-19 pandemic and resultant decline in oil prices has put this growth projection in jeopardy as the global economy heads towards recession in view of the global lockdown and cascading adverse effect on the domestic economy, jobs and incomes. Consensus forecasts suggest the economy could shrink by about 4.4% in the baseline scenario and this rate could deepen to more than 7% if the outbreak persists till end-2020, in a worst-case setting. Oil revenues could fall by about 90% due to sharp decline in price. This has fuelled fiscal and external account imbalances, with the budget and current account deficits projected at 6.7% and 3.9% of GDP in 2020, narrowing to 5.7% and 2.5%, in 2021, respectively, under the baseline scenario. The pessimistic forecasts in the worst-case setting are even dire. Reversing these macroeconomic imbalances requires resolute implementation of structural reforms to minimise the socio-economic impact of the pandemic and to create an attractive business environment for private sector investment.

5. On 14 February 2020, the Board's Committee on Operations and Development Effectiveness (CODE) took note of the CSP 2013-2019 Completion Report combined with the Country Portfolio Performance Review (CPPR), as well as the two priority areas proposed for the new CSP 2020-2024. Following the guidance provided by CODE members on the need for selectivity, the two proposed priority areas [2] have been narrowed down to**: (*i) Supporting Infrastructure Development;*** and ***(ii) Promoting Social Inclusion through Agribusiness and Skills Development*** (see Information Note ADB/BD/WP/2020/18/Add.2 or ADF/BD/WP/2020/16/Add.2). The choice of the two priority areas was informed by Nigeria's abundant opportunities and significant challenges. The choice of the priority areas has also drawn on consultations with stakeholders and lessons learned during implementation of the previous CSP 2013-2019 and those highlighted by BDEV assessment on the Bank's engagements in Nigeria relating to non-sovereign operations and the need to be more diversified, focusing on productive sectors. These recommendations have been considered in preparing this new Country Strategy and will be carefully monitored during implementation. The preparation of the CSP has also benefited from the findings of the Country Diagnostic Note (CDN), which identifies six main policy priority areas, namely (i) scaling up infrastructure investment, (ii) improving capacity for domestic resource mobilisation, (iii) leveraging special economic zones as a development vehicle, (iv) building human capital skills development, (v) sound macroeconomic policies, and (vi) catalysing SMEs for private sector development. Furthermore, to ensure effective implementation of these policies, there is need strong institutional coordination and sector governance. The overarching objective of the CSP is to promote structural transformation and inclusive and green growth. To achieve this objective, interventions during implementation of the CSP will aim to support creation of a competitive enabling business environment to catalyse private investment and opening-up Nigeria to regional, continental and global markets. Through non-sovereign operations, the Bank will support businesses with potential

[2] The two priority areas proposed to CODE were: *Supporting Infrastructure Development and Sector Governance and Promoting Social Inclusion through Agribusiness and Human Development*. The Committee took note of the proposed priority areas. It supported the first priority area on infrastructure development but requested clarification on the sector governance component. Regarding the second priority area, the Committee expressed some reservations about the inclusion of human capital and urged Management to be selective and finetune it in line with the Bank's comparative advantage. Some Executive Directors advised that the Bank's interventions in the human capital sector should be limited to developing infrastructure rather than supporting activities for social service-delivery.

to engage in higher value-added and transformative productive activities that have potential to create formal wage employment.

6. **Both priority areas are inter-related and maintain continuity with the infrastructure strategic pillar of the previous CSP (2013-2019)** whose ongoing projects will support the implementation of the new CSP. The Bank will continue to undertake operationally relevant analytical work, high-level policy dialogue and advisory services, and capacity building to improve portfolio quality and deliver impactful development outcomes. The two priority areas are aligned with the Bank's key strategy documents, government development plans and Sustainable Development Goals (SDGs). Notably, they are aligned with the Ten Year Strategy (TYS) 2013-2022 (infrastructure development, private sector development, and skills and technology priority areas); and all the High 5s: 'Light Up and Power Africa', 'Feed Africa", 'Industrialize Africa', 'Integrate Africa', and 'Improve the quality of life for the people of Africa'. They are also aligned with Nigeria's vision 20:2020 (Chapters 2 and Chapter 4 section 4.5), the Economic Reform and Growth Plan (ERGP - Chapter 4 section 4.5 and Chapter 5), the National Integrated Infrastructure Master Plan (NIIMP) and the Power Sector Recovery Program (PSRP); as well as with SDGs 2, 3, 4, 5, 6, 7, 8 and 9.

7. **Amidst weak domestic revenue mobilisation, the Bank will supplement its own resources through different and innovative approaches, including:** (i) co-financing, (ii) climate finance, especially for development of green infrastructure and agriculture, (iii) tapping innovative non-sovereign guarantee loans, and (v) leveraging PPPs arrangements, especially for infrastructure among others.

8. **Management hereby requests the Boards of Directors to consider and approve the Nigeria Country Strategy Paper covering the period 2020-2024**.

1. INTRODUCTION

1. **This report presents the Bank Group's Country Strategy Paper (CSP) for Nigeria during 2020-2024.** The report has been developed in the context of Nigeria's middle-income country (MIC) status amidst lingering socio-economic challenges including acute infrastructure deficit, low export diversification, weak domestic revenues mobilisation, widespread poverty, high inequality, rising youth unemployment and, pockets of insecurity. The preparation of the report also coincides with the COVID-19 global pandemic, which has resulted in drastic reduction in international price of crude oil (Nigeria's main foreign exchange earner) and domestic restrictions and lockdown, stoking the fear of another economic recession after the one in 2016. The report takes into account two key Bank's innovations. The first is a Country Diagnostic Note (CDN), which provides analytical underpinning to the strategy. Based on the findings of the CDN, six main policy priorities are identified (i) scaling up infrastructure investment, (ii) improving capacity for domestic resource mobilisation, (iii) leveraging special economic zones as a development vehicle, (iv) building human capital skills development, (v) sound macroeconomic policies, and (vi) catalysing SMEs for private sector development. The second is a new Results Management Tool based on Theory of Change, to strengthen monitoring and evaluation (M&E). The CSP is underpinned by Nigeria's Vision 20:2020 and Economic Recovery and Growth Plan (ERGP) 2017-2020 adopted in 2017 to restore macroeconomic stability and address social challenges. A successor plan based on the underlying strategic thrust of the ERGP is envisaged in early 2021. Meanwhile, following the mid-term review of the ERGP, the government has encapsulated eleven priorities (see paragraph 38).

2. **On 14 February 2020, the Board's Committee on Operations and Development Effectiveness (CODE) considered and endorsed the CSP 2013-2019 Completion Report combined with the Country Portfolio Performance Review (CPPR) and the two priority areas for the new CSP 2020-2024.** In view of the guidance provided by CODE members on the need for selectivity, the two proposed priority areas have been narrowed down to: (***i) Supporting Infrastructure Development; and (ii) Promoting Social Inclusion through Agribusiness and Skills Development.*** These proposed priority areas reflect selectivity in prioritisation of the Bank's support to Nigeria. The choice of the two priority areas was informed by Nigeria's abundant opportunities and significant challenges, consultations with stakeholders, lessons learned from the implementation of the previous CSP 2013-2019 and those highlighted by BDEV in its assessment on Bank's operations in Nigeria.

3. **This report is organized into six chapters**. Following this introduction, Chapter 2 reviews the **country** context and prospects. Chapter 3 summarises key findings from the 2019 Country Portfolio Performance Review (CPPR) and Chapter 4 presents lessons learned from the CSP 2013-2019 and CPPR and outcome of consultations with the stakeholders. Chapter 5 articulates Bank Group Strategy for 2020-2024, and Chapter 6 presents conclusions and recommendations.

2. COUNTRY CONTEXT AND PROSPECTS

4. This chapter highlights key issues in the country context and prospects. Detailed analysis and discussions are contained in the CDN, which can be accessed via the following **link**.[3]

2.1 Political Context and Prospects

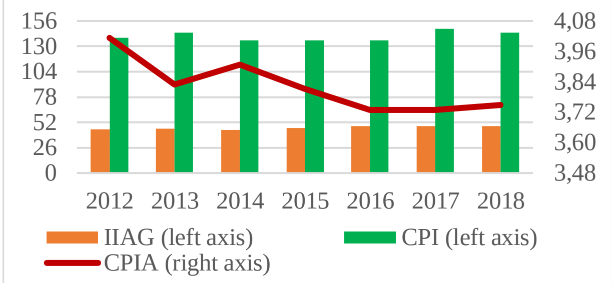
5. **Since the return to civilian rule in 1999, Nigeria has made significant progress in the democratic process.** During the period 2013-2019, two democratic elections (2015 and 2019) were conducted successfully, highlighting Nigeria's steady progress towards entrenching civilian rule. The election of 2015 is significant in that it was the first time the ruling party ceded power to the opposition following the defeat in elections. The February 2019 elections were also largely peaceful. These

[3] http://intranet.afdb.org/portal/page/portal/Board/Admin/Publication/Board_Document_Publication_Page/Policy%20Options%20for%20Accelerated%20Economic%20Transformation%20and%20Job%20Creation%20-%20FINAL.pdf

democratic gains are nonetheless marred by pockets of insecurity across the country, notably in the north east, north west and middle belt regions characterised by sporadic attacks by Boko Haram, banditry, kidnapping and herdsmen-farmers conflicts affecting crop production.

6. **Nigeria's performance on key governance indicators has however been poor and progress has been marginal.** Figure 1 presents three key indicators for institutional governance and transparency. These are the Mo Ibrahim Index of African Governance (IIAG), the Bank's Country Policy and Institutional Assessment (CPIA) and the Transparency International Corruption Perception Index (CPI). Although Nigeria has made some progress on the IIAG since 2013, it has consistently been ranked among the bottom ten countries in Africa. One key issue raised from low IIAG is the continued weakness in governance, which affects policy effectiveness with implications on achievement of the SDGs. Nigeria's score on the CPIA has also been on a downward trend due, in part, to weak fiscal position and slow progress on structural and governance reforms. The marginal improvement observed in 2018 was far below the highest score of 4.0 reached in 2012. Despite efforts at fighting corruption, Nigeria's ranking on the CPI dropped to 146 position out of 180 countries in 2019, only better than Guinea Bissau (168) in West Africa. The Transparency International rated Nigeria's anti-corruption crusade as very poor, despite having the most elaborate anti-corruption infrastructure in Africa. However, Nigerian public officials often question the credibility and objectivity of these governance ratings. Commitment to institutional reforms, respect for rule of law, and adequate resourcing of anti-corruption agencies could help improve the public's perception about the country's anti-corruption fight.

Figure 1: Governance and transparency indicators, 2013-2018



Source: AfDB, Mo Ibrahim and Transparency International

7. **Country Resilience and Fragility**: **Although Nigeria is not a transitional state, the country possesses some pockets of fragility that undermine its resilience** to cope with human and nature induced pressures as highlighted by the Bank's 2018 Country Resilience and Fragility Assessment (Annex 1). The assessment is based on seven dimensions (political inclusion, security, justice, economic and social inclusion, social cohesion, regional spill-over effects and environment). The major challenges arise from a tenuous security situation, weakness in social cohesion, growing youth unemployment, weak judiciary[i], fragility and inadequate preparedness to tackle environmental and natural disasters. The country's policy architecture to handle economic shocks may be further tested by the speed and efficacy with which Nigeria addresses the challenges of the COVID-19 pandemic. In most indicators however, Nigeria's capacity and resilience to overcome the fragility pressures and challenges are assessed to be relatively low.

2.2 Economic Context and Prospects

8. **Structure of the Economy: The Nigerian economy is dominated by the oil sector.** The dominance of oil since commercial production commenced, has overshadowed performance of other sectors. The rebasing of Nigeria's GDP in 2013 from US$ 270 billion to US$ 510 billion (90% increase) revealed structural dynamics towards the growing importance of services sector by capturing sub-sectors previously under-reported. These include financial and business services and real estate; creative arts and entertainment and information, communication and technology (ICT)[ii]. Consequently, the share of the services sector increased from an average of about 46% during 2000-2009 to about 50% in 2019 while the share of agriculture in GDP, diminished from an average of about 30% during 2000-2009 to about 22% in 2019. Manufacturing value-added has remained stagnant at about 8% of GDP (Figure 2). Apart from the vagaries of weather, the decline in agriculture production also reflects the ongoing insecurity, including herdsmen-farmer conflict in the agricultural rich middle-belt of the country. Services are concentrated mainly in the informal sector, notably wholesale, retail and trade, transport

and construction; while manufacturing has concentrated on light manufacturing and production of consumer goods. The concentration of both services and manufacturing on low value-added activities reflects the weak structural transformation of the Nigerian economy. While agribusiness[iii] can drive development of agriculture value chains and agro-industrial activity, there are lingering supply-side constraints, notably poor infrastructure (especially power supply), poor technology, low skilled labour, and limited access to investment capital and policy uncertainty. On the demand side, final household consumption accounted for over 80% of nominal GDP in 2019; gross capital for about 19% and exports about 1% (Figure 3). The increasing share of private consumption expenditure reflects the growing size of the middle class over the past decade, which is estimated at 20.1% of the total population.

9. Recent growth performance and key drivers: Real GDP growth rate decelerated during 2015-

Figure 2: Supply side composition in GDP (%)

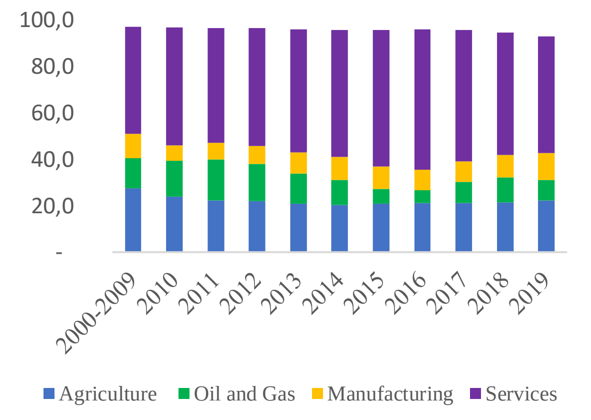
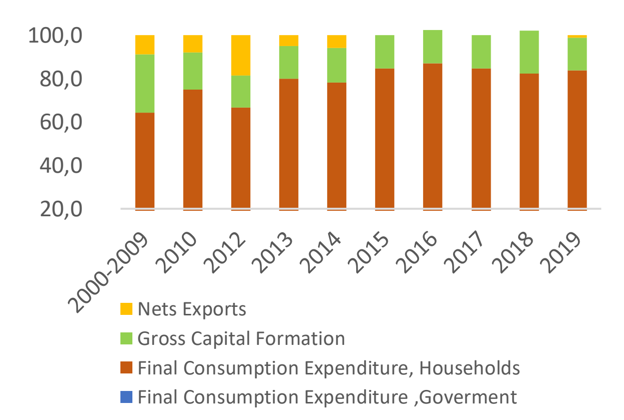


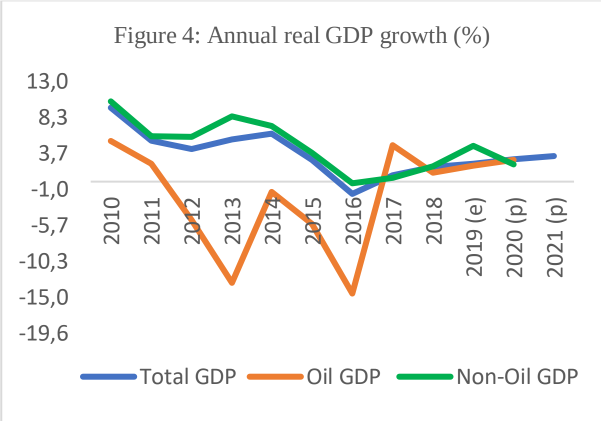
Figure 3: Demand Side Composition in GDP (%)

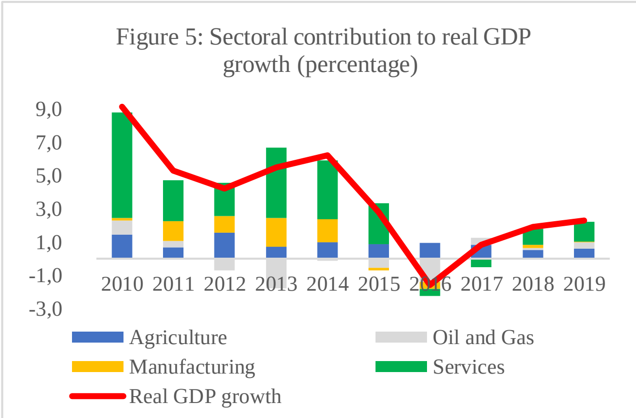


Source: AfDB Statistics Dept

2019 relative to the preceding 5-year period. In 2014, Nigeria achieved 6.3% growth, but growth decelerated to 2.7% in 2015 due to lagged effect of the commodity price shock coupled with lower crude oil output. As these factors intensified, growth decelerated rapidly, resulting in the economy entering into recession in 2016 with output contracting by 1.6%. Economic recovery since 2017 has been fragile as growth improved modestly to 0.8% in 2017 before picking to 1.9% in 2018 and estimated at 2.3% in 2019 (Figure 4).

10. During the 2016 recession, all the sectors, except agriculture contributed negatively to real GDP growth. Agriculture grew by 4.1%, contributing about 0.9 percentage points to real output growth. Growth in agriculture has largely benefitted from favourable weather conditions and public intervention to support small scale farmers with inputs and financing. The remaining sectors contracted and contributed to the recession. The recovery in GDP growth was mainly driven by strong growth in services, with the largest contribution of about 1.2 percentage points (Figure 5). Manufacturing contracted further weighed down by continued acute shortage of electricity as well as severe shortage of foreign exchange, which affected importation of raw materials. At the height of the recession in 2016, the Bank provided a US$ 600m Policy Based Operation (PBO). This support contributed to stabilizing the macroeconomic situation amidst weak oil receipts, shortfall in government revenue, depletion in foreign exchange reserves and rapid depreciation of the naira.





Source: AfDB Stats Dept and National Bureau of Statistics

11. **Growth and Macroeconomic Outlook: The medium-term growth outlook is very precarious, due to impact of the COVID-19 pandemic and attendant sharp decline in price of crude oil.** From 2.3% in 2019, the economy was projected to inch higher to 2.9% in 2020 and consolidate at 3.3% in 2021. However, the COVID-19 pandemic and the rapidly falling crude oil prices to below US$30 per barrel by March 2020, the lowest since mid-2016[iv], present crushing short-term downside risks, aggravating the country's vulnerability to external shocks. Real GDP is projected to contract by about 4.4% in 2020 under the baseline scenario, and persistence in the pandemic could drive the economy into deep depression, with output contracting by more than 7% in the worst-case scenario in 2020. A modest recovery in economic growth is projected for 2021, ranging from 0.1 % in the worst-case scenario to 0.7% under the baseline case. This recovery is conditional on the dissipation of the pandemic by end-of 2020. Oil revenues are projected to contract by about 90%, creating a twin deficit in the fiscal and current accounts projected at 6.7% and 3.9% of GDP in 2020, narrowing to 5.7% and 2.5%, in 2021, respectively, under the baseline scenario. Expectation of lower oil export revenues have prompted the government to institute cuts to capital and non-essential recurrent expenditure pegged at about 20%. The borrowing plan of US$22 billion for infrastructure development has also subsequently been suspended.

12. **The risks to the outlook have tilted to the downside with prospects heading towards recession (see Annex 2).** Conservative forecasts suggest that the economy could grow modestly by 0.2% but is likely to contract by about 4% in 2020, if the pandemic persists. Furthermore, lower exports receipts have fuelled rapid depreciation of the local currency. In March 2020, the central bank announced that foreign investors will purchase the local unit at ₦380/US$ from ₦307/US$ previously and the parallel market naira exchange rate has risen beyond ₦400/US$. Until this action, Nigeria's multiple exchange rates had been seen as distorting the foreign exchange market. Nigeria also faces long-term risks and constraints to the economy. These include persistent infrastructure deficit, estimated at about 35% of GDP[v], low industrial base, concentration of exports on oil, and weakness in institutional governance and perceptions about corruption. These and other risks underscore the need to accelerate structural reforms such as wasteful subsidies, inefficient allocation of resources; tackling infrastructure bottlenecks and improving business environment to attract quality private investment to promote economic diversification and minimise vulnerability of the economy to external shocks.

13. **Upside Risks:** The oil price cut presents Nigeria with another opportunity to revisit its economic model to refocus on sectors with potential for economic transformation and export diversification. Special Agro-Industrial Processing Zones (SAPZs) and digital agriculture payment solutions can promote agro-industrial development to jumpstart broader industrialization and foster employment in the non-oil sector. To cushion the short-term impact of the COVID-19, the Central Bank of Nigeria and federal government of Nigeria (FGN) have instituted some measures, including placing moratorium on loans repayments, creation of a 50 billion naira (about US$ 165 m) credit facility for small and medium

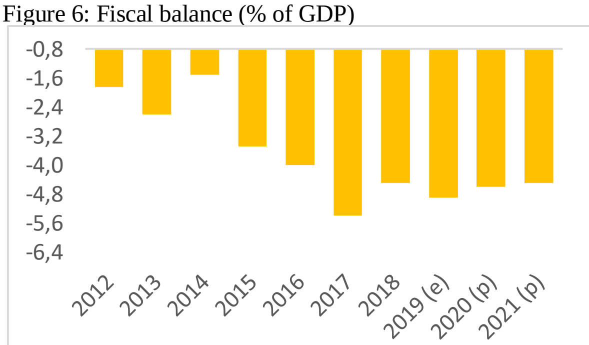
scale enterprises and sustaining payments of conditional social cash transfers. The FGN has also set up a national working group on power sector reform to look into needed support for critical financing initiatives with key development partners.

14. Macroeconomic Management and Policy initiatives: The foregoing discussion highlights the lack of economic diversification and structural transformation in Nigeria. Economic diversification can be achieved with right policies and sustained implementation as well as conducive macroeconomic environment. Macroeconomic condition in Nigeria is still intrinsically linked to oil, both in terms of price and output. Below we present recent macroeconomic management in Nigeria and policy initiatives, while Annex 3 presents key macroeconomic indicators for the country.

15. Monetary policy and inflation: After three consecutive years of single-digit inflation from 2013-2015, annual average inflation spiked to 15.7% in 2016 from 9.0% in 2015. Central Bank of Nigeria (CBN) moved to raise the monetary policy rate in 2017, from 11% in January to 12% in March, and further to 14% in June as inflationary pressures intensified. Monetary tightening was complemented with several administrative controls[vi] to bring down annual inflation rate to 12.1% by the end of 2018 from 16.5% in the previous year. Annual inflation declined further to 11.3% in 2019 (see Figure 6) and is projected to remain above the 6-9% target range in the medium term. With the impact of the COVID-19 pandemic now evident, achieving this target appears even more elusive. Higher inflation against a fixed official exchange rate and successive interventions only succeeded in keeping the naira artificially overvalued in real terms. At-end 2018, the real exchange rate was overvalued by about 10%. This has eroded competitiveness of non-oil exports. Monetary and exchange rate policies should not undermine financial sector development especially through lending to targeted real sectors of the economy.

16. Fiscal policy: Over-dependence on oil revenue and low level of domestic resource mobilization has been a major challenge in Nigeria. Oil revenues have been weak since 2014 while performance of non-oil revenues has remained static at less than 4% of GDP. Oil revenues were sharply down from 70% in 2013 to 41% in 2018 of nominal oil GDP, reflecting severity of both oil price and output fluctuations. In contrast, the Government has maintained a progressively expansionary fiscal stance. Recurrent spending has increased from about 53% of total spending in 2013 to more than 70% by 2018. Capital expenditure fell from 47% to 27% over the same period. The FGN's continued expansionary fiscal stance to cushion the impact of the recession on the social sector and to fight insecurity led to rise in fiscal deficit from 1.5% of GDP in 2014 to 4.0% in 2016 and 5.4% in 2017. Further decline in revenues due to the COVID-19 pandemic could aggravate the fiscal imbalance (Figure 6). A slight improvement in oil revenues in 2018 resulted in a marginal narrowing of the deficit to 4.5%. However fiscal deficit widened to 4.9% in 2019 due to payments of arrears and pensions and implementation of higher minimum wage and it could worsen further due to contraction in revenues, reflecting impact of the COVID-19 pandemic. The FGN has embarked on measures to improve revenue mobilization including increasing the value added tax from 5% to 7.5% effective from 1 February 2020, introduction of self-assessment to improve compliance, strengthening of Federal Inland Revenue Service through change management and increase in collection efforts. The revenue yield of these measures could however be offset by the impact of the COVID-19 pandemic.

Figure 6: Fiscal balance (% of GDP)

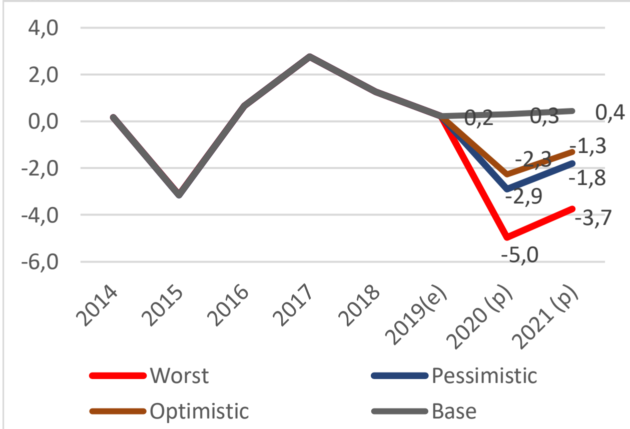


Source: AfDB Statistcs Dept. and CBN

17. Public debt: Nigeria's debt remains broadly sustainable but there is need for fiscal prudence. As at end-September 2019, public debt increased by 16% to US$ 85.4 billion from US$79.4 billion as at end-December 2018. This figure was about 25% of GDP in 2019, up from 19% in 2018. In terms of sustainability, the ratio of public external debt to exports and consolidated fiscal revenues were estimated at 64.3% and 124.4% in 2019. Despite the relatively high debt ratios, the International Monetary Fund (IMF, 2019) put Nigeria's public total debt at moderate risk of debt distress under all possible scenarios. For instance, an increase in interest rates or marked slowdown in economic growth would not lead to significant deviation from the baseline outcome. Furthermore, a shock to non-interest current account, though raising the debt level, would be buffered by import compression and income debits.

18. **Nigeria's relatively sustainable public external debt is mainly due to large share of concessional loans**. The main fiscal risks stem from high debt service payments, estimated at more than half of federally collected revenues**.** The likely decline in oil revenues due to impact of COVID-19 could impair government's ability to meet its debt service obligations. Although the suspension of the borrowing plan and cutback in the budget demonstrates government's agility in confronting the crisis, stress tests shall be conducted to assess the impact of COVID-19 pandemic on debt sustainability. To mitigate high financing costs, there are potentials for issuance of diaspora bonds and use of credit risk guarantees to leverage private sector funding in local capital markets. The Bank has undertaken a study to explore innovative approaches to domestic resource mobilisation and will explore reforms to assess potential of taxing the informal sector.

Figure 7: Current account balance (% of GDP)



Source: AfDB Statistcs Dept.

19. **Balance of Payments:** Nigeria's external account tracks developments in oil price and attendant revenues. Figure 7 shows evolution in the current account balance from 2014-2021. Following oil price shock of 2014-2016, the current account slid into negative territory but subsequently recovered, reaching a surplus of 2.8% of GDP in 2017 before paring the gains to about 0.2% in 2019. It was projected to remain in surplus from 2020-2021. However, the severity of price shock from impact of COVID-19 will plunge the overall current account into a deficit projected at 2.3% under an optimistic scenario but could widen to 5% with persistence in the pandemic and severe drop in oil revenues (worst case scenario).

20. **Economic and Financial Governance: The FGN has implemented some bold economic and institutional reforms to improve the business environment and economic and financial governance.** The last Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report was conducted in 2012 and draft for 2019 awaits approval by the federal government. Preliminary assessment shows progressive improvement in Public Financial Management (PFM) systems and processes (see Annex 4). Progress includes rolling out of the Treasury Single Account (TSA) and biometric-based Integrated Personnel and Payroll Information System to weed out 'ghost workers' from the payroll. An Efficiency Unit has been established in the Federal Ministry of Finance to reduce the cost of governance. A Zero-Based Budgeting and Fiscal Sustainability Plan was adopted in 2016 to minimize fiscal risks.

21. **In 2016, the President issued an Executive Order 001 of 2016 for the promotion of Transparency and Efficiency in the Business Environment**. These reforms and interventions lay a foundation for improving the business environment. The World Bank's 2020 Ease of Doing Business report ranked Nigeria 131 out of 190 countries, up 15 places from 146 position in the 2019 report. This progress should be sustained to ease obstacles to doing business, especially among small businesses, which face considerable constraints, notably low access to finance. The CBN's SME Fund and Anchor Borrowers Program aimed at filling the financing gap for SMEs. However, these initiatives have come under scrutiny due to potential of crowding out traditional lenders as well as limited capacity of the monetary authority to effectively implement them.

2.3 Sector Context

22. **Agriculture and Agribusiness**: **Policy gaps responsible for poor agricultural performance are receiving active attention under the agriculture promotion policy (APP)**. Nigeria's agriculture potential can drive economic transformation through agro-led industrialization. The government is therefore taking a multipronged approach focusing on attracting private investment across the entire agriculture value chain. Whilst still promoting crop production, the livestock and fisheries sub-sectors are also receiving active attention. These sub-sectors present an opportunity to boost agriculture output and nutrition sensitive diets. Some encouraging results have been recorded, especially in crop production, notably improved domestic supply of rice and other cereals. For instance, by 2018, rice production had increased by about 63% to 6.8m tonnes from 4.2m tonnes in 2008. Over the same period, yield was 16% higher at 20,351 hg/ha from 17,544 hg/ha. To consolidate these gains, private sector driven Special Agro-Industrial Processing Zones (SAPZs) are being established to stimulate development of agriculture value chains. Attention will be given to location and type of infrastructure for parks – water, power and housing in full consultations with local communities need to avoid friction and expropriation of land These efforts will therefore need to be bolstered by an institutionalised delineation of responsibility in land administration and management between the federal government on one hand, and state and local authorities, on the other. This is also critical to prevent conflict among farmers and pastoralists over land. Some of the challenges in Nigeria's land market include bureaucratic bottlenecks, high cost of land registration, communal ownership especially in rural areas, and gender discrimination.

23. **Industry: Nigeria's private sector is broad, including large enterprises and a plethora of Micro, Small and Medium Enterprises (MSMEs), many of them in the informal sector.** A survey conducted in 2017 by the Nigerian Bureau of Statistics (NBS) and the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) found that there were 41.5 million MSMEs in Nigeria, 99.8% of them micro in size. Small and Medium Enterprises (SMEs) accounted for only 0.2%. Micro enterprises (sole ownership/family run) account for 86.1% of the national workforce, employing on the average 1.37 persons per entity compared with 39.5 persons for SMEs. Industrial development in Nigeria is constrained by infrastructure deficit particularly chronic power shortage and constant outages, lack of credit especially to SMEs, lack of requisite skills and policy uncertainty, an epitome of weak inter-agency coordination and capacity to follow through with effective policy implementation. These factors have undermined industrial upgrading and competitiveness of Nigeria's manufacturing. The government launched the five-year National Industrial Revolution Plan in 2014 to build industrial capacity and improve competitiveness and diversification of the economy. Some progress has been made with the launch of the Focus Labs in March 2018 but more needs to be done to unlock private investment with job creating potential.

24. **Oil and Gas: Almost all of Nigeria's primary oil and gas reserves are concentrated around the Niger delta, but offshore rigs are also prominent in the coastal region**. Nigeria is the largest oil and gas producer in Africa and the fourth largest exporter of liquified natural gas globally. However, average crude oil production of 2.0 mbpd is well below the estimated capacity of 3.0 mbpd. Underperformance has been affected by aging infrastructure as well as disruptions to oil terminals by insurgents. The disruptions are partly due to concerns about environmental degradation and lack of benefits from oil exploitation accruing to local communities. Also, Nigeria imports most of its refined petroleum needs yet the sector has potential for higher value-added and backward/forward linkages for refined products and petrol-chemical products. There is a new private refinery under construction to be completed by end-2020 with processing capacity of 650,000 bpd, and potential to create 7,000 jobs and could result in significant foreign exchange savings from reduced importation of refined petroleum products. One other major issue has been the Dutch disease effect, which Nigeria experienced particularly from the 1970s to early 1980s as evidenced by the collapse of the non-oil sectors (especially agriculture and manufacturing). The share of oil revenues has reduced but the debilitating impact of the Dutch disease had been sustained by an overvalued real exchange rate which has undercut

competitiveness of manufacturing activity whilst promoting imports of consumer goods and expansion of retail and non-tradable services.

25. **Power: Nigeria power deficit constrains economic activity and livelihoods.** Total installed capacity is 13 gigawatts (GW) but the transmission network only evacuates about 4 gigawatts (GW) on average due to crippling lines as a result of many years of underinvestment in both transmission and distribution interfaces and lack of integrated system planning. This is reflected in frequent outages with available electricity to households limited to an average of only 35.6 hours per week. Furthermore, inadequate electricity supply to industries adversely affects production and, in turn, creation of employment. Thus, national power access rate is estimated at 45% (36% rural and 55% urban). Nigeria electricity tariffs are not cost reflective and as such the power sector makes periodic losses. The market shortfall from the low tariffs is US$1.4 billion (in 2018 prices). The last revision to tariffs in September 2019 fixed US$0.067 per kWh for households and US$1.109 for business. There were plans for upward revision of tariffs on 1 April 2020, but these discussions have been suspended. Tariff adjustments are often met by strong consumer opposition due to erratic and poor service by distribution companies. It is estimated that Nigeria loses US$ 29 billion annually due to inadequate power supply. Nigeria has immense potential and capacity for a variety of energy resources. Solar irradiation ranges from 2200 kWh/M2 in the North to 1,750kWh/M2 in the South while the wind gust ranges from 4m/s to 6 m/s with the maximum observed in 60% of the land mass. The potential for hydroelectricity is also high, estimated at over 14.12 GW. Tapping into these resources requires massive investment. In response to Nigeria's energy challenges, the government launched a Power Sector Recovery Programme (PSRP) 2017-2021, a comprehensive package of policies and financial interventions aimed at de-risking the energy sector, leveraging private sector investment and improving transparency and service delivery. The PSRP requires huge funding estimated at US$ 6.3 billion to implement.

26. **Transport: In general, the state of the country's transport infrastructure remains dire.** Nigeria's transport infrastructure is inadequate for the size of the economy, both in terms of scale and quality. About 90% weight of the movement of passengers and freight in the country is carried by road, yet only about 18% of the country's 197,000 km road network is paved. Although some progress has been made over the past decade, challenges persist. Notably, insufficient budgetary allocation for planned road programs has resulted in inadequate road transport infrastructure, while security challenges and poor road maintenance result in sub-optimal utilization and poor performance of existing road transport infrastructure. Government attention is now focusing on the development of the railway systems to improve the haulage capacity. Some of the flagship projects include the Abuja-Kaduna standard-gauge railway, the Lagos-Ibadan standard gauge railway, and the Lagos State light railway system under a public private partnership (PPP) arrangement. Other standard gauge railway projects to connect major cities, industrial hubs and ports across the country are also in the pipeline. Given that most projects either lack feasibility studies or detailed designs or both, it may be difficult for development partners to engage in the transport sector. The Government should improve on project preparation in a bid to further engage with development partners.

27. **ICT: Nigeria's ICT connectivity is equally inadequate for the size of the economy.** Mobile internet penetration rate is relatively high, estimated at about 54% of the population in August 2018[vii]. In terms of affordability, the Economic Intelligence Unit in 2018 rated Nigeria as the most affordable country in Africa for internet connectivity. This is mainly due to economies of scale due to large subscribers. However, set against the country's low minimum wage of about US$ 60 per month[viii], internet cost remains relatively high in real terms[ix]. Long-term development strategies have highlighted importance of high-speed broadband internet access to growth and transformation. The government is therefore making investments in a national fibre-optic backbone to improve broadband internet penetration. The successor plan to ERGP will clearly articulate the role of the digital economy.

28. **Water and Sanitation: Nigeria has one of the lowest coverages of water and sanitation (WASH) services globally**. In 2018, about one third of the country's estimated 200m population has no

access to improved water supply and only 42% have access to basic sanitation facilities. Available statistics for 2017 suggest that 90.8% of households consume contaminated drinking. The increase in population has put additional stress on limited water and sanitation services as supply infrastructure cannot cope with growing demand, especially in urban areas. Access to piped water in urban areas has fallen from 22% in 1999 to 9% in 2017. In the northeast and middle belt region, incessant conflicts destroyed key infrastructure for basic WASH services. Across the country, open defecation is widespread due to lack of sanitation facilities. In 2019, Nigeria was ranked first globally for open defecation. To illustrate the gravity of WASH situation, President Buhari in 2019 declared the problem a national emergency.

29. **To address the country's infrastructure gap, the Federal government launched an ambitious US$ 3 trillion National Integrated Infrastructure Master Plan** (NIIMP) 2014-2044, which is expected to be funded through multiple sources: public, private and donor resources. If the funding gap is fully met, Nigeria will move to within the global infrastructure stock benchmark of 70% of GDP compared with the current 35%[x]. The government is also exploring different financing options, including public private partnership arrangements. Annex 5 presents more detailed analysis of the individual infrastructure sub-sectors.

30. **Financial Sector:** Nigeria has made some strides in modernizing its financial system. Out of 20 African financial markets, Nigeria was ranked fifth in 2018[xi]. However, the banking industry remains dominant with 80% of total financial sector assets. Lending to the private sector is low, at about 12% of GDP in 2018. Low access to credit is especially evident among the SMEs, estimated at about 1% of total banking sector loans, largely due to high risk perception by financial intermediaries. There are numerous opportunities for enhancing financial inclusion such as tapping into assets under management by pensions sector, which stood at ₦10.2 trillion in 2019. Strengthening and diversifying the financial system and stimulating capital market development can also unlock resources for the productive sector and infrastructure development.

31. **Regional Integration and Trade: The Nigerian economy is more integrated with the rest of the world than with the continental and regional peers.** Available trade data for 2018 show that 92.6% of Nigeria's exports went to the rest of the world (see Figure A6.1 in Annex 6), compared with 3.7% to ECOWAS member states and the same figure to the rest of Africa (South Africa). Similarly, Nigeria imported 96.3% from the rest of the world against 3.7% from African countries outside ECOWAS region. While Nigeria is a key regional player contributing about 65-75 % of ECOWAS GDP, its trade intensity with member countries is very limited. Several factors explain this discrepancy. These include concentrated structure of its exports, dominated by crude oil mainly to destinations outside Africa; poor regional infrastructure and partial domestication of regional protocols on trade liberalisation and proliferation of non-tariff barriers, including outright import ban on some products. In August 2019, Nigeria closed land borders with Niger and Benin, citing increased smuggling and security risks. The relevant organs of ECOWAS should help in resolving this problem. Nigeria should diversify its export base to enhance regional trade within ECOWAS as well as the wider AfCFTA market. Although Nigeria's trade within the ECOWAS may be boosted with the launch of the single currency, more needs to be done to address the above stated challenges as well as persistent institutional and macroeconomic bottlenecks that hamper trade in ECOWAS. Nigeria lags in most of the ECOWAS primary macroeconomic convergence criteria, except the federal fiscal deficit. But as noted above, due to impact of COVID-19, the deficit could surpass the ECOWAS convergence target of 3% of GDP or lower. As ECOWAS's largest political and economic power, Nigeria's commitment to the single currency should therefore be demonstrated with supportive macroeconomic and institutional architecture to ensure compliance with the criteria.

2.4 Cross-Cutting Themes

32. Poverty: The rapid economic growth rate recorded over the past decade has not been transformative as the incidence of poverty remains high. The proportion of the population living below US$1.90 per day was estimated at 53.5% in 2017 but this rate masks the rural-urban divide and variations across states. Over half of the 36 states in Nigeria have poverty rates above the national average (Annex 7, Figure A7.1). The poverty situation is aggravated by high unemployment and income inequality. Unemployment stood at about 23% in 2018 with youth unemployment especially high at nearly 30%. Underemployment is also significant as educated youth take up low paying jobs in the informal sector. The FGN is responding to these challenges through various initiatives, including a ₦500 billion social protection programme aimed at creating half a million jobs. Although these programs are well intended, government interventions are not optimal and hence the scale and impact are limited. Furthermore, support by state governments is limited due to weak resource base. Annex 7, Figure A7.2 shows the state of social conditions in Nigeria while Annex 8 presents Nigeria's progress towards the Sustainable Development Goals (SDGs). Annex 9 shows comparative socio-economic indicators.

33. Gender equality: Nigeria is characterized by significant gender disparities. Nigeria's estimated 200 million population is distributed almost equally between males (51%) and females (49%). Nigeria is ranked 122 position out of 144 countries globally on the World Economic Forum's Gender Gap Index. Scores on educational attainment and political representation were particularly low. Primary school enrolment for girls increased only marginally to 48.6% in 2015 from 45.7% in 2010 and virtually static at about 46% for secondary education (NBS, 2015). Female law makers represent only 8.3% of senatorial positions and 6.4% in House of Representatives, and the picture is similar at state and local council levels. Women are also constrained by lower access to productive resources including land and finance. The proportion of women owning land is only 4% of the population compared with 18% in Uganda and the African average of around 5%. Some efforts are being made to address women's financing constraints. For instance, a National Women Empowerment Fund is aimed at addressing women's credit constraints. The Bank of Industry and Bank of Agriculture, which the Bank has supported, have established financing windows for women entrepreneurs. The outdated Gender Policy of 2006 needs revision in line with prevailing circumstances and international best practices in order to improve gender equality and inclusion to meet the SDG 5.

34. Environmental and Social Safeguards: Nigeria does not have a state of the environment report and there are currently no unified baseline environmental or social conditions. The Bank will mainstream environmental and social safeguard requirements using Integrated Safeguards System (ISS) to enhance environmental and social sustainability of interventions. The ISS is used to examine proposed interventions for potential environmental and social risks.

35. Climate Change and Green Growth: Changes in climatic conditions pose threat to inclusive growth in Nigeria. In 2018 alone, Nigeria experienced flood disasters affecting 12 states and over 300,000 people as well as 60 hectares of farmland. It is estimated[xii] that Nigeria requires about US$10 billion per annum to achieve her Nationally Determined Contributions target by 2030 without which it will cost Nigeria US$460 billion by 2050. This may hamper the country's goal of becoming one of the top 20 competitive economies in the world.

36. Civil society and civic participation: The presence of civil society organisations (CSOs) in Nigeria has increased, but the depth of engagement to facilitate policy implementation is limited. Although the constitution guarantees freedom of assembly and association, the authorities impose a combination of legal and practical constraints on CSOs' operations. They are often required to obtain police permits for public gathering and sometimes this could be denied even on flimsy grounds. In the media space, journalists often experience physical abuse and criminal defamation charges, which encourage self-censorship. The CIVICUS[xiii] Monitor 2019 Report rated Nigeria in the obstructed category. The authorities recognize the advocacy work of 'credible' non-state actors and often hold joint events to underscore the existing partnership.

2.5 Country Strategic Framework

37. The Economic Recovery and Growth Plan (ERGP) 2017-2020, launched in March 2017 is Nigeria's current blueprint for economic transformation. The ERGP is underpinned by the Vision 20:2020 and was developed at the height of the 2016 economic recession to halt deterioration in macroeconomic conditions, restore growth and promote social inclusion. The ERGP emphasises infrastructure and human capital development and social inclusion. Some progress has been made with the launch of the Focus Labs in March 2018 to harness private finance in agriculture, transportation, power and gas, manufacturing and agro-processing. A successor plan based on the underlying strategic thrust of the ERGP with robust implementation framework is envisaged in early 2021.

38. In the interim, the new administration has encapsulated eleven priorities aimed at lifting 100 million people out of poverty within 10 years. These priorities are: (i) Economic governance reforms to achieve macroeconomic stability and stimulate economic growth, (ii) improved governance and fight against corruption, (iii) Enhance investment in human capital to create jobs, especially for youth, (iv) Improve health care and system, (v) Increase/improve productivity, (vi) Achieve energy self-sufficiency to support local production, (vii) Develop transportation infrastructure including railways and airports with a target of rails in every state within the next 30 years, (viii) Stimulate industrialization with focus on small businesses as engines of growth and job creation, (ix) Optimise investment in security to enhance security for all citizens, (x) Optimise investment in food security, social inclusion, self-sufficiency in agriculture and enhance social investment plan, and (xi) Improve access to mass housing and financial inclusion.

2.6 Aid Coordination Mechanisms, Bank Positioning and Comparative Advantage

39. Aid Coordination Mechanism: The Federal Ministry of Finance, Budget and National Planning is the key government entity responsible for mobilising resources and coordination of investment projects. There has been notable progress in implementing the principles of the Paris Declaration of Aid Effectiveness (2005); Accra Agenda for Action (2008) and Busan Partnership for Effective Development Assistance Co-operation (2011). Especially, the Country Assistance Framework is the common strategic approach of Nigeria's development partners and donors in channelling their resources through the Treasury Single Account (TSA). Development partners collaborate to enhance aid effectiveness, accelerate program implementation, improve mutual accountability and deliver rapid transformational results. The catalytic role of close coordination among development partners is especially important in advocating for structural reforms by the government in response to the COVID-19 crisis. The international financial institutions' speed in processing their programming documents could ensure that important opportunities to shape government policy response to the COVID-19 and other crises are not missed to enable the economy to emerge stronger. The Bank plays an active role in the Development Partners Group, leads the Energy Sector, Financial and Private Sector, and Environmental and Social Safeguards Working Groups and actively participates in others, including macroeconomic working group to ensure coordination of policy dialogue with other key players. The Bank is also a member of the High-level Working Group on Human Capital Development to address Nigeria's problem of weak human capital (see Annex 10).

40. Bank positioning and comparative advantage: The Bank is an important development partner in Nigeria. As at end December 2019, the Bank's active portfolio amounted UA3.5 billion (equivalent to about US$4.9 billion). The Bank also leveraged about UA1.145 billion (equivalent to US$ 1.603 billion) from other sources to bolster the resource envelop for project financing. Mobilisation of co-financing funding demonstrates the confidence partners have in the Bank's due diligence processes. The Bank's comparative advantage in infrastructure is especially well acknowledged and most co-financing was directed at projects with high development impact. The Bank's Infrastructure Action Plan Flagship Study completed in 2014 provided major input into the government's National Integrated Infrastructure Master Plan and is the yardstick in identifying infrastructure projects. The Bank also provides advisory services and engages in proactive policy dialogue, supported by policy notes and economic sector studies. The Bank is promoting SAPZs, consistent with the envisaged ERGP transformative Focus Labs, for integrated infrastructure and value chains development. The Bank is therefore best suited to assist the Government of Nigeria with the SAPZ implementation. The Bank is regarded as a trusted African partner and a go to institution for unencumbered policy advice in very difficult economic situations. This reinforces its comparative advantage in furthering policy dialogue.

2.7 Strengths and Opportunities, Weaknesses and Challenges (SOWCs)

41. Nigeria has abundant opportunities but also faces significant challenges. The country is Africa's largest economy and accounts for between 65% and 75% of ECOWAS regional GDP. It is continent's largest oil producer and ranks fourth globally in gas production and has proven deposits of solid minerals. Agricultural potential is huge but remains untapped and over 1,000 km of coastline. Some 279 billion cubic meters of the country's surface water can spur development of the blue economy. However, challenges abound. Nigeria's overarching development challenge today is to diversify its economy away from the petrol sector and to promote structural transformation, industrialization and value-addition so as to create the urgently needed jobs for an ever-increasing young population, thereby fostering gender-balanced inclusiveness and resilience to economic shocks. Related second-tier challenges are insecurity, shortage of infrastructure and weak governance, skills gap, unequal social protection and poor access to social services. As a middle-income country, Nigeria also faces shrinking official development assistance, risk of the middle-income trap and reform fatigue. Sustained implementation of macroeconomic and structural reforms is required to translate the abundant resources into meaningful investments for the country. Box 1 presents detailed SOWCs.

Box 1: Nigeria: Strengths and Opportunities, Weaknesses and Challenges (SOWCs)

Strengths	*Opportunities*
• The largest African economy in GDP terms and the most populous country in Africa, which if well tapped can be a source of consumer demand and labour market. • Most dominant economy in ECOWAS accounting for 75% of regional GDP. • Major oil and gas producer in Africa and the fourth largest producer of gas globally. • Over 44 different minerals in more than 450 different locations across the country. • Highly resilient population even in the face of extreme difficulties.	• Ecological diversity and comparative advantage in the production of diverse range of crops and livestock. • Over 1,000 km of coastland and some 279 billion cubic meters of surface water presenting untapped potential for irrigation, blue economy and tourism development. • Untapped agriculture potential as basis for agribusiness development. • Opportunity to convert its flared gas-to-power as well as enormous untapped renewable energy potential (solar, wind and hydropower). • AfCFTA potential benefits in terms of economies of scale and market for industrial expansion.
Weaknesses	***Challenges***
• High dependence on oil revenue (90% of exports and two thirds of government revenue) • Limited value chains to boost local production, exports and employment. • Physical infrastructure deficit notably inadequate and deficient power and transport facilities constraining private sector development and structural economic transformation. • Social exclusion resulting from high poverty incidence, income inequality, poor governance and endemic corruption, and poor social indicators.	• Vulnerability to external shocks due to fluctuations in oil outputs and prices. • Rapid population growth rate and inability to reap benefits of population dynamics, due to low level of skills. • Jobless growth resulting in ever-increasing youth unemployment and heightened risks of social unrest. . • Insecurity fuelled by sporadic Boko Haram attacks, herdsmen and local farmers' conflicts and kidnaping as disincentive to investment. • Climate change posing a threat to the quality, sustainability and inclusivity of growth

3. KEY FINDINGS OF COUNTRY PORTFOLIO PERFORMANCE REVIEW

42. At end-2019, the Bank's financing in Nigeria amounted to UA 3.5 billion on 61 active operations. This amount was supplemented by UA1.145 billion in co-financing resources from partners. Of the 61 operations, 29 were in the public sector, with a commitment of UA 1.5 billion (43%), comprising the following operations: 8 at national level (UA359.7 million), 16 subnational (UA837.4 million) and 5 multinational projects (UA280.3 million). There were 32 non-sovereign operations with a total commitment of UA 2.0 billion (57% of the total portfolio). Sectoral distribution of the portfolio shows that the financial sector accounted for 40%, followed by power (12%), water supply and sanitation (11%), industry (10%), agriculture (9%) and transport (9%). Others are social and human capital development (7%), environment (1%) and governance and multi-sector (1%).

43. Overall portfolio performance rating showed significant improvement from 1.84 in 2016 to 3.13 in 2019 (on a scale of 1 to 4). Other indicators also improved (see Annex 11, Table A11.1). Cumulative disbursement ratio improved from 54% in 2016 to 73% by 2019 and since 2016, there were no projects-at-risk and commitment-at-risk in the portfolio. The proportion of portfolio flagged for implementation challenges fell drastically from 45% in 2016 to 13% in 2018. This improvement reflects combined efforts by the Bank and Government to improve the pace of project implementation. However, due to start-up delays on projects approved in late 2018, partly due to slowdown resulting from the February 2019 general election, the percentage of flagged projects increased to 21% by December 2019. Through intensified dialogue, the Bank secured Legal Opinions and Federal Executive Council approvals within 3 months for all the concerned projects approved in late 2018 which is remarkable compared to 12 months or more in the past.

44. Portfolio management challenges: Nigeria's persistent capacity constraints undermine efficiency of internal processes. These result in late submission of audit reports, lack of full adherence to procurement plans, irregular justifications of advances to Special Accounts, and inability of the PIUs to submit regular quarterly progress reports on timely basis. Delayed release of counterpart funds also affected the pace of project implementation. Portfolio performance has been satisfactory, but some of the provisions of the Presidential Directive N° 02/2015 have been missed. For instance, the timeframe for meeting conditions for first disbursement need to be improved through proactive actions. Furthermore, improving availability of project preparation funds/advance procurement would enable the country to comply with the requirement of recruitment of project staff prior to Board approval. The Bank is addressing portfolio challenges through regular consultations and capacity strengthening, including regular fiduciary training and Technical Assistance (TA) provided to PIUs. The Bank also closely monitors the portfolio for any identified challenges through CPIPs (Annex 11, Table A11.2).

45. Focus of Policy Dialogue: The Bank has stepped up its economic and sector work and policy engagements with the Nigerian authorities at all levels of government. The policy engagement is supported with evidence-based policy notes and dissemination of the Bank's flagship and other knowledge products. Key areas of policy dialogue include support for macroeconomic surveillance and power sector reforms, domestic resource mobilisation and PFM reforms and, empowerment and social inclusion. Four major studies were completed and/or launched. These include the Infrastructure Action Plan Flagship Report; Growth and Economic Transformation Options for Nigeria; and Strengthening Participation, Empowerment and Social Inclusion in Bank financed projects. The Bank also convened 5 seminars under a reconfigured Brown Bag Seminar Series. These activities were bolstered by high-level policy engagements by the Bank's Senior Management, led by the President. The Bank's visibility and positioning as a partner of choice has significantly improved due to regular engagements with different stakeholders.

4. LESSONS LEARNED

46. Implementation of the CSP 2013-2019 and country portfolio review provided some key lessons for the Bank. There were also lessons drawn from findings and recommendations of the BDEV assessment on Bank's engagement in Nigeria. At the strategic level, selectivity of the project pipeline was well aligned with the two pillars of the CSP 2013-2019 namely (i) supporting development of sound policy environment and social inclusion, and (ii) investing in critical infrastructure to promote development of the real sector. Nigeria should also increase collection of tax revenues from non-oil sources. The Bank's support to infrastructure development will remain critical during the CSP 2020-2024 period to sustain the gains made under the previous CSP. Support will focus on developing climate smart core infrastructure and health infrastructure, the latter to better equip Nigeria for current (COVID-19) and possible future pandemics. In the power sector, to accelerate traction of the PSRP implementation by mobilizing affordable capital, a Presidential Power Initiative (PPI) has been established. The PPI is a bilateral agreement between Nigeria and Siemens to develop the power sector from the current 4 GW wheeling capacity to 25 GW in 3 years. However, as the project is still at discussion stage, the mode of investment in the privatized discos is yet to be agreed. The Bank will remain an actively engaged partner in leading and supporting enhanced dialogue by development finance institutions to deepen reforms in the power and other sectors. Consultations with development partners revealed the relevance of areas of priority and the need for synergic and coordination in interventions and exploiting opportunities for co-financing of projects. Some of the areas identified for collaboration include leveraging private sector financing including through PPPs and response to COVID-19 and other future crises and strengthening the skills delivery system to ensure the design of the intervention matches the scale of the need for overall skills development.

47. At the operational level, the Bank shall continue with measures to enhance portfolio performance. Improving due diligence, fiduciary clinics and institutional capacity coupled with quality at entry of projects and closer monitoring of implementation will reduce the proportion of flagged projects. All projects will integrate gender and youth components to tackle the fundamental challenges of gender inequality and high youth unemployment. Stakeholders have implored the Bank to leverage local knowledge and positioning to influence behavioural change especially at sub-national level. Key lessons for the Government include: (i) Strengthening implementation capacity for projects funded by development partners, (ii) Need for the FGN to establish a Project Preparation Fund to facilitate timely provision of counterpart funds for project preparation, and (iii) Need to increase funding to tackle inadequate and unreliable power supply. For development partners, the key lesson is that though foreign aid is less than 3% of Nigeria's total budget, their contribution augments Nigeria's development financing. Co-financing should therefore be underpinned by closer collaboration, especially in planning, project preparation and appraisal, and joint-supervision to assess milestones of projects.

48. Findings and recommendations by BDEV: Concentration of non-sovereign portfolio in the financial sector Lines of Credit (LoCs) was a major lesson from BDEV assessment of the Bank's engagement in Nigeria. The BDEV recommended that Bank's non-sovereign interventions should be more diversified, with increased focus on productive sectors notably agriculture and infrastructure (particularly power and transport) with potential for growth and strong development impact. These recommendations have been considered in preparing the new CSP and will be carefully monitored during implementation. While financial sector operations including LoCs will continue to be an important component of Bank's operations, emphasis however, will be on rebalancing the overall Bank portfolio in Nigeria away from LoCs to real investments. For LoCs, focus will be on those that are well targeted, promote financial sector development and are aligned with financial inclusion agenda in order to deliver development outcomes targeted at improving quality of life of Nigerians.

49. Comments and recommendations from CODE on completion report of CSP 2013-2019: The key comments and recommendations of CODE and guidance provided during consideration of the **completion report of the CSP 2013-2019 are presented in Annex 12.**

5. BANK GROUP STRATEGY

5.1 Strategy Rationale, Objective and Priority Area(s) for Bank Support

50. Nigeria's overarching development challenge today is to diversify its economy away from the oil sector and to promote structural transformation anchored on industrialization and value-addition. This will stimulate employment creation, especially for the youth and women, thereby fostering gender-balanced inclusiveness and resilience to economic shocks. Related second-tier challenges of insecurity, shortage of infrastructure and weak governance, skills gap, unequal social protection and poor access to social services compound the country's weaknesses. The CSP 2020-2024 has therefore been developed against the backdrop that Nigeria can overcome its socio-economic challenges. Bold efforts and appropriate targeting of resources, supported by development partners and other stakeholders, could transform Nigeria's innumerable endowments into positive development outcomes. Consultations with the Government revealed that the ERGP remains the main policy blueprint. Pending development of successor plan to the ERGP, the administration has encapsulated eleven priorities to guide interventions in the interim period. The new CSP is underpinned by two important innovations. The **Country Diagnostic Note** provides sound analytical underpinning for the strategy. The CDN identifies six main policy priorities, namely (i) scaling up infrastructure investment, (ii) improving capacity for domestic resource mobilisation, (iii) leveraging special economic zones as a development vehicle, (iv) building human capital skills development, (v) sound macroeconomic policies, and (vi) catalysing SMEs for private sector development. The second is the new **Results Framework** based on the theory of change to ensure proper monitoring and evaluation. The strategy has also been underpinned by a brief outlining the impact of the COVID-19 pandemic on Nigeria.

51. Given Nigeria's overarching development challenge, the main objective/theme of the new CSP 2020-2024 is to *promote structural transformation and inclusive and green growth*. The strategy is anchored on two mutually reinforcing Priority Areas: ***(1) Supporting Infrastructure Development;*** and ***(2) Promoting Social Inclusion through Agribusiness and Skills Development.*** These Priority Areas demonstrate selectivity that the strategy is fit for purpose to address Nigeria's underlying challenges and current circumstances. Thus, the priority areas provide an opportunity for the Bank to support infrastructure development and creation of an enabling business environment to catalyse private sector investment in high value, transformative productive activities for creation of formal wage employment to enhance social inclusion. These priority areas are therefore inter-related and catalytic, focussing on addressing Nigeria's multifaceted development challenges. While ensuring continuity of Bank support under the previous CSP by focusing on infrastructure development, the new CSP will give stronger focus on climate smart infrastructure, health infrastructure to better equip Nigeria confront current (COVID-19) and future pandemic, and value chains development to promote industrialization-led structural transformation. Operationally relevant analytical work, high-level policy dialogue and advisory services will help enhance implementation of the new strategy.

5.2 Strategy and Expected Results

52. To achieve the CSP's main objective and envisaged results, the Bank will deploy a combination of instruments involving sovereign and non-sovereign operations in the two Priority Areas. These include a suite of investment and institutional support projects, coupled with analytical economic sector work, policy dialogue and advisory services. Special emphasis will be put on supporting the private sector, both in terms of financing and advisory services, and on Public-Private-Partnership (PPP) initiatives to crowd in least cost long-term investment. Key areas of the Bank's interventions in the CSP's two Priority Areas and expected results are elaborated below.

Priority Area 1: Supporting Infrastructure Development

53. Under this Priority Area, the main objective of Bank support is the effective provision of least cost, reliable and resilient infrastructure to boost private sector activities and structural transformation. Bank assistance will focus on investments in *clean power supply (notably hydro power, solar and other renewable energy), development of transmission and distribution networks, multi-modal transport systems (notably roads and railways); and water and sanitation services as well as health infrastructure.* In order to improve implementation efficiency and ensure sustainability of asset value of infrastructure, the Bank will seek partnerships and co-financing with other partners to address the "soft" issues *(e.g. through regulatory and institutional policy reforms; mechanisms for tariff adjustment; procurement, etc.*). The Bank will also undertake evidence-based sectoral analytical work to provide quality policy advice on critical infrastructure issues. Nigeria's quest for economic transformation and export diversification will remain elusive without addressing infrastructure bottlenecks. Bank support to infrastructure development will result in more accessible, affordable (lower cost) and reliable infrastructure services. Investment in health infrastructure will also mitigate the adverse socio-economic effects of the COVID-19 and similar crises in future.

54. The Bank will follow an integrated approach to project formulation to enhance participation and employment of women and youth during project implementation and ensure coherence between country and regional priorities to strengthen Nigeria's participation in regional integration and intra-regional trade. The Bank will also integrate capacity building into each project and provide capacity support and TA to relevant sector ministries, departments and agencies to ensure effective project implementation. The Bank will explore greater use of PPP model and other forms of private sector participation in infrastructure financing. Reforming the existing PPP framework and clarification of mandates between the Infrastructure Concession Regulatory Commission and the Bureau of Public Enterprises will be pursued to ensure success of PPP financing model. The specific focus areas of Bank's interventions and expected results are elaborated below.

55. Alignment: Bank assistance under Priority Area 1 is aligned with three priorities of the Bank's Ten Year Strategy (TYS) 2013-2022, namely: infrastructure development, private sector development and governance and accountability; and all the High 5s: 'Light Up and Power Africa', 'Feed Africa', 'Industrialise Africa', 'Integrate Africa', and 'Improve the quality of life for the people of Africa'. It is also aligned with SDGs 3, 6, 7 and 9; and Nigeria's Vision 20: 2020 (Chapter 4, section 4.5 on Development of efficient infrastructure to support sustainable economic growth), ERGP (Chapter 4.1 on Infrastructure), NIIMP and PSRP.

56. Power: Bank's interventions in energy will support implementation of the PSRP. Bank's investment will put emphasis on private sector driven development of renewable energy, notably solar and hydroelectricity, and expansion of transmission and distribution networks to enhance access. Given the limited resource envelope, the Bank will leverage co-financing to unlock bottlenecks in the off-grid market, especially rural areas. Capacity building support to the Federal Ministry of Power and relevant agencies will help remove institutional capacity constraints that may limit effective implementation of the PSRP. **Key expected results** include the following: (i) Average power distribution via the grid per day increased from 4 GW in 2019 to 8 GW by 2024; (ii) Transmission and distribution infrastructure capacity increased from 7 GW in 2019 to 10 GW by 2024; (iii) operational capacity for renewable energy solutions of 10 GW installed by 2024 to ensure electricity access to rural and underserved communities; and (iv) implementation of performance improvement plans (PIPs) for the Discos by 2020 to remove distribution constraints and achieve performance standards set by the National Electricity Regulatory Commission (NERC). These outputs will contribute to achievement of the following outcomes: (a) increase in national electricity access rate from 45% in 2019 to 60% in 2024; (b) increased rural electrification from 30% in 2019 to at least 50% by 2024; and (c) enhanced power sector governance to improve operational efficiency and restore investor confidence in the power sector.

57. Transport: Bank's support in the transport sector will focus on improving rural, urban and inter-urban mobility and access, as well as enhancing logistic hubs at seaports to improve access to regional and global markets. Improved transport network will contribute to the following outcomes. Modernisation of urban transportation and transport corridors will fuel inter-urban mobility to bolster domestic and cross-border trade. Construction/rehabilitation of rural roads is aimed at unlocking agriculture potential and promoting downstream linkages to SAPZs as well as easing market access, resulting in reduction in post-harvest losses. Investment in railway transport will help reduce damage to road network. Bank's support to seaports development will help ease congestion and improve trade by increasing cargo handling capacity by more than 30%. Bank's investment will also target ports improvement to enhance efficiency of logistics and trade facilitation. **Key expected results** in the sector include (i) constructing/rehabilitating of 150 km of inter-urban roads, 200km of state roads, and 250 km of rural roads by 2024; (ii) construction of 32 km of Bus Rapid Transit system lanes in Abuja; (iii) Construction/upgrading of railway systems to interlink urban and remote areas as well as minimise damage due to heavy haulage on the roads, (iv) Port cargo throughput capacity of Nigerian deep sea ports increased from 75MT in 2019 to 100MT by 2024; and (v) improved transport sector governance to ensure effective and efficient institutional structure and regulatory framework to implement policies and manage projects.

58. Water supply and sanitation (WASH) services: The Bank will consolidate support to the Government's Expanded Water, Sanitation and Hygiene (PEWASH) Programme. The Bank's investment will focus on integrated WASH for rural and peri-urban areas and construction of sanitation facilities in schools and public places. The Bank will collaborate with other development partners as well as crowd in private financing/PPPs for WASH services to improve access to water and quality sanitation services. **Key expected results** of Bank interventions in the WASH sector at subnational level including Kaduna, Kano, Oyo and the Federal Capital Territory, include: (i) 600 water systems constructed/rehabilitated, construction/rehabilitation of 1,975 km of transmission and distribution networks, and connection of 222,000 new water meters; (ii) 3,440 boreholes constructed; (iii) 6,400 schools and 500 public places provided with sanitation facilities; and (iv) water sector governance improved to ensure effective and efficient institutional structure, maintenance, autonomy and accountability. These interventions will also contribute to achieving the goal of making Nigeria open defecation free by 2024 under the "National Programme to End Open Defecation in Nigeria".

59. Health infrastructure: Considering the COVID-19 pandemic and its likely impact on Nigeria's fragile health infrastructure, this sub-priority area will better equip Nigeria to confront current and future pandemics in a sustained manner. The Bank will therefore support both public and private sector (and PPPs) investments to develop quality health infrastructure to ensure sustainability in financing of health infrastructure. While the focus will be on the physical infrastructure, the Bank will work with other partners to provide the soft aspects to achieve desired outputs. The Bank will use its convening power to foster policy dialogue with Government and other partners to strengthen overall infrastructure in the health sector. **Key expected results** in this sector include construction/rehabilitation of about 120 health facilities at both primary and tertiary level and specialized diagnostic centres that would contribute to the attainment of Universal Health Coverage in Nigeria.

Priority Area 2: Promoting Social Inclusion through Agribusiness and Skills Development

60. Under this Priority Area, the main objective of Bank support is to improve social inclusion, employment and the quality of life of Nigerians. Bank's support will be underpinned by social inclusion programs elaborated in the ERGP, which have potential to boost labour productivity and job creation. Notably, the Bank's support in Priority Area 2 will focus on *SAPZs infrastructure to strengthen agri-business and drive development of industrial value chains, and support SMEs, especially those engaged in value chains development. This will help promote employment and contribute to the new administration's objective of lifting 100 million people out of poverty within 10 years. Bank's investment* *will also strengthen Science, Technology, Engineering and Mathematics (STEM); and Technical and Vocational Education and Training (TVET) to create the necessary skills to support industrialisation* and enhanced opportunities for entrepreneurship. Bank support in Priority Area 2 will promote economic diversification and structural economic transformation. Improved business environment will attract FDI to enhance productivity and to boost value-added economic production. Skills development will facilitate employability of graduates, provide relevant skills for productive activities as well as promote gender-balanced employment especially for the teaming unemployment youth.

61. Alignment: The Bank's assistance under Priority Area 2 is aligned with the TYS 2013-2022 (skills and technology development, and innovation); three of the High 5s: 'Feed Africa', 'Industrialize Africa', and 'Improve the quality of life for the people of Africa'; and the Jobs for Youth Strategy. It is also aligned with SDGs 2, 4, 5 and 8; Nigeria's Vision 20:2020 (Chapter 2 on Guaranteeing the wellbeing and productivity of the people), and the ERGP (Chapter 5: Investing in our people).

62. Agribusiness Development: The Bank will focus on supporting improved agricultural productivity, agribusiness and development of value chains in agriculture and allied agro-allied industries. Agriculture value chains offer opportunities for achieving food security, export diversification, job creation and social inclusion. Specifically, Bank support in this sector will focus on enhancing the adoption of improved inputs and modern technologies to enhance agricultural productivity. The Bank will support implementation of agricultural policy reforms to enhance expanded access to quality agricultural inputs, modern technologies, research and development, and extension services. Importantly, private sector participation will be key throughout the agriculture value chain in key commodities such as rice, sugar, cassava, cocoa, cotton oil palm, horticulture, dairy and fisheries. The Bank will provide support to SAPZs to accelerate agro-led industrialisation with the private sector playing key role while government will focus on policy development and leveraging private sector resources to develop the requisite agriculture infrastructure.

Key expected results in this sector include: (i) improved food security (ii) enhanced agriculture value chains development and integrated spatial markets (iii) additional jobs created in agri-business and allied sectors.

63. Skills Development and Support to MSMEs for Employability and Job Creation: In the context of the Jobs for Youth Strategy and Industrialization Strategy, Bank's support will focus on improving employment opportunities to address problem of youth unemployment and underemployment, though skills development and support to SMEs. Specifically, Bank's interventions will support investments in Science, Technology, Engineering and Mathematics (STEM); Technical and Vocational Education and Training; and improving access to Credit for SMEs. The Bank's support to STEM will help strengthen innovation capacity of Nigeria's labour force, whilst Information, Communications and Technology (ICT) will boost digital skills and technology entrepreneurship. Bank's support to Technical and Vocational Education and Training (TVET) would promote high-quality and in-demand industry skills through formal and prior cognition skills development. Skill development interventions will better equip the youth and upgrade MSMEs to promote economic value chains and increase job creation. Given the low employment intensity of MSMEs, upscaling operators in this space could strengthen their ability to create sustainable jobs. **Key expected results** in this sector include: (i) reduction in youth unemployment (by gender) from 29.7% in 2019 to 25% by 2024; (ii) reduction in the number of the youth working in extremely and moderately poor conditions from 81% in 2018 to 70% by 2024; and (iii) easing financing constraints MSMEs face in investing in sectors with strong development impact and high intensity for job creation by working with financial intermediaries.

64. Cross-cutting issues will be mainstreamed into all projects for impactful outcome. Each project will undergo gender marker exercise and relevant gender disaggregated data will be collected to ensure effective monitoring and evaluation (M&E). Job creation will be mainstreamed into all projects and standalone gender and youth empowerment interventions will also be supported to strengthen inclusiveness. All projects will integrate capacity building to strengthen implementation. Economic governance issues will be addressed, by strengthening transparency and accountability; reducing mispricing; improving PPP policy; enhancing sector policy, legislation and regulatory frameworks; improving transparency and efficiency in business environment; and enhancing fiduciary standards including anti-corruption practices in sector operations. Climate change and green growth issues will be mainstreamed to ensure sustainability (see Annex 13). The Bank will also address fragility issues especially in northern and middle belt regions. Fragility sensitive programming, especially of high value infrastructure in WASHE, power and transport, will be essential to the success of Bank's interventions in fragile project locations. Therefore, projects will focus on interventions that tackle the fundamental drivers of fragility. The Bank will provide budget support to address the multifaceted crises presented by the outbreak of the COVID-19 pandemic, which has unravelled the recovery to growth and threatened the resilience of the country's social and health systems.

5.3 Indicative Lending Program

65. A detailed Indicative Operations Program (IOP) for the CSP cycle (2020-2024) lending program is contained in Annex 14.1 to enable the Bank to scale up its support to Nigeria's transformation agenda. The IOP was informed by consultations with country authorities on the operations required to address the emergency needs related to the COVID-19 pandemic crisis while supporting acceleration of structural transformation and contributing to the achievement of the High 5s agenda consistent with the envisaged resource envelope of US$ 4.09 billion (75% for sovereign operations and 25% for non-sovereign operations); 60% is for priority area I and 40% for priority area II. Envisaged co-financing to be mobilized is in the order of US$ 5.92 billion. Ongoing projects under the CSP 2013-2019 pandemic will be carried over into the new CSP cycle with close monitoring to avoid implementation slippage. The IOP will be revisited during the mid-term review, especially to ensure alignment with the successor Plan to the ERGP.

5.4 Non-Lending Program and Policy Dialogue

66. Non-lending program is contained in Annex 14.2 The Bank will strengthen policy dialogue focusing on critical issues to support Nigeria achieve its long-term goal of becoming one of the top 20 economies globally within the shortest time possible. Critical studies and areas of policy dialogue and advisory services will be mutually agreed upon with the authorities on continuous basis to reflect evolving national priorities. Notably, focus will be in areas of the development of Nigeria's secondary bond market; assessment of credit constraints on growth of MSMEs; middle-income debt trap in Nigeria; lifelong learning, informality and youth employment in Nigeria; job market analysis to assess effectiveness of pro-employment macroeconomic policy and investments; and study on food price inflation, fragility and health outcomes in Nigeria.

5.5 Financing the Country Strategy

67. Nigeria has a huge resource requirement especially for infrastructure and human capital development. Amidst weak domestic revenue mobilisation, the Bank will supplement its own resources by combining different innovative approaches, including: (i) leveraging third-party investments through co-financing, (ii) mobilizing climate finance, especially for development of green infrastructure and agriculture, (iii) tapping into innovative financing options such as non-sovereign guarantee loans, structured products and risk management instruments, (iv) tapping into resources from the financial systems through financial intermediation and joint financing of critical infrastructure and viable SMEs, and (v) leveraging PPPs arrangements, especially for infrastructure. With the collaboration of the ALSF, the Bank will support Nigeria in revising PPPs framework to international best standards, building on its experience from housing the PPP hub for West Africa and in the development of earlier PPPs hubs in other regions, including Southern Africa.

5.6 Implementation Arrangements, Monitoring and Evaluation

68. Overall CSP performance, of which portfolio performance is an integral part, will be monitored and assessed at both mid-term and completion using the new results tools consisting of alignment and performance matrices (Annex 15) to track implementation progress. Internal arrangement for the implementation of the CSP will follow the 'One Bank' approach. The Nigeria Country Department, as Business Delivery Unit, supported by in-house sector experts/procurement and financial specialists, will have overall responsibility for delivery of the CSP. The Department will undertake project design and implementation, as well as monitoring and follow-up in order to identify potential early warning signals on emerging portfolio management issues. The Sector Complexes will be responsible of ensuring quality of the delivery. From the government side, the Federal Ministry of Finance, Budget and National Planning, will be the key counterpart of the Bank. However, relevant sector ministries, sub-national authorities and the private sector will have the responsibility for project identification and implementation.

5.7 Risks and Mitigating Measures

69. The major potential risk to successful implementation of the proposed strategy is resource limitation as Nigeria is an ADB-only country unable to tap into some of the Bank's resources, especially for project preparation. The recent 125% General Capital Increase will enable the Bank to expand lending operations in support of the High 5s, and partly mitigate the risk of limited resource envelope. The Bank will also increase efforts to leverage co-financing through presentation of bankable projects at different business fora, such as the African Investment Forum (AIF) and by undertaking rigorous assessment of projects to be included in the pipeline. Investment projects will be given higher priority over budget support operations, except under special circumstances such as the COVID-19 crisis mitigation support. Other potential risks include lack of government's full commitment to effective reform implementation, potential for political interference in projects and implementing agencies, lack of transparency and continued weak revenue base which might affect delivery of counterpart funding. These potential risks will be mitigated through high-level policy dialogue and advisory services, institutional support and TA for effective execution of identified projects.

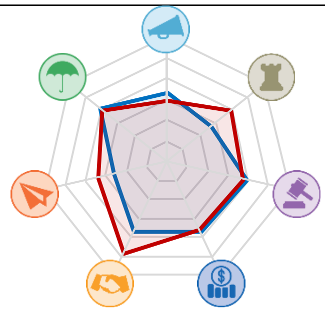
6. CONCLUSIONS AND RECOMMENDATIONS

70. Conclusion: Nigeria has considerable opportunities but also faces various challenges including low domestic revenue base, infrastructure bottlenecks, insecurity and weak governance and skills mismatch. The country is however richly endowed with natural and human resources, which if effectively exploited, can transform the lives of the Nigerian people. It is in this context that the Bank proposes the two priority areas for the new CSP in order to support government efforts in confronting the challenges and harness the opportunities to foster long-term development, and social inclusion in Nigeria. The identified priority areas (**Supporting Infrastructure Development and Promoting Social Inclusion through Agribusiness and Skills Development**) are closely intertwined, reflecting the country's priorities for economic transformation and inclusive development. Therefore, these priorities are appropriate to deliver on the overall objective of the strategy, namely achievement of structural transformation of the Nigerian economy in line with the Bank's High 5 agenda.

71. Recommendations: Management hereby requests the Boards of Directors to consider and approve this CSP for 2020-2024 for Nigeria.

Annex 1: Country Resilience and Fragility Assessment in Nigeria

Nigeria **2018 CRFA**



C *Capacity vs. Pressure* P

Inclusive Politics

Sub-dimension Scores

Nigeria has maintained a stable albeit tense balance of power in the 21st century, a remarkable achievement for the most populous country in Africa (over 67 million people were registered to vote in the 2015 elections). Voters' turnout has been falling since 2003, however, and women hold only 6% of seats in parliament. Notwithstanding, political representation remains relatively strong with all regions of the country taking part in the political system.

3.3	C	Representation in the Political System	3.6
	C	Political Participation	3.0
2.9	P	Corruption and Bribery	3.5
	P	Political Instability	2.3

Security

Sub-dimension Scores

Nigeria's policing institutions are moderately resourced, and the public perceives them as largely capable of upholding law and order. Still, some parts of the country experience kidnappings, banditry, and land disputes that raise security concerns. Low defence spending is supplemented by support from international allies. Threats include Boko Haram in the northeast, clashes between herders and farmers in the Middle Belt, and large-scale criminal activity in the northwest. Nigeria is a major actor in regional security and contributes to peacekeeping efforts around the world.

2.7	C	Capacity of Policing Institutions	3.8
	C	Capacity of Defence Institutions	1.6
3.9	P	Presence of Criminal Violence	3.6
	P	Presence of Armed Conflict	4.2

Justice

Sub-dimension Scores

The judiciary's independence from the executive and a high quality of judicial processes and alternative dispute resolution mechanisms characterise Nigeria's justice system. The country's Economic and Financial Crimes Commission plays an important role in meeting citizens' expectations of justice, as exemplified by the recent imprisonment of former governors who misappropriated state funds. Access to civil justice and

4.0	C	Independence of Judicial Institutions	4.7
	C	Effectiveness of Judicial Institutions	3.2
3.7	P	Impunity of Senior Officials	2.9
	P	Exclusion and Access to Justice	4.5

legal services remains a significant challenge, particularly for the internally displaced, who have often lost their identification documents.

Economic & Social Inclusiveness

Sub-dimension Scores

Nigeria emerged from a recession in 2017 and economic growth accelerated in 2018. Although the country accounts for some 20% of Africa's GDP, it faces perennial obstacles to inclusive growth. Public access to social services and basic infrastructure such as electricity and improved water is limited in rural and urban settings alike. Rich in oil, Nigeria has the potential to finance large-scale investments in public services and job creation, reducing economic inequality, poverty, and the 30% youth unemployment rate. Continuing institutional reforms will be key.

		Sub-dimension	Score
3.7	C	Effectiveness of Economic Policies	4.0
	C	Access to Public Services	3.4
3.6	P	Economic/Income Inequality	3.4
	P	Poverty	3.9

Social Cohesion

Sub-dimension Scores

Nigeria's ethnic, religious, and linguistic diversity is supported by high levels of freedom of expression, association, and assembly and a vibrant civil society. Notwithstanding strong civil liberties, however, restrictive societal norms marginalise women and other under-represented groups. These conditions are often cited as one of the factors leading to growing insurgency among such groups as the Niger Delta Avengers, Boko Haram, and longstanding separatist movements. Transport routes are uneven but improving, and digital connectivity and urbanisation are expanding rapidly.

		Sub-dimension	Score
3.8	C	Organisation of Civil Society	4.1
	C	Ease of Population Movement	3.4
4.8	P	Polarisation Based on Group Identity	5.5
	P	Youth and Gender Marginalisation	4.2

Externalities/Regional Spillover Effects

Sub-dimension Scores

Nigeria's economy depends greatly on the petroleum industry, which accounts for 90% of merchandise exports. This concentration weakens the country's capacity to withstand economic shocks and adapt to global price fluctuations. Despite Nigeria's prominent role in ECOWAS, the sub-region accounts for less than 5% of the country's trade. Marine piracy and insecurity in neighbouring Chad present external security challenges. The government has adopted policies to reduce illicit trade and human trafficking.

		Sub-dimension	Score
2.6	C	Resilience to Economic Shocks	2.1
	C	Regional Integration	3.1
3.4	P	Insecurity in Neighbouring Countries	3.0
	P	Transnational Crime	3.7

Climate/Environmental Impacts

Sub-dimension Scores

Nigeria faces several environmental pressures related to climate change: the depletion of natural resources, desertification in the north, erosion, flooding, and oil spills that contaminate sources of food and water and threaten livelihoods in the Niger Delta. These issues have raised obstacles to the country's implementation of its nationally determined contributions to the Paris Climate Agreement. This said, mechanisms to promote environmental sustainability perform at the moderate level and emergency preparedness is strong.

4.1	C	Environmental Policy	3.6
	C	Emergency Preparedness	4.5
3.9	P	Vulnerability to Natural Disasters	4.0
	P	Food Security and Nutrition	3.8

***Note:** CRFA scores feature two scales.* C *Capacity indicators: 1 (low capacity) – 6 (high capacity).* P *Pressure indicators: 1 (low pressure) – 6 (high pressure).*

Annex 2: Implication of the Coronavirus-Induced Oil Price Shock on Nigeria

Background

1. The economy has posted growth for three consecutive years since the 2016 recession. Real GDP growth was projected at 2.9% in 2020 consolidating the gains of the preceding three years. The outbreak of COVID-19 have drastically changed the outlook, tilting risks to growth on the downside, further highlighting vulnerability of Nigeria's economy to exogenous shocks. The outbreak of the coronavirus has far reaching implications, transcending beyond impact on health and include entire economy. In particular, the cascading impact of global lockdown to the domestic economy with widespread restrictions and lockdown, especially in key commercial cities has high potential to adversely affect growth, jobs and poverty. Key channels of transmission include fall in price of oil, disruption in air travel, tourism and hospitality industry, lower trade flows (both external and internal), and slashed gains in financial markets.

Potential impact

2. **Negative economic shocks associated with COVID-19 have now emerged, with the sharp decline in the price of oil, Nigeria's main source of export earnings and fiscal revenues**. Nigeria depends on crude oil for an estimated 90% of export earnings and more than 50% of government revenues. However, since the beginning of March 2020, the price of oil has averaged below US$30 per barrel. The fall in oil price has completely changed Nigeria's economic fortunes, putting the country's growth recovery in jeopardy and disrupted the country's fiscal budget. Attaining the pre-COVID-19 pandemic projected growth rate of 2.9% in 2020 is evidently untenable. With the outbreak of the COVID-19 pandemic, the economy is projected to contract by between 4.4% for the baseline scenario and 7.2% should the impact persist, depicting the worst-case outcome. Further prolonged meltdown in the global oil market could have deeper implications on Nigeria's growth, revenues, external reserves, exchange rates and budget implementation. Table A16.1 summarises the Bank's initial assessment of the situation.

Table A16.1: Initial assessment of macroeconomic impact of the COVID-19 pandemic

Indicator	2018	2019(e)	Without COVID-19 scenarios (January 2020 projections)		COVID-19 shock scenarios (April 2020 revised projections)			
					With COVID-19 (Baseline)		With COVID-19 (Worst-Case)	
			2020 (p)	2021 (p)	2020 (p)	2021 (p)	2020 (p)	2021 (p)
Brent crude oil price (USD per barrel)			57	57	30[b]	30[b]	20[c]	20[c]
Real GDP growth (%)	1.9	2.3	2.9	3.3	-4.4	0.7	-7.2	0.1
Inflation (% per annum)	12.1	11.3	11.1	10.3	14.1	11.1	14.7	11.8
Consolidated level budget balance (+/-), % of GDP	-4.5	-5.1	-4.6	-4.5	-6.7	-5.7	-7.8	-7.0
Current account balance (+/-), % of GDP	1.3	-3.6	0.3	0.4	-3.9	-2.5	-4.9	-3.6
Exchange rate (NGN/USD)[a]	305	305	305	305	360	360	360	360

Source: AfDB Statistics Department

Assumptions:
1. Baseline scenario: Spread of COVID-19 tapers off in third quarter of 2020
2. Worst case scenario: Spread of COVID-19 tapers off in fourth quarter of 2020

Notes: a\Central Bank of Nigeria devalued the official rate from NGN307/USD to NGN360/USD; parallel market rate could average NGN400/USD in 2020.
b\Projected oil price by the Federal Government of Nigeria used for the revised 2020 budget;
c\ projected oil price used to compute the worst-case scenario for real GDP growth.

3. Assuming Nigeria appropriates everything from its oil exports and that all oil produced is exported, oil revenues could fall by about 90% for US$30 per barrel as the average benchmark price for the year and daily oil production still pegged at 1.7 million barrels per day. Non-oil revenues have equally been weak since 2014 remaining at less than 4% of GDP. The increase in the value-added tax from 5% to 7.5%, which was expected to improve domestic revenues,

depended in large measure on the performance of the non-oil sector. With subdued performance in the oil sector, we are likely to see a cascading simultaneous intertwined effect. The weakness in the non-oil sector will be amplified by widespread restrictions and lockdown. Non-oil tax revenues could therefore fall as well, undoing any expected revenue yield from the increase in the VAT rate from 5%-7.5%. The capital market is seeing a reversal of portfolio and FDI flows. The third quarter of 2019 experienced an outflow, that was even without the intensity of the COVID-19 pandemic spread.

4. While lower oil prices could benefit Nigeria through reduced pump prices (now at NGN123.50 per litre for petrol); the savings from this will be more than offset by lower oil revenues, and therefore, fiscal and current account deficits could be much wider than the projections under three scenarios. Nigeria's over-dependence on oil revenues, lack of diversification, and therefore low domestic resource mobilization, the progressive decline in oil price amidst a health crisis and sharply falling oil prices pose a significant source of fiscal risk and vulnerability with obvious implications on macroeconomic stability and adverse contagion effects on the West Africa region.

Selected fiscal and monetary policy responses

5. The burden of reduced oil revenues led to cuts in capital and non-essential expenditure by about 20% to accommodate priority expenditure in health and cushioning households and businesses from the impact of the COVID-19 pandemic**.** The government also announced suspension in the US$22 billion borrowing plan and revised the 2020 budget downwards to reflect reduced revenues in order to sustain the economy through the shock. This could affect emergency funding to fight the outbreak of the coronavirus and planned capital investments for 2020/2021.

6. Lower oil exports will also reduce the accumulation of foreign exchange reserves, and limit CBN's ability to prop up the Naira. From January – March 2020, international reserves fell by more than US$3 billion. On 18 March 2020 the CBN announced changes in ₦/US$ exchange to reflect market fundamentals which drove the local currency unit to ₦410/US$ in the parallel as the price of oil dipped to a four-year low. As external reserves decline, the ability of the central bank to defend the domestic currency will be further weakened and could lead to unravelling in the foreign exchange market. Continued maintenance of multiple exchange rate systems is inconsistent with underlying market fundamentals. The CBN needs a more credible, robust and transparent institutional mechanism for allocation of foreign exchange to ensure convergence in exchange rates. This is crucial in stimulating non-oil exports and improving competitiveness of the economy.

7. Prolonged duration of the outbreak of the COVID-19 pandemic will exacerbate these problems and heighten risk aversion towards Nigeria's assets. Thus, stemming the tide of the COVID-19 infections in these countries, and globally more generally, could stabilize capital inflows, shore up demand for emerging market assets, including Nigeria. Accelerating efforts to reduce rate of local infections will ease uncertainty and build confidence in the government's ability to contain the spread and put back the economy on path of recovery.

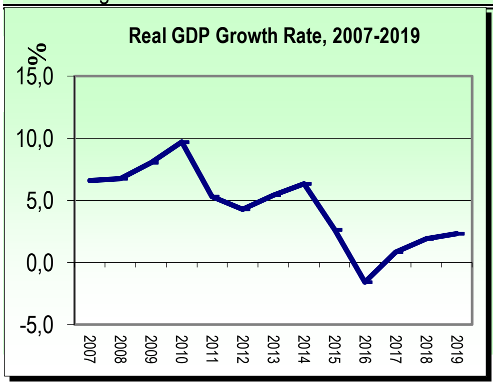
Implications on the Bank

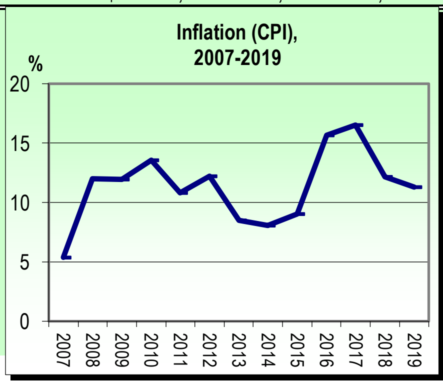
8. With limited buffers and flexibility in fiscal space, it will be difficult for the FGN to tap into international capital markets to bridge the fiscal gap. The Bank needs to remain relevant and take a proactive approach as a trusted advisor in supporting the Government through this difficult period in mitigating the oil price shock and effects of the COVID-19 pandemic on the

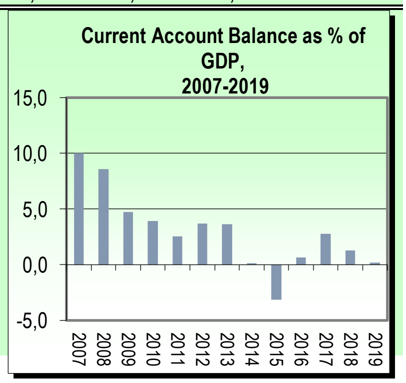
economy. This will take a combination of lending and non-lending operations, including policy notes and economic sector studies to highlight potential areas of risk and exploring measures to stabilize the economy in the short-to-medium term. Although the actual magnitude of the impact of the oil price shock and coronavirus on the economy is not fully known, the early surveillance and assessment highlights critical transmission channels through which this will manifest itself. This is part of the mechanism of proactively engaging with the authorities. The Bank is also engaging with other development partners on the rapidly unfolding health and economic developments surrounding the impact of the coronavirus and the need to remain vigilant and continue with the dialogue, focusing at regional level response for more effective impact.

Annex 3 : Selected Macroeconomic Indicators

Indicators	Unit	2010	2014	2015	2016	2017	2018	2019 (e)
National Accounts								
GNI at Current Prices	Million US $	339,197	527,451	521,676	459,322	400,834	383,914	...
GNI per Capita	US$	2,140	2,990	2,880	2,470	2,100	1,960	...
GDP at Current Prices	Million US $	369,062	575,392	499,200	405,442	376,361	421,821	466,880
GDP at 2000 Constant prices	Million US $	369,062	454,098	466,144	458,764	462,545	471,333	482,186
Real GDP Growth Rate	%	9.7	6.3	2.7	-1.6	0.8	1.9	2.3
Real per Capita GDP Growth Rate	%	6.8	3.5	0.0	-4.1	-1.8	-0.7	-0.3
Gross Domestic Investment	% GDP	17.3	15.6	15.3	15.3	15.5	15.3	14.9
Public Investment	% GDP	11.3	2.6	2.4	2.3	3.3	3.8	3.7
Private Investment	% GDP	6.0	13.0	13.0	13.1	12.2	11.5	11.1
Gross National Savings	% GDP	20.8	16.0	12.3	13.2	15.3	14.1	14.8
Prices and Money								
Inflation (CPI)	%	13.6	8.1	9.0	15.7	16.5	12.1	11.3
Exchange Rate (Annual Average)	local currency/US$	150.3	158.6	192.7	253.0	305.3	324.2	325.0
Monetary Growth (M2)	%	5.9	19.4	2.5	13.1	12.0	14.8	...
Money and Quasi Money as % of GDP	%	31.5	33.0	32.1	34.1	34.1	32.9	...
Government Finance								
Total Revenue and Grants	% GDP	13.2	11.0	7.5	5.5	6.2	8.0	7.2
Total Expenditure and Net Lending	% GDP	15.2	12.5	11.0	9.5	11.6	12.5	12.1
Overall Deficit (-) / Surplus (+)	% GDP	-2.0	-1.5	-3.5	-4.0	-5.4	-4.5	-4.9
External Sector								
Exports Volume Growth (Goods)	%	10.8	-6.0	4.1	-10.4	8.8	6.1	-3.5
Imports Volume Growth (Goods)	%	38.9	26.0	17.3	-25.1	-15.8	8.0	12.4
Terms of Trade Growth	%	10.4	-3.0	-26.3	-6.1	10.3	12.4	-6.2
Current Account Balance	Million US $	14,469	899	-15,740	2,719	10,398	5,326	1,000
Current Account Balance	% GDP	3.9	0.2	-3.2	0.7	2.8	1.3	0.2
External Reserves	months of imports	5.5	5.1	4.7	7.0	9.3	7.2	...
Debt and Financial Flows								
Debt Service	% exports	10.6	15.5	34.1	45.7	31.1	29.1	35.9
External Debt	% GDP	7.1	12.1	14.6	17.5	23.4	26.4	25.3
Net Total Financial Flows	Million US $	1,266	6,762	22,425	-9,360	8,381	...	...
Net Official Development Assistance	Million US $	2,052	2,479	2,432	2,498	3,359	...	...
Net Foreign Direct Investment	Million US $	6,099	4,694	3,064	4,449	3,503	1,997	...







Source: AfDB Statistics Department: African; IMF: World Economic Outlook, October 2019 and International Financial Statistics, October 2019; AfDB Statistics Department: Development Data Portal Database, December 2019. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations (p) Projections Last Update: December 2019

Annex 4: Fiduciary Risk Assessment

Introduction

1. In line with the Bank guidelines, this analytical note for the Country Fiduciary Risk Assessment (CFRA) has been carried out as part of the preparation for the new Country Strategy for Nigeria (2020-2024). The assessment is based on the diagnostic reviews including but not limited to primarily the repeat of the 2013 Public Expenditure and Financial Accountability (PEFA) Assessment, review of budget implementation and audit reports, information provided during the periodic PFM Donor Coordination group meetings of which the Bank is a member. The FGN, with the support of Development Partners (DPs), including the Bank, has been implementing public procurement reforms based on the recommendations of the Country Procurement Assessment Report (CPAR) 2000 and the CPAR update of 2007. State Procurement Assessment Report (SPAR) was prepared for Lagos State in 2003 and updated in 2010 and a Programmatic Integrated Fiduciary Assessment of Nigeria States (PIFANS) was conducted in 2013 for five states (Edo, Delta, Rivers, Ondo and Bayelsa). The World Bank has supported public procurement reforms in Nigeria through several vehicles, including the closed ERGP at the Federal level. The World Bank has supported 25 states through the closed Lagos Public Procurement Reforms Program, the Ekiti State Public Procurement Reforms Initiative and Public-Sector Governance Reforms and Development Project (11 states) and ongoing State & Local Governance Reforms Project (8 states) and State Expenditure and Employment for Results Project (4 states). Discussions with government Ministries, Departments, and Agencies (MDAs) were also held as part of the CSP mission. A PEFA is currently underway and MAPS Assessment is planned in 2019 that will provide an in-depth analysis of Nigeria's PFM system at Federal level, take stock of progress and provide information towards developing a medium-term PFM reform action plan. The proposed MAPS will identify gaps in the public procurement systems at the federal and subnational levels and propose action plan to improve them for better performance and enhanced value for money in public expenditure.

Public Financial Management Analysis

2. The continued efforts by the Government of Nigeria over the years in reforming its Public Financial Management (PFM) systems initiated over a decade ago continue to yield gradual benefits. These included the passing of new PFM legislation such as the Fiscal Responsibility Act 2007, the Public Procurement Act 2007 and the Financial Reporting Council of Nigeria Act 2011. Implementation of the GIFMIS commenced in 2012 with resultant improvements of Cash Management through introduction and roll out of the Treasury Single Account (TSA – coverage now above 90%) at Federal level, Budget Monitoring, and Financial Reporting among other benefits.

3. In the area of budget management and economic transparency specifically, progress has been registered in a number of fronts, such as: (a) improvements in the timeline of submission of audited financial statements and audit reports to the National Assembly with the submission made of the 2016 financial statements in 2018; (b) gradual progression towards migration to "IPSAS" accrual basis of accounting and reporting; (c) efforts towards the establishment of a function budget management system to control budgetary expenditures through a commitment management system under the GIFMIS, and revenues are accounted, largely real time, through a revenue management platform; and (d) fiscal reports are available for at least 97% of public expenditures financed from the budget on a real time basis. In addition, the Federal Government has made efforts towards publishing its annual budgets, and budget implementation reports though with some delays. These developments indicate that Nigeria is exhibiting a positive trajectory of change in the overall country PFM systems.

4. The latest Bank's Country Fiduciary Risk Assessment (CFRA) for the Federal level PFM in Nigeria updated in 2019 rates the overall risk as Substantial, with key weaknesses related to the uneven legislative oversight over audit reports produced by the Auditor General of the Federation, inconsistent monitoring of the implementation of the related audit recommendations, and manual control over initiation of commitments (with the 'procure to pay' module yet to be implemented). Strategies are however beginning to be developed to improve this fundamental legislative oversight role, starting with the

drafting of a new and modern Audit Bill which was submitted to the last parliament for approval but has yet to be signed into law.

5. There is also a need to improve on budget transparency, both in terms of the number of budget documents and the comprehensiveness of information publicly disclosed, as well as for public participation in the budget process. Nigeria's last rating under the Open Budget Index further deteriorated from 24 in 2015 to 17 in 2017. A further key weakness relates to government Internal Audit, which is still primarily ex ante, prepayment audit based. This is contrary to the dictates of good practice for modern internal audit. There is need to support the transition to a risk-based form of internal audit, focusing on systemic issues of control and assurances, and the government is committed to establishing an internal audit function that has greater value addition to it expenditure and revenue management control regime.

6. Corruption also remains as one of the major development issues that contributes to an inefficient use of public resources, including oil wealth and revenues in Nigeria. According to the 2018 Mo Ibrahim African Index of Governance Nigeria scored 47.9 in overall governance, ranking 33 out of 54 countries in Africa. Although Nigeria increased in ranking from 35 in 2017 to 33 in 2018, the country's overall score dropped from 48.1 to 47.9. According to the report, this score is lower than the African average of 49.9 and the West African average of 54.3. The Transparency International Corruption Perceptions Index also recorded a slight drop to 26 score with zero (highly corrupt) to 100 (very clean) with a ranking 136 of 174 in 2014 and 146 of 180 in 2019 highlighting the challenge.

Procurement

7. Notable accomplishments at the federal level and in some states include the enactment of Public Procurement Act, 2007 at the federal level and state public procurement laws in 28 states, establishment of regulatory agencies, development and deployment of procurement tools, creation of procurement cadre and delivering of ad hoc procurement trainings.

8. Some of these challenges have been captured in the Private Sector Perception Survey of 2008 and the Nigeria Procurement Value Chain Analysis of 2011. They include (i) public investment management plighted with a wide range of inefficiencies along the investment cycle from appraisal and planning, to budgeting, contract management and down to ex-post evaluation; (ii) lack of professionalization of the procurement function, including absence of sustainable procurement training; (iii) inadequate competencies of public procurement officials to perform optimally on their operational responsibilities. The NPVCA concluded that inadequate knowledge of procurement by both public-sector officials and private-sector practitioners are a major cause of slow capital budget implementation in Nigeria. Procurement audits conducted by the Bureau of Public Procurement also have identified inadequate procurement capacity as a major constraint to effective and efficient public expenditure.

9. The public procurement system in Nigeria lacks policy framework for appraising new development projects through a consistent and unambiguous process to reduce subjectivity in project selection and allocation of budgetary resources. The federal and some of the States are in the early stages of implementing e-procurement system that should serve as a lever to reduce human discretion, minimize delays and fraud and corruption in the public procurement management process. An e-Procurement Readiness Self-Assessment has been carried out at the federal level, which forms the basis of the ongoing efforts to introduce e-Procurement at the federal level. E-Procurement Readiness Self-Assessment will be conducted in about 10 pilot states during the third quarter of FY19 under the State Fiscal Transparency, Accountability and Sustainability Project (SFTAS), which is awaiting effectiveness.

10. The procurement process for commonly used low value items is inefficient as repetitive tenders are issued instead of using framework agreements which offer more competitive prices on the expected value of business, reduction both in holding cost and down-time on equipment maintenance and repairs, and benefits economies of scale through aggregation; reduction of transaction costs; and elimination of the present situation where prices of the same items purchased vary widely even within the same MDA.

11. At the subnational level, lack of symmetric policies and procedures in the national space is hampering accelerated development of public procurement system and procurement capacity. Political office holders responsible for resource allocation are involved in contract award /approval decisions, creating real or potential conflict of interest situations, in addition to creating multiple layers of approval that lead to delays. In several states, the public procurement law is not applicable to Local Government transactions where 25% of revenue accruing to the federation account is disbursed.

12. The proposed MAPS assessment will identify gaps in the public procurement systems at the federal and subnational levels and propose action plan to improve them for better performance and enhanced value for money in public expenditure.

Affirmative Procurement

13. The Presidential Executive Order (PEO) dated 18 May 2017 in support of Local Content in Public Procurement by the Federal Government provides the basis for Affirmative Procurement. The PEO requires Regulations and Manuals for its operationalization and use in public procurement in Nigeria. The Bank's procurement policy incorporates specifically three provisions concerning the development of the Borrower's domestic industry (including preference schemes and margins, 'set asides' and 'offsets'), transfer of knowledge, and the implementation of environmental and social priorities supporting sustainable procurement - Environmentally and Socially Responsible Procurement (ESRP). The Bank organized, from 26 to 29 March 2019, a technical workshop in Johannesburg, South Africa, where discussions covered gender equality targets in the delivery of goods and services. An action plan has been agreed to implement targets to increase the number of women in the African procurement market.

14. During the CSP mission, the BPP confirmed their resolve to operationalizing the affirmative procurement in support of the implementation of the ERGP.

Recent Bank support to Bureau of Public Procurement (BPP)

15. The Bank is providing institutional support to strengthen the capacity of the ERGP Delivery Unit to enable it accelerate implementation of the Plan. The board approved the project, ***Institutional Support for Economic Management and Delivery Project (ISEMD),*** on 3 December 2018. Effective implementation of the ERGP is expected to unlock potential of the private sector and boost non-oil revenues. A subcomponent is aimed at strengthening human and institutional capacity for improving efficiency, transparency and accountability is public procurement and management of external resources. The Project will provide technical assistance in the following three areas: (1) Review of Scheme of Service and competency framework for procurement cadre, including the Federal Government Circular on procurement cadre; (2) Review the existing training curriculum and service providers (including the PPRC), and develop training curriculum in accordance with the competency requirement for procurement professionals at different levels of grade; and (3) Review and develop the training quality assurance mechanisms and the process for accreditation and certification of procurement professionals. It will also provide support to human resource training to upgrade the competence and knowledge of procurement professional to higher level as required by the competency framework. This will be done through training of trainers and building institutional capacity of local institutions to ensure sustainability. Further, the Project will support a needs assessment study for the establishment of a National Procurement Academy or Centre of Excellence, which will also involve twining arrangements with similar institutions.

16. The Public Procurement Act (PPA) of 2007 established the Bureau of Public Procurement (BPP) as the regulatory authority responsible for the monitoring and oversight of public procurement, harmonizing the existing Government policies and practices by regulating, setting standards and developing the legal framework and professional capacity for public procurement in Nigeria. Since the enactment of the Act, Nigeria has made significant advances with respect to its federal level procurement processes. The PPA provides for establishment of two procurement bodies: The National Council on Public Procurement

(NCPP), a high-level multi-stakeholder body set up to approve all procurement operational policies, and the BPP, which oversees procurement policy formulation and implementation across the public sector. The NCPP is yet to be established, but the BPP fulfils a variety of functions. Government is committed to adopting the open contracting principles as part of its anti-corruption and Open Government Partnership (OGP). The commitment follows a decade of implementing public procurement reforms that seek to enshrine transparency, competitiveness, professionalism, and value for money in the process. The BPP, in the bid to improve transparency in procurement processes and access to procurement information, has since developed a prototype National Open Procurement Portal (NOCOPO) and is planning to deploy an e-Government Procurement system with support from the African Development Bank and the World Bank.

Mitigating Measures and PFM Reform Programs

17. In mitigation however is the strong commitment of the Federal Government to good and prudent economic governance. This is among the main pillars of the National Economic Recovery and Growth Plan (ERGP) for 2017-2020, which specifically commits to transparency and anti- anti-corruption, public service reform, intergovernmental coordination, and delivery. The reform measures, most of which are supported under the government's own program of reforms, as well as by donors (including the Bank) add to the notion of a strengthening fiduciary environment, coupled with the need for further strengthening of the internal audit, budget management, and external oversight systems.

Strengths and Opportunities – Bank current support

18. The Bank plays an active role in the Development Partners Group (DPG) and will continue to participate and collaborate in the thematic working groups. The main development partners supporting economic governance agenda include: The World Bank, the International Monetary Fund (IMF), the European Union, the United Kingdom Department for International Development (DfID), and the United States Agency for International Development (USAID). The primary focus of donor support has been improving public financial management information system, fiscal transparency and accountability, revenue management, procurement and statistics capacity building with the aim of strengthening economic governance and accountability. To enhance coordination and collaboration among development partners, avoid overlaps and ensure complementarities, the Bank will continue working with partners already active in the sector.

19. The Bank has also responded positively to a request from the Government to consider a capacity-building program (organizational, human and systems) to accelerate delivery of the ERGP, track progress against set targets, identify and tackle challenges as they emerge through a credible Monitoring and Evaluation Framework. The Bank's UA 10 Million Institutional Support for Economic Management and Delivery (ISEMD) project will contribute towards improving governance and accountability through support towards macroeconomic analysis and policy coordination, monitoring and evaluation functions of the MBNP as well as strengthening capacity in domestic resource mobilisation, public procurement and performance delivery. Through improved implementation of the ERGP and technical assistance to accelerate delivery, the Project will foster private sector development and competitiveness in Nigeria. There are also synergies under the project with other ongoing donor funded programs, in particular the Fiscal Governance and Institutions Project financed by the World Bank, and the EU funded Support to Federal Governance Reform Program (SUFEGOR).

20. In this regard, there is need for the continued implementation of the PFM reforms aimed at further improving the national systems and public investment management systems to improve quality of expenditure. The PEFA currently underway will provide an in-depth analysis of Nigeria's PFM system at federal level and take stock of progress. The findings will provide information towards developing a medium-term PFM reform action plan that will include capacity building and training programs for PFM and non-PFM experts to strengthen the capacity of key government institutions and deepen PFM reforms in Nigeria.

Key fiduciary risks

21. In general, the existing PFM reforms cover most key elements of public finance management. There may however be issues on the depth, coverage and sustainability of some of the reforms, especially those driven by and supported by donor financed projects, which tend to have a finite life and the government would be expected to sustain and implement the reforms on its own in the long term. Given the current constraints in the budget and capacity, the amounts allocated to some of the institutions that implement the reforms is generally not adequate to cover their needs. Political will at the very top, and the identification of reform champions including providing the necessary capacity building support, will be required to maintain the current momentum.

Future actions during the new CSP period

- The Bank will work together with the Government and the respective Implementing Agencies in the implementation of the recently approved Bank ISEMD project aimed at strengthening the capacity of key Government institutions in policy designs, implementation and monitoring and evaluation, and performance management and delivery of the ERGP.
- The Bank will continue monitoring the ongoing PFM reforms underway and its engagement with the government Ministries, Departments, and Agencies (MDAs) and as part of the PFM Donor Coordination group aimed at ascertaining progress and identifying efforts towards their further improvement.
- Assess progress and take stock of progress following completion of the 2019 PEFA report at Federal level.
- The Bank will participate in the Federal Government of Nigeria led assessment of the public procurement system of the federal and six states (one from each of the six geopolitical zones of Nigeria) using the Methodology for Assessing Procurement Systems (MAPS-2) in 2019. The FGN will jointly conduct the assessment with the Development Partners in Nigeria.
- Continue to monitor efforts of Bureau of Public Procurement on the operationalization affirmative procurement.

Annex 5: Infrastructure Sectors

Power Sector: Nigeria has enormous and largely untapped natural energy resources: the 4th largest producer of gas in the world with reserves of 5.15 trillion cu m[4], and solar irradiation ranging from 2200kWh/M2 in the North to 1750kWh/M2 in the South. The wind gust ranges from 4m/s to 6 m/s with the maximum observed in 60% of the land mass. The potential for hydroelectricity from the country's two major rivers – Niger and Benue – is estimated at over 14,120 MW[5], but only river Niger has been partially utilized to generate about 1900 MW of electricity. Gas is the predominant fuel for thermal power generation in the country. Nigeria has 13 GW installed capacity of which 85% is gas fired plants and only 5.7 GW is declared available but only 4 GW is available for distribution on the average due to gas shortage, transmission and distribution bottlenecks, which is grossly insufficient. Consequently, national average electricity access rate is limited to 45% (36% rural and 55% urban) in 2019 and those connected to national grid struggle with frequent supply outages. The target is to have universal access by 2030[6]. Lack of constant electricity supply has negatively impacted payment by consumers, leaving the distribution companies (Discos) with revenue collection shortfall and affecting their viability. Below cost recovery end user tariffs leave the industry with significant cash deficits accumulated across the sector value chain. Lack of investment in network rehabilitation and metering has resulted in persistent system losses and poor services to consumers. Furthermore, due to limited access to clean and efficient energy, a large proportion of the population resort to unclean sources. For instance, some 40% of the urban population still use solid fuels and the use of generators is widespread. The Power Sector Reform Program (PSRP) 2017-2021 estimated that inadequate power supply costs the economy US$29 billion annually. Moreover, the debt of Ministries, Departments and Agencies (MDAs) to the electricity industry is huge, estimated in the PSRP at about NGN 26 billion by the end of 2016. Although the regulatory framework of the Nigerian Power Industry is comprehensive and in line with international best practice, governance remains an issue due to inconsistent enforcement of policies, rules and regulation.

Over the years, the Nigerian power sector has undergone reforms. Notably is the unbundling of the sector in 2013, which resulted in the creation of 6 generation companies (Gencos), the Transmission Company of Nigeria (TCN) and 11 Discos[7]. The outcome of the privatization programme has however been less than satisfactory. It is against this background that in March 2017, the FGN prepared the PSRP, the implementation of which would require an investment of US$1.5 billion over the five-year period 2017-2021 to achieve sector viability. The programme aims at resetting the entire power sector: restoring financial viability, improving reliability of power supply, strengthening the institutional framework, increasing transparency in the sector and establishing a contract-based market. Despite the fanfare and optimism that characterized the approval of the PSRP, actual implementation has been slow, with various sector stakeholders operating in silos. The implication is that the performance of the sector has rapidly deteriorated with rising debt, making it imperative for stakeholders to take urgent measures to save the reform programme from collapse. Innovative initiatives being introduced to transform the sector include: preparation of an initial financing plan of US$ 6.4 billion, metering asset provider regulation, reduction of natural gas flaring, eligible consumer policy, and franchising of Disco network[8]. Nigeria has also recently signed a six-year, three-phase, electricity deal with the German-based Siemens AG estimated at US$ 3.76 billion (N1.15 trillion) aimed at achieving 25,000 MW (N1.15 trillion) of electricity in the country by 2025 according to the Technical and Commercial proposal of the project.

Transport Sector: Nigeria's transport infrastructure stock is inadequate for the size of the economy and constitutes a major cost and constraint to private sector development. Therefore, improving the transport infrastructure is one of the key priorities of the ERGP. The transport system consists of five modes namely, roads, rail, water, air and pipelines. Road transport is the predominant form of transport catering for 90% of

[4] OPEC https://www.opec.org/opec_web/en/about_us/167.htm
[5] International hydro power association (iha) https://www.hydropower.org/country-profiles/nigeria
[6] Nigeria Power Africa Fact Sheet. Update March 12, 2019.
[7] The Government retained 40 percent equity in the privatized entities while 60 percent was ceded to the private sector.
[8] These initiatives a fully discussed in the Country Diagnostic Note (CDN).

the country's passenger and freight traffic. Thus, at the root cause of sub-optimal performance of the transport system is insufficient budgetary allocation to implement planned road programs and poor maintenance. Due to deteriorating railway conditions, many transporters have switched to road transport, resulting in overloading and premature destruction of the road network as freight levels increase. The sub-sector needs to accelerate reforms including establishment of a Roads Authority and Road Fund for programmed road development and maintenance. Nigeria's railway system has also suffered neglect over the years, leading to deterioration of the system, due to insufficient maintenance and non-replacement of depreciated rolling stock. To turnaround the railways nationwide, the federal government articulated a 25-year strategic vision for Nigeria's railways to be implemented in three stages: transition, modernization and stabilization stages. Within this strategy, FGN has stated implementing strategic rail projects to connect major economic centres across the country with the target of completing construction of the Lagos- Kano and Lagos-Calabar rail projects.

Nigeria has embarked on reforms of other transport modes. In the maritime and water transport sub-sector, Nigeria has undertaken port reforms with tremendous improvements leading to reduction in the average time at berth and average turnaround time. In the air transport sub-sector, the size of the country presents a huge potential for air transportation for goods and services that need rapid delivery. Nigeria has 54 airports of which 6 are International, 11 are domestic and the rest are local private airstrips. To improve air transportation in the country and reduce frequent air mishaps, the FGN has developed Aviation Sector Master Plan with very ambitious targets requiring huge investment especially on airports modernization, navigational aids and air traffic control facilities, which have remained inadequate and obsolete in some cases.

Water and Sanitation Sector: Nigeria has one of the least coverage of water and sanitation (WASH) services globally and is classified second in the world for open defecation. Currently, 62 million of the country's estimated total population of 190 million do not have access to improved water supply. Only 42% of the population (about 80 million) have access to basic sanitation facilities and consequently, more than 47 million people defecate in the open. The quality of water supply is also poor in most cases. About 80% of households collect water from contaminated sources and disparities exist between rural and urban areas and between rich and poor. The WASH deprivation is about two times more in rural than in urban areas and people in the poorest quintile are four times less likely to utilize adequate WASH services than people in the richest quintile. The rural WASH sub-sector is characterized by low service coverage and poor operation and maintenance practices. This is compounded by recent deterioration of services and the uncertainty of the operational status of the installed facilities. The reliability and quality of services in rural areas is especially dismal relative to urban areas. Also, water quality has not been accorded enough attention, nor is supply ever assured.

Annex 6: Direction of Nigeria's Trade

Figure A 6.1: Destination of Nigeria's total exports by 6-digit HS code, *2017*

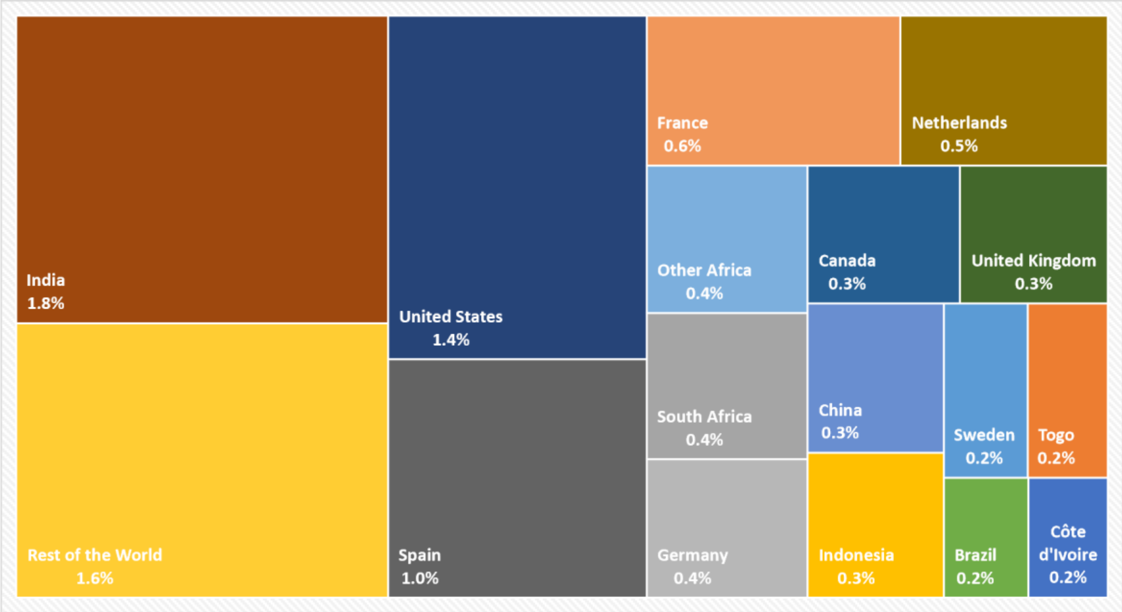
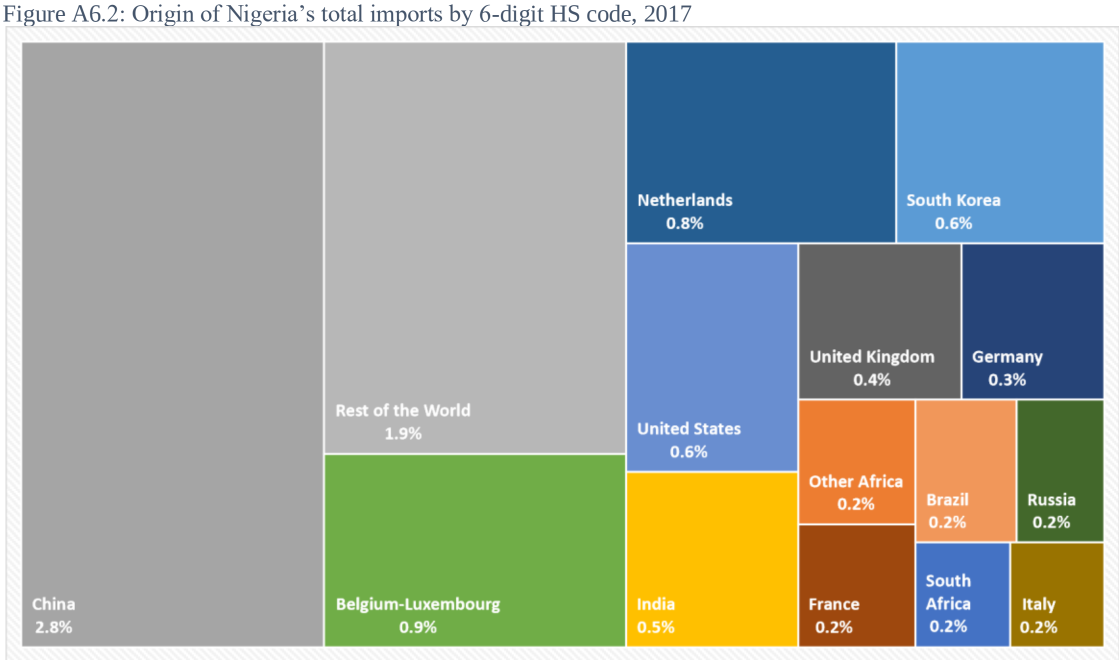


Figure A6.2: Origin of Nigeria's total imports by 6-digit HS code, 2017



Source: Computed using data from Country Profile, Observatory of Economic Complexity (OEC), MIT Atlas

Annex 7: Nigeria – Poverty and Social Indicators

Figure A5.1: Nigeria's poverty headcount, 2009/10 (Percentage of the total population)

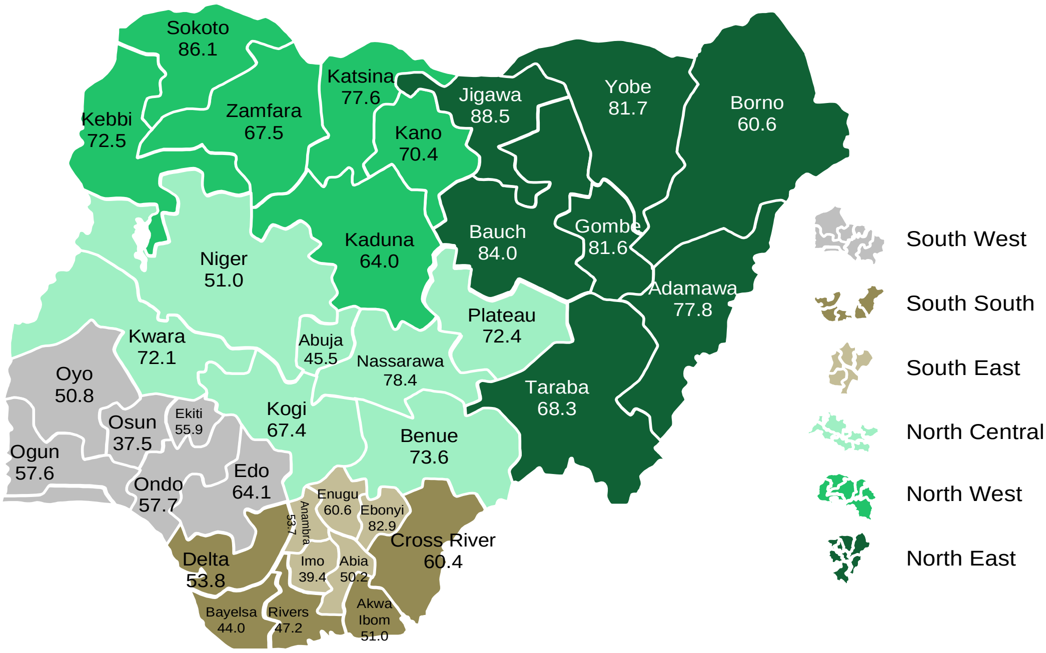


Figure A5.2: Nigeria's performance on key socio indicators

65 Nigeria's infant mortality

85 Primary School ratio in Nigeria

53 Proportion of infant mortality and maternal deaths attributable to malnutrition

54 Years of life expectancy in Nigeria

10mn School age children that are out of school

32 Proportion of children under the age of 5 that are underweight

43 Proportion of births attended by skilled health personnel

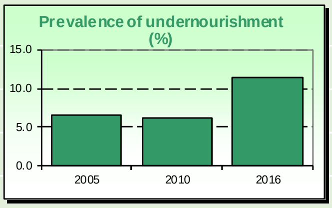
63 Children in rural areas who cannot read at all

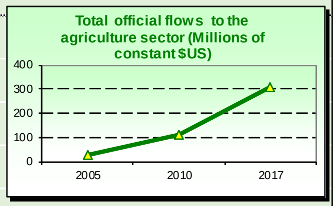
43.3 Percentage unemployed/underemployed youths in Nigeria

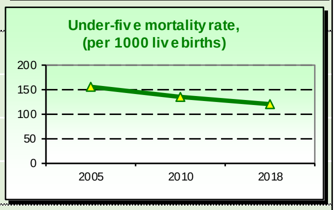
Source: AFDB Statistics Department; NBS and UNICEF

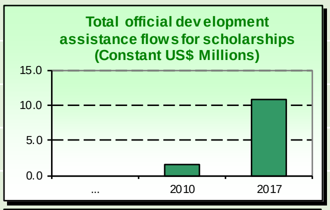
Annex 8: Progress toward achieving the Sustainable Development Goals

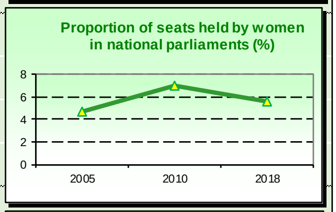
Goal 1: End poverty in all its forms everywhere	2000[1]	2010[2]	2019[3]
Proportion of population living below the international poverty line of US$ 1.90 (PPP) per day	53.5	53.5	...
Proportion of population living below the national poverty line (%)	48.4	46.0	...
Proportion of employed population below the international poverty line of US$1.90 per day, aged 15-24 (%)	59.8	60.0	...
Proportion of employed population below the international poverty line of US$1.90 per day, aged 15 and over (%)	48.3	48.0	...
Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture			
Prevalence of undernourishment (%)	6.5	6.2	11.5
Prevalence of stunting among children under 5 years of age	42.5	40.6	43.6
Agriculture orientation index for government expenditures (Unit)	0.2	0.2	0.9
Total official flows (official development assistance plus other official flows) to the agriculture sector (Millions of constant $US)	28	108	310
Goal 3: Ensure healthy lives and promote well-being for all at all ages			
Under-five mortality rate (per 1 000)	156	135	120
Maternal mortality ratio (per 100 000)	946	867	814
Total net official development assistance to medical research and basic health sectors (Millions of constant $US)	...	180	655
Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all			
Proportion of children and young people at the end of primary achieving at least a minimum proficiency level in: Reading (%)	...	...	53.8
Proportion of children and young people at the end of primary achieving at least a minimum proficiency level in: Maths (%)	...	...	...
Gender parity index of teachers in primary education who are trained	1.6	1.2	...
Total official development assistance flows for scholarships (Constant US$ Millions)	...	2	11
Goal 5: Achieve gender equality and empower all women and girls			
Proportion of women aged 20-24 years who were married or in a union before aged 18 years	...	...	43.5
Proportion of girls and women aged 15-49 years who have undergone female genital mutilation/cutting	...	...	18.4
Proportion of seats held by women in national parliaments (%)	4.7	7.0	5.6
Goal 6. Ensure availability and sustainable management of water and sanitation for all			
Proportion of population using safely managed drinking water services (%)	17.0	18.4	20.1
Proportion of population using safely managed drinking water services (%)	25.2	25.8	26.7
Level of water stress: freshwater withdrawal as a proportion of available freshwater resources	0.0	0.0	0.0
Total official flows for water supply and sanitation (Constant US$ Millions)	39	106	155
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all			
Proportion of population with access to electricity (%)	47.2	48.0	54.4
Proportion of population with primary reliance on clean fuels and technology (%)	5.0	5.0	7.0
Renewable energy share in the total final energy consumption (%)	84.0	87.0	82.4
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all			
Unemployment rate, (aged 15 over) (%)	...	1.9	4.8
Unemployment rate, (aged 15-24) (%)	...	...	7.6
Proportion of children aged 5-17 years engaged in child labour	...	27.4	23.1
Growth rate of real GDP per employed person (%)	0.7	5.0	-0.3
Total official flows disbursed for Aid for Trades (Millions of constant US$)	227	304	804

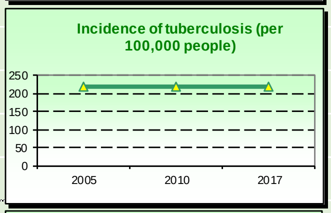


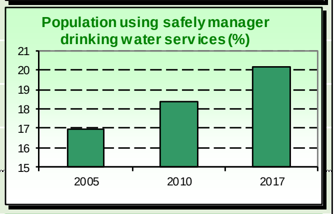


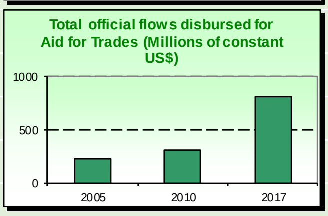












Sources : *ADB Statistics Department Database;* *last update :* *March, 2020*

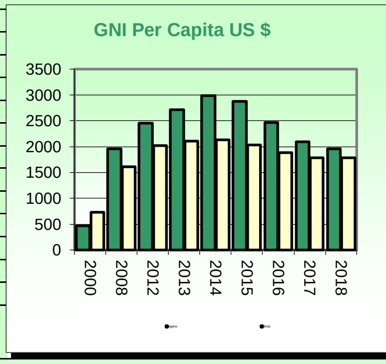
United Nations Statistical Division, Online Database on Sustainable Development Goals (https://unstats.un.org/sdgs/).

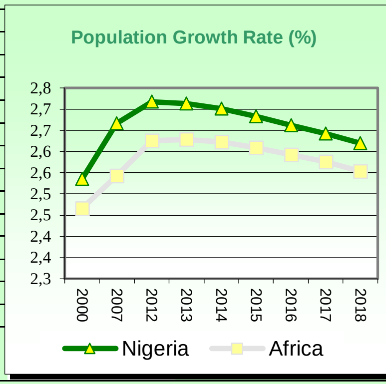
Note : n,a, : Not Applicable ; ...: Data Not Available,

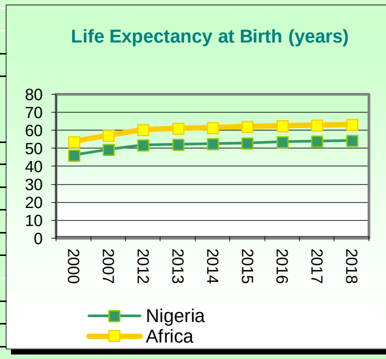
[1] *Latest year available in the period 2000-2005;* [2] *Latest year available in the period 2006-2010;* [3] *Latest year available in the period 2011-2019*

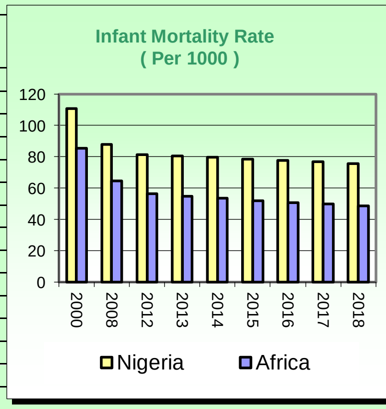
Annex 9: Comparative socio-economic indicators

	Year	Nigeria	West Africa	Africa	Developing Countries
Basic Indicators					
Area ('000 Km²)	2018	911	5,115	30,067	94,808
Total Population (millions)	2018	195.9	376.8	1,274.2	6,306.6
Urban Population (% of Total)	2018	50.3	46.4	42.9	49.8
Population Density (per Km²)	2018	215.1	74.9	43.4	68.4
GNI per Capita (US $)	2018	1 960	1 551	1 783	4 837
Labor Force Participation *- Total (%)	2018	55.2	60.1	63.5	61.8
Labor Force Participation **- Female (%)	2018	50.6	54.6	54.6	47.0
Sex Ratio (per 100 female)	2018	102.7	101.3	99.8	100.6
Human Develop. Index (Rank among 189 countries)	2017	157	...	...	...
Popul. Living Below $ 1.90 a Day (% of Population)	2007-17	53.5	41.6	31.2	11.8
Demographic Indicators					
Population Growth Rate - Total (%)	2018	2.6	2.7	2.5	1.3
Population Growth Rate - Urban (%)	2018	4.3	4.1	3.6	2.4
Population < 15 years (%)	2018	43.9	43.6	40.8	27.7
Population 15-24 years (%)	2018	19.1	19.5	19.3	16.5
Population >= 65 years (%)	2018	2.7	2.8	3.4	7.0
Dependency Ratio (%)	2018	87.3	86.5	79.2	54.6
Female Population 15-49 years (% of total population)	2018	22.9	23.3	24.1	25.4
Life Expectancy at Birth - Total (years)	2018	54.3	57.7	63.2	70.6
Life Expectancy at Birth - Female (years)	2018	55.2	58.7	65.0	72.7
Crude Birth Rate (per 1,000)	2018	37.9	37.2	33.5	20.3
Crude Death Rate (per 1,000)	2018	11.9	10.2	8.1	7.4
Infant Mortality Rate (per 1,000)	2018	75.7	64.1	48.7	31.3
Child Mortality Rate (per 1,000)	2018	119.9	99.6	70.2	42.0
Total Fertility Rate (per woman)	2018	5.4	5.2	4.4	2.6
Maternal Mortality Rate (per 100,000)	2017	917.0	704.7	432.3	230.0
Women Using Contraception (%)	2018	18.5	21.2	38.5	61.6
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-16	38.3	25.7	33.6	119.9
Nurses and midwives (per 100,000 people)	2010-16	145.2	106.6	123.3	233.9
Births attended by Trained Health Personnel (%)	2010-17	40.3	50.5	61.7	78.5
Peop. Using at least basic drinking water services (% of Pop.)	2017	71.4	69.8	66.3	87.7
Peop. Using at least basic sanitation services (% of Population)	2017	39.2	32.5	40.3	68.5
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2018	1.5	1.5	3.4	...
Incidence of Tuberculosis (per 100,000)	2016	219.0	146.2	221.7	157.0
Child Immunization Against Tuberculosis (%)	2018	53.0	70.4	81.4	85.0
Child Immunization Against Measles (%)	2018	65.0	71.0	76.1	85.2
Underweight Children (% of children under 5 years)	2010-16	31.5	19.8	17.5	15.0
Prevalence of stunding	2010-16	43.6	36.3	34.0	24.6
Prevalence of undernourishment (% of pop.)	2017	13.4	13.9	18.5	12.3
Current health expenditure (% of GDP)	2016	3.6	4.1	5.3	5.4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-18	84.7	89.4	100.1	104.1
Primary School - Female	2010-18	82.2	87.1	98.0	104.4
Secondary School - Total	2010-18	42.0	45.0	52.8	71.9
Secondary School - Female	2010-18	39.8	42.2	50.6	71.4
Primary School Female Teaching Staff (% of Total)	2010-18	48.2	40.2	48.6	62.9
Adult literacy Rate - Total (%)	2010-18	62.0	56.0	66.9	84.0
Adult literacy Rate - Male (%)	2010-18	39.1	53.6	70.8	88.2
Adult literacy Rate - Female (%)	2010-18	52.7	46.8	60.0	79.8
Government expenditure on Education (% of GDP)	2010-17	...	4.1	4.3	...
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	37.3	10.8	8.7	11.4
Agricultural Land (as % of land area)	2016	77.7	43.9	41.8	38.3
Forest (As % of Land Area)	2016	7.2	9.2	23.1	31.9
Per Capita CO2 Emissions (metric tons)	2014	0.5	0.4	1.2	3.5









Sources: AfDB Statistics Department Databases; World Bank: World Development Indicators;
last update: October 2019
UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.
*Note: n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)*
*** Labor force participation rate, female (% of female population ages 15+)*

Annex 10: Development Partners Sector Groups and Aid Coordination

SN	Sector Working Group	Chair of Group	Partners Participating
1	Macroeconomics	International Monetary Fund	IMF, WORLD BANK, DFID, AfDB, AFD, IsDB, EU, USAID, GIZ
2	Agriculture	Co-chaired by FAO and USAID	World Bank, DfID, AfDB, AFD, IsDB, EU, USAID, GIZ, Canada, JICA, FAO, IFAD, IFPRI, IITA, UNDP
3	Transport	The Group is just being formalised; hence Group is chaired on a rotational basis	AfDB, WB, IsDB, JICA, EU, DfID, USAID, AFD, GIZ
4	Power and Energy	AfDB, USAID (Co-Chairs)	WORLD BANK, DfID, AfDB, AFD, IsDB, EU, USAID, GIZ, JICA
5	Human Capital Development Core Working Group	Office of the Vice president	Constituting Development Partners, Private Sector, Think Tanks- AFDB, WORLD BANK, DFID, USAID, DANGOTE, BILL AND MELINDA GATES FOUNDATION, MCKINSEY;
6	Education Donor Partners Group(EDPG)	USAID/WB	AfDB, the World Bank, AFD, DFID, USAID, , GIZ, EU, UNESCO
7	Development Partners on Gender(DPGG)	Canadian Office/UN Women (secretariat)	AfDB, DFID, WB, UN WOMEN, USAID,EU,
8	Health and Social including Gender		
9	Governance Thematic Group	World Bank and DFID (co-chairs)	WB, AfDB, DFID, EU, AFD, USAID, GIZ, IMF, JICA, UNDP, IsDB
10	Water and Sanitation	WB and co- chaired by USAID	UNICEF, WB, USAID, IsDB, EU, DfID, Water Aid and AfDB
12	Financial and Private Sector	AfDB, IFC (Co-Chairs)	AFDB, IFC, DEG, PROPARCO, FMO, CDC, ICD
13	Environmental and Social Safeguards	AfDB	AfDB, WB, IFC, AFD, IsDB, JICA, IFAD, ECOWAS
14	Green Growth and Climate Change MDB Working Group on Climate Finance Tracking and Paris Alignment	World Bank (but rotational)	AfDB, ADB, AIIB, AFD, WB, IDB, IFC, IsDB, EIB, EBRC, NDB-BRICS

Annex 11: Country Portfolio Performance Review and Lessons

Overview of Bank's active portfolio

As at the end of December 2019, the active portfolio in Nigeria comprised 61 operations, with a total commitment of UA 3.5 billion. Of the total active operations, 29 were in the public sector, with a commitment of UA 1.5 billion (43%), comprises of 5 multinational (UA280.3 million), 8 national (UA359.7 million), and 16 subnational (UA837.4 million) operations. There were 32 non-sovereign operations with a total commitment of UA 2.0 billion, equivalent to 57% of the total portfolio. Of this UA 2.0 billion, 69% was to the financial sector, the bulk of which in the form of thematic LoCs to SMEs. The focus on lending to SMEs enables the Bank to de-risk this segment of the market, which accounts for 85% of businesses, about 80 % of employment, and 48% of GDP in Nigeria. Sectoral distribution of the portfolio shows that the financial sector accounted for 40%, followed by power (12%), water supply and sanitation (11%), industry (10%), agriculture (9%) and transport (9%). others are social & human capital development (7%), environment (1%) and governance & multi-sector (1%).

Portfolio Performance

Performance of Bank's country portfolio improved significantly during the CSP cycle. Overall portfolio rating showed significant and consistent improvement from 1.84 in 2016 to 3.13 in 2019 (on a scale of 1-4); while both Implementation Performance (IP) rating and Development Objective rating showed similar impressive trend (Table A12.1). Performance in terms of cumulative disbursement ratio was equally impressive, improving from 54% in 2016 to 73% by the end of 2019[9]. Average portfolio age declined from 4.9 to 4.2 years over the period, while the number of ageing projects reduced from 8 in 2016 to 5 by end of 2019. Also, there have been no projects-at-risk and commitment-at-risk in the portfolio since 2016. The average time from approval to signature declined from 11 months in 2016 to 8 months in 2019, while the average time from approval to the first disbursement fell from 15 months to 8 months over the same period. The Bank-wide Portfolio Flagship Report showed that the proportion of country portfolio in Nigeria flagged for implementation challenges fell drastically from 45% in 2016 to 13% in 2018 thanks to efforts by both the Bank and Government to improve implementation. Due to start-up delays experienced by specific projects approved in late 2018, the percentage of flagged projects increased to 24% by December 2019. However, as a result of intensified dialogue with the Nigerian authorities, the Bank achieved a remarkable feat in 2019 by securing Legal Opinions and Federal Executive Council (FEC) approvals within 3 months of all projects approved in late December 2018, and almost all the projects are now disbursing.

[9] The 0.54% adjustment is based on Contracts processed for disbursement with value date, end-December 2019.

Table A11.1: Key Portfolio Characteristics

Indicator	**2016**	**2017**	**2018**	**2019**
Active Projects (#)	60	52	59	61
Public Sector	29	25	27	28
Private Sector	31	27	32	33
Commitments (UA m)	3,867.1	3,529.3	3,237.2	3,538.8
Average Project size (public, UA m)	64.45	67.9	54.9	58.1
Ageing projects (#)	8	6	5	2
Average age (years)	4.9	4.5	4.8	4.2
Overall Disbursement Rate (%)	54	59	65	73
Commitments-at-Risk (%)	0	0	0	0
Projects at Risk (%)	0	0	0	0
Avg. Approval to 1st disbursement (months)	15	13	10	8
Avg. Approval to Signature (months)	11	8	5	3
Overall rating	1.84	2.51	3.01	3.13
Implementation Performance (IP) Rating	1.47	2.07	3.00	3.06
Development Objective (DO) Rating	2.21	2.95	3.03	3.20
Proportion of Flagged Projects (%)	45	40	13	24[10]

Portfolio challenges: Slow or inability to release counterpart funds affected the pace of project implementation. Nigeria's persistent capacity constraints also continuously undermine the efficiency of internal processes, resulting in late submission of audit reports, lack of full adherence to procurement plans, irregular justifications of advances to Special Accounts, and the inability of the PIUs to submit regular quarterly progress reports (QPPRs) to the Bank. Overall, portfolio performance in terms of the dispositions of the Presidential Directive N° 02/2015 has therefore been mixed. While delays in signature have been drastically reduced, first disbursement delays remain a challenge due to lengthy procurement processes and delays in fulfilling conditions precedent to first disbursement. Also, limited availability of project preparation funds/advance for middle income countries makes it difficult for the country to comply with some of the requirements (e.g. recruitment of project staff prior to Board approval, etc.).

To address these challenges, the Bank has stepped up its efforts through an enhanced dialogue with relevant stakeholders, regular consultations with PIUs, strengthening capacities of project implementation teams, notably through regular fiduciary training and overall capacity development. Technical assistance (TA) is also being provided to strengthen procurement capacity of the PIUs. Furthermore, more staff have been recruited to strengthen the human resource capacity at RDNG, but staffing level is still not commensurate with the size and complexity of Nigeria's portfolio. Proactive actions from the Nigerian authorities and project teams are also required to complement the Bank's efforts. The Bank will continue to collaborate with relevant stakeholders in order to entrench a culture of effective portfolio management. The Bank is monitoring identified portfolio management challenges through Country Portfolio Improvement Plan (CPIP) agreed with the FGN, state governments and executing agencies. A monitoring tool has been established to track projects in potential jeopardy and those pending disbursement in order to provide early warning signal for relevant stakeholders to take remedial measures in real time.

[10] Proportion of flagged projects on Portfolio Dashboard as of December 31, 2019

Table A11.2. Revised Portfolio Improvement Plan

Issue	Required Action	Responsibility	Measurable Indicator	Baseline	Timeframe	Target
A. Delayed Project Startup						
Delays in FEC Approval	Engage with GON on the reduction of days for FEC Approval	GON/Federal GON State	No Days for FEC approval		Board Approval + 1 months	Board Approval + 1 months
Delays in Loan Signature	Reduce # Days for Loan Signature	GON/State GON/Federal AfDB	No Days for Loan Signature		Board Approval + 2 months	Board Approval + 2 months
Delays in Legal Opinions	Reduce # Days for Legal Opinion	GON/State GON Federal	No Days for Legal Opinion		Board Approval + 2 months	
Delays in Loan Conditions	Reduce # Days for Loan Conditions	GON/State GON Federal	No Days for Loan Conditions		Board Approval + 3 months.	
Delays in Preparation Bid Docs	Reduce # Days for 1st Bidding Docs	GON/State AfDB	No days for 1st Bidding Docs		Board Approval + 1 months	Board Approval + 1 months
B. **Weak Project Oversight**						
Lack of signatures of Aide-Memoires	Establish a system that ensures speedy signature of GON & AfDB	GON/State AfDB	Number Aide-Memoires signed timely		Continuous	100% of Aide-Memoires
Lack of submission of QPPRs	Submission QPPRs	PIUs AfDB	No of QPPRs submitted		Continuous	100% QPPRs submitted
Information sharing between AfDB & GON/Fed	Coordination/Info Sharing Sessions	AfDB GON/Fed	No information Sharing sessions AfDB &GON/Fed		Quarterly	
C. **Irregularities in Procurement**						
Non-compliance with AfDB procedures	Provide training and documents on procedures	AfDB	No of training sessions + persons trained		Continuous	
Delays in response to procurement submissions	Track & follow-up on submissions	AfDB	No of days to respond		Continuous	
Insufficient Contract Management	Establish a system of contract management in PIUs and RDNG	PIUs AfDB	Quarterly report of action taken on contracts		Continuous	
D Irregularities in Disbursement and Financial Compliance						
Unfamiliarity with disbursement procedures	Provide training and documents on procedures	AfDB	No training sessions & persons trained		Continuous	
Errors in disbursement Submissions	Provide training and documents on procedures	AfDB	No training sessions & persons trained		Continuous	
Incomplete disbursement submissions	Provide training and documents on procedures	AfDB	No training sessions & persons trained		Continuous	
Lack of timely submission of audit reports	Adherence to plans for audit for timely submission	GON State GON Federal	No audit reports submitted timely		Continuous	100% audits submitted timely

Lessons Learned

1. The Bank Group

A major lesson at **the strategic level** is that Nigeria's continued dependence on oil for revenues and inability to mobilize additional domestic resources from the non-oil sector has hampered the financing of transformation agenda needed to create decent jobs for an ever-increasing youth population. Another important lesson is that despite the progress made in supporting infrastructure development, Nigeria still faces an acute shortage of infrastructure, mainly because of the enormity of the financing gap which cannot be solely closed by the Bank's finite resources. Nonetheless, there is need to continue to focus on infrastructure development during the CSP 2020-2024 cycle, whilst leveraging resources from other lenders in order accelerate economic diversification and achieve the hitherto elusive social inclusion.

At the operational level, there the Bank needs to continue with measures **to** enhance portfolio performance and further reduce flagged projects through improved due diligence, closer monitoring of project implementation and strengthening institutional capacity. To buttress strategic focus on social inclusion, all projects (particularly private sector operations where opportunities for employment are stronger), will integrate gender and youth components.

BDEV Evaluation: Concentration of non-sovereign financial sector portfolio in LoCs and the associated limited impact reporting was a major lesson from BDEV evaluation of the Bank's engagement in Nigeria. Thus, BDEV recommended that Bank's private sector interventions should diversify, focusing less on financial intermediation but move towards high potential areas in the real sectors including commercial agriculture and infrastructure, particularly power and transport, which have direct developmental and regional integration effects. These BDEV recommendations are addressed in the new CSP 2020-2024. In this regard, while financial sector operations including LoCs will continue to be an important component of Bank's operations, emphasis is on rebalancing the overall Bank portfolio in Nigeria away from LoCs to real investments. For LoCs, emphasizes will be on those that are well targeted and aligned to improve financial inclusion and help deliver development outcomes targeted at improving quality of life of Nigerians.

Failure of Fortis Microfinance Bank: Another lesson learned to ensure success of LoCs is the need for thorough due diligence and proper targeting of interventions, accompanied by close supervision and monitoring throughout implementation process. In this regard, the Bank's regular and thorough supervisory oversight which led to discovery of the challenges faced by Fortis Microfinance Bank until its closure, should be emphasized for all lending operations in order to forestall the losses. The ongoing drive to strengthen the staffing capacity of the Nigeria Country Office in the context of the country offices' right-sizing will be critical.

2. The Government

From discussions and consultations with FGN, sub-national government and executing agencies, key lessons for the Government include: (i) Paying **c**ritical attention to strengthening implementation capacity, both at the federal and state levels; (ii) Need for the Federal Ministry of Finance to strengthen its capacity to monitor and supervise implementation of donor-funded projects; (iii) FGN to establish Project Preparation Fund to facilitate project preparation and, (iii) Need for increased funding to tackle the problem of inadequacy and unreliability of power supply, which remains a binding constraint to economic diversification in Nigeria.

3. Development Partners

Although international aid amounts to less than 3 % of Nigeria's budget, co-financing has increased since 2015. In implementing Pillar I, the Bank leveraged its resources with UA 1.9 billion co-financing for more substantial development impact. The key lesson for development partners is for them to go beyond co-financing and put more emphasizes on collaboration in the areas of planning, project preparation and appraisal, and joint-supervision of projects.

Annex 12: Engagement with CODE/Board

NIGERIA: Country Strategy Paper 2013-2019 Completion Report Combined with Country Portfolio Performance Review (CPPR) 2019, 14 February 2020

Committee members and other Executive Directors present took note of the presentation. They acknowledged the diagnostic analysis of resilience and commended the country office for its leadership role in organizing fiduciary clinics. However, they raised questions and commented on the following issues:	
Deliberations by CODE	**Actions Taken**
1. Proposed Pillars: The Committee took note of the proposed pillars of the Bank's new strategy for Nigeria. It supported the first pillar on infrastructure development and sector governance but requested clarification on the sector governance component. Regarding the second pillar, the Committee expressed some reservations about the inclusion of human capital. It urged Management to be selective and finetune the second pillar in line with the Bank's comparative advantage. Some Executive Directors advised that the Bank's interventions in the human capital sector should be limited to developing infrastructure and not cover service-delivery activities. In this regard, Executive Directors reiterated the need for a discussion on the Bank's fifth key operational priority.	As requested, a Note was submitted to CODE members in February 2020. The two priority areas have been refined to ensure selectivity (see Chapter 5 of the CSP). The reference to “Sector Governance” is removed from the Priority Area 1 and governance is treated as a crosscutting theme in the selected infrastructure areas (power, transport, water and sanitation, and health). The “Human Capital Development” component of the Priority Area 2 has been narrowed down to “Skills Development”.
The Nigerian Economic Model: The Committee generally agreed on the need to diversify the Nigerian economy, which is heavily dependent on oil revenues. However, members expressed divergent views on the economic model to be adopted. Some called for a reduction in imports through an import substitution strategy and the promotion of local content. Others, on the other hand, felt that Nigeria should open up more to the rest of the world and make greater efforts towards regional integration. Therefore, the Committee requested that an annex on the Nigerian economy be attached to the next strategy paper, addressing issues such as domestic resource mobilization, international trade dynamics - especially with other countries in the region, economic diversification and dependence on the oil sector.	The CSP puts emphasis on economic diversification through agricultural value chains development. This will also expand trade and promote regional integration.
Portfolio Performance Review: Executive Directors observed that it was difficult to assess the real achievements in Nigeria and invited Management to explore ways to better highlight the impact of the Bank's operations in the country. They also questioned the link between the operations portfolio and the strategy and requested information on the indicative operational programme for 2020.	The new CSP is based on a results framework based on ‘Theory of Change” recently developed by the Bank in response to BDEV evaluation recommendation to enhance monitoring and evaluation of the CSP interventions.
Recurring Issues: The Committee noted that despite the size of the portfolio and the long history of co-operation between the Bank and Nigeria, issues of capacity of executing agencies, disbursement delays, and project quality at entry persist. It therefore urged Management to integrate capacity building activities into the new strategy, ensure better use of resources and pay special attention to quality at entry, through stricter use of project readiness analysis.	As guided, capacity building is a cross-cutting theme integrated into each project and Technical Assistance will be provided to relevant sector ministries, departments and agencies to ensure effective project implementation. Furthermore, portfolio management challenges will also be addressed through regular fiduciary clinics.

Private Sector Engagement: Executive Directors noted the concentration of the non-sovereign portfolio in the financial sector. They called on Management to review the use of lines of credit and give priority to direct engagement with the private sector.	The proposed Lines of Credit will be used for productive activities in the real sectors of the economy. As indicated in paragraph 48, "Financial sector operations including LoCs will continue to be an important component of Bank's operations. Emphasis, however, will be on rebalancing the overall Bank portfolio in Nigeria away from LoCs to real investments. For LoCs, emphasizes will be on those that are well targeted and aligned to improve financial inclusion and help deliver development outcomes targeted at improving quality of life of Nigerians." This is the case of the Bank's COVID-19 response to the health Sector, which will be delivered through experienced financial intermediaries to reach targeted beneficiaries.
Conclusion and Recommendations At the end of its deliberations, the Committee took note of the Country Strategy Paper 2013-2019 Completion Report Combined with Country Portfolio Performance Review (CPPR) 2019 for Nigeria, as well as the proposed pillars for the 2020-2024 CSP. It also took note of the size and complexity of Nigeria, its role in the region and the Bank's strong engagement with the authorities on policy dialogue and made the following recommendations:	
1. Management should be selective and fine-tune the pillars of the new strategy, in line with the areas where the Bank has a comparative advantage. In this regard, Management shall submit a brief note on the pillars for the new CSP to CODE members; and	Management submitted a Note to CODE members in February 2020, finetuning the two Priority Areas to ensure selectivity.
2. Management should organize, as soon as possible, a CODE session on the Bank's approach to selectivity, and how it would meet the selectivity commitments set out in the GCI-VII policy matrix.	In February 2020, Management presented the Bank's approach to selectivity to CODE.

Annex 13: Mainstreaming Climate Change into Selected CSP IOP 2020-2024

Operation Type	Selected Projects	Climate Change Vulnerability	Contribution to low-carbon development and climate	Contribution to/ability to attract climate finance
	Agriculture			
Sovereign	Nigeria - Special Agro-Industrial Processing Zones I (SAPZs I)	2	2	2
Sovereign	Nigeria Forest, Land Restoration and Resilience Project	3	3	3
	Finance			
Non-sovereign	Nigeria Mortgage Refinance Company(NMRC)	*	*	2
Sovereign	Family Homes Fund and Integrated Skills Development Project	1	2	2
Non-sovereign	Access Bank Nigeria	*	*	*
	Industry			
Non-sovereign	NOTORE Fertilizer Plant	2	2	1
Non-sovereign	Brass Fertilizer Project	1	2	1
	Multi-Sector			
Sovereign	Integrated Infrastructure Development Project in Ekiti State	2	2	2
Sovereign	Technical Assistance Support for Capacity Building for Project Management Unit Professionalization	*	*	*
	Power and Energy			
Non-sovereign	Proton Delta Sunrise 500mw Power Plant	2	2	2
Sovereign	Nigeria Transmission Expansion Project - Phase II (NTEP II)	2	2	0
	Social and Human Capital Development			
Sovereign	Nigeria Innovation Fund Project	1	1	1
Sovereign	Youth Employment and Skills Development Project	1	1	1
	Transport			
Non-sovereign	Lagos Cable Car Transit System (LCCT)	1	3	3
Sovereign	Bakassi Deep Seaport Project	3	2	1
	Urban Development			
Non-sovereign	Enyimba Economic City Development Project	*	*	*
Non-sovereign	Eko Atlantic Infrastructure Project	3	2	3
	Water and Sanitation			
Sovereign	Integrated Water, Sanitation, Solid Waste Management and Energy from Wastes for Kano City	2	3	2
Sovereign	Abuja Federal Capital Territory Multi-Sector Infrastructure Development Project	1	1	1
(*) to be determined; (0) no contribution; (1) small contribution; (2) moderate contribution; (3) significant contribution				

Annex 14: Indicative Operations Program (IOP) 2020-2024 and contribution to the High-5s

Table A14.1: Lending Program and Alignment with Banks High 5s

SRAS Operation Type	Project Name	Bank Fin. ($ Mil.)	Co-Fin. ($ Mil.)	Indicative Approval Year	Sector	Contribution to Banks High 5s
Priority Area 1: Supporting Infrastructure Development						
Sovereign	Distribution Rehabilitation and Expansion Programme	500	500	2021	Power and Energy	H-1,2,3,4,5
Sovereign	Electric Coops Pilot in Nigeria	10		2021	Power and Energy	H-1
Non-sovereign	Proton Delta Sunrise 500MW Power Plant	50		2023	Power and Energy	H-1,3
Non-sovereign	Solar IPPs - Programme	150	500	2023	Power and Energy	H-1
Non-sovereign	Qua Iboe Power Project	100	600	2024	Power and Energy	H-1
Non-sovereign	GFD Gas Commercialization Project	100	700	2024	Power and Energy	H-1,3
Non-sovereign	Nigeria Geb - Waste-To-Ethanol and Cookstoves	40		2024	Power and Energy	H-1,6
Sovereign	Nigeria Transmission Expansion Project - Phase 2 (NTEP II)	150	50	2024	Power and Energy	H-1,2,3,4,5
Sovereign	Solar IPPs - ADF PRG Programme	20		2024	Power and Energy	H-1
Sovereign	Technical Assistance to Aviation Sector Public Private Partnership Project	1.5		2021	Transport	H-4
Sovereign	Cross River State Rural Access and Mobility Project Phase II	50		2022	Transport	H-2,4
Non-sovereign	Lagos Cable Car Transit System (LCCT)	70	115	2022	Transport	H-1,4
Non-sovereign	Bakassi Deep Seaport Project (PPP)	70	500	2023	Transport	H-3,4
Sovereign	Nigeria Transport Infrastructure Rehabilitation Programme (Phase I)	150	350	2023	Transport	H-4
Non-sovereign	Enyimba Economic City Development Project	100	267	2022	Urban Dev.	H-1,3
Non-sovereign	Abuja Technology Village Project	50		2023	Urban Dev.	H-3
Sovereign	Komadugu-Yobe multipurpose Water Resources Development Project	80	40	2021	Water and Sanitation	H-2, 5
Sovereign	Abuja Federal Capital Territory Multi-Sector Infrastructure Development Project	150	200	2022	Water and Sanitation	H-1,2,3,4,5

Sovereign	Kaduna City Water and Sanitation Expansion Project (II)	100	100	2024	Water and Sanitation	H-1,3,5
Sovereign	Integrated Water, Sanitation, Solid Waste Management and Energy from Wastes for Kano City	100	50	2024	Water and Sanitation	H-1,3,5
Sovereign	COVID-19 Response - Health Emergency Assistance in Time (HEAT) Project (CRF)	125		2020	Social	H-1,5
Sovereign	Support to Health diagnostic Infrastructure Development (PPP)	100	75	2023	Social	H-5
Sovereign	Integrated Infrastructure Development Project in Ekiti State	80	65	2021	Multi-Sector	H-1,3
Sovereign	Abia State Integrated Infrastructure Project (Transport and Solid Wastes Management)	100	200	2022	Multi-Sector	H-1,2,3,4,5
Priority Area 2: Promoting Social Inclusion through Agribusiness and Skills Development						
Sovereign	COVID-19 Response to Agriculture (CRF)	23		2020	Agriculture	H-2,3
Sovereign	Nigeria - Special Agro-Industrial Processing Zones I (SAPZs I)	100	100	2021	Agriculture	H-2,3
Sovereign	Nigeria - Special Agro-Industrial Processing Zones II (SAPZs II)	200	100	2023	Agriculture	H-2,3
Sovereign	Nigeria Forest, Land Restoration and Resilience Project	50	50	2024	Environment	H-1,2
Non-sovereign	LOC to First City Monument Bank - AFAWA (CRF)	40		2020	Finance	H-1,2,3,4,5
Sovereign	Family Homes Fund and Integrated Skills Development Project	70	30	2021	Finance	H-3,5
Non-sovereign	LAPO Micro Finance Thematic Facility for Agro-Industry Development	40		2022	Finance	H-2,3
Non-sovereign	LOC to FSDH Merchant Bank Trade Finance (AFAWA)	50		2024	Finance	H-5
Non-sovereign	AA Universal Agro Industries Ltd	40	90	2022	Industry	H-2,3
Non-sovereign	OCP Chemicals and Fertilizer Modernization Project	70	530	2024	Industry	H-2,3
Non-sovereign	Brass Fertilizer Project	50		2024	Industry	H-2,3
Sovereign	COVID-19 Crisis Response Budget Support Program (CRF)	500		2020	Multisector	H-1,2,3,4,5
Sovereign	Nigeria Innovation Fund Project	100	400	2022	Multi-Sector	H-1,2,3,4,5

Sovereign	Inclusive Higher Education – Improved Open and Distance Learning in Nigeria	50	50	2022	Social	H-5
Sovereign	Integrated Skills Development for Jobs and Infrastructure Project (Katsina and Kwara States)	100	120	2022	Social	H- 1,2,3,5
Sovereign	Informal Artisans Upgrade and MSMEs clustering Programme	80	70	2023	Social	H-1,2,3,4,5
Sovereign	Technical and Vocational Education Training Skills for Industry	80	70	2024	Social	H-1, 2,3,5
	TOTAL	**4,09**	**5,92**			
(H-1) Light up & Power Africa; (H-2) Feed Africa; (H-3) Industrialize Africa; (H-4) Integrate Africa; (H-5) Improve the quality of life for the people of Africa						

Table A14.2: Non-Lending Program and Alignment with Banks High 5s

Economic Sector Work (studies)	Bank Total ($ Million)	Sector	Contribution to Banks High 5s
Development of Nigeria Secondary Bond Market	1.0	Finance	H-3
Assessment of Credit Constraints and Growth of MSMES in Nigeria	1.0	Finance	H-3
Study on the Middle-Income Trap in Nigeria	1.0	Macroeconomics	H-3
Study on Lifelong Learning, Informality and Youth Employment in Nigeria	1.0	Social	H-5
Study on food price inflation, Fragility and health outcomes In Nigeria	1.0	Social	H-5
(H-1) Light up & Power Africa; (H-2) Feed Africa; (H-3) Industrialize Africa; (H-4) Integrate Africa; (H-5) Improve the quality of life for the people of Africa			

Annex 15: Nigeria CSP 2020-2024 Results Measurement Tool

A. Strategic Alignment Matrix: *This matrix demonstrates alignment of the CSP's Priority Areas with both the Government's National Development Plan and the Bank's own priorities. It is not intended to assess performance of the Bank's support.*

Priority Area 1: Supporting Infrastructure Development

National Development Plan	Corporate Policies
Nigeria Vision 20:2020: Chapter 4 on infrastructure to support sustainable economic growth **Nigeria Economic Recovery and Growth Plan (ERGP) 2017-2020:** Chapter 4.1 on Infrastructure. **FGN Eleven-Point Agenda:** (i) Economic governance reforms to achieve macroeconomic stability and stimulate economic growth, (iv) Improve health care and system, (v) Increase/improve productivity, (vi) Achieve energy self-sufficiency (vii) Develop transportation infrastructure including railways & airports **Sustainable Development Goals:** Good Health and Well-being (SDG 3); Clean Water and Sanitation (SDG 6); Affordable and clean energy (SDG 7); Industry, Innovation and Infrastructure (SDG 9)	**Ten-Year Strategy 2013-2022:** (i) Operational Priorities: Infrastructure Development and Regional Integration; (ii) Area of special emphasis: Gender, agriculture and food security. **High 5 priorities:** (i) Light up and Power Africa; (ii) Integrate Africa; (iii) Industrialize Africa; (iv) Improve the quality of life for the people of Africa

Country Sector/Thematic Strategy	Bank Sector/Thematic Strategy
National Integrated Infrastructure Master Plan 2014-2044: Transport; energy; ICT; Agriculture; housing; mining; and Social infrastructure. **Power Sector Recovery Programme 2017-2021:** Restoring financial viability, improving reliability power, strengthening institutional framework & transparency, and establishing contract-based market. **National Broadband Plan (2020-2025):** Deepening internet penetration in the country and equipping young Nigerians with digital and entrepreneurial skills. **National Action Plan for the Revitalization of the WASH sector:** Ensuring that all Nigerians have access to sustainable and safely-managed WASH services by 2030, in compliance with SDG 6). **National Health Strategic Development Plan II (NHSDP II) 2018-2024** with the vision to promote healthy lives and wellbeing of Nigerians	**Bank Group Strategy for the New Deal on Energy for Africa 2016-2025:** (i) increase energy production, scale-up energy access, improve affordability, reliability and energy efficiency while improving access to clean energy. **Policy for Integrated Water Resources Management** **Regional Integration Strategic Framework 2018-2025:** (i) Infrastructure connectivity; and (ii) Trade and Investment. **Bank Human Capital Strategy 2014-2018 to be extended 2022:** (ii) Service delivery and systems strengthening

Country Development Results/Indicators

Indicator	Baseline (2019)	Target (2024)
Power Infrastructure		
Enhanced transmission and distribution cap. (GW)	7	10
Strengthened power distribution (Ave. GW per day)	4	8
Generated renewable energy (GW)	2.3	4
Increased national electricity access rate (% population)	45	60
Rural electrification and Power Access (% of rural households)	30	50
Transport		
Network of States roads in good condition (%)	50	70
Strengthened Logistics/Seaport cargo (million tons)	75	100
Water and Sanitation Infrastructure:		
Improved access to water services (% of population)	67	75
Improved access to sanitation (% of population)	42	55
Open Defecation Free (ODF) (% of population)	72	100
Health Infrastructure:		
Average life expectancy	52	54
Under five mortality (deaths per 1,000 live births)	132	100

Planned Bank's interventions & Resources

Generic areas of interventions or instruments	UA million
Investments:	**2 447**
…of which sovereign operations	1715
…of which non-sovereign operations	730
Capacity building and Technical Assistance:	**1.5**
Knowledge work:	**0.5**

Priority Area 2: Promoting Social Inclusion through Agribusiness and Skills Development

National Development Plan	Corporate policies
Nigeria Vision 20:2020: Chapter 2 on Guaranteeing the wellbeing and productivity of the people **Nigeria Economic Recovery and Growth Plan:** Chapter 5: Investing in our people **FGN Eleven -Point Agenda:** (i) Economic governance reforms to achieve macroeconomic stability and stimulate economic growth, (iii) Enhance investment in human capital to create jobs, especially for youth, (v) Increase productivity, (viii) Stimulate industrialization with focus on small businesses as engines of growth and job creation, (x) Optimise investment in food security, social inclusion, self-sufficiency in agriculture & enhance social investment plan, and (xi) Improve access to mass housing and financial inclusion. **Sustainable Development Goals:** Zero Hunger (SDG 2); Quality Education (SDG 4); Gender Equality (SDG 5); Decent Work and Economic Growth (SDG 8)	**Ten-Year Strategy 2013-2022:** (i) Operational Priorities: Private sector development; (ii) Area of special emphasis: gender, agriculture and food security. **High 5 priorities:** (i) Feed Africa; (ii) Industrialize Africa; (iii) Integrate Africa; (iv) Improve the quality of life for the people of Africa.

Country sector strategy	Bank Sector/Thematic Strategy
Comprehensive African Agricultural Policy Programme (CAADP) **Agricultural Promotion Policy (2016-2020)** **Nigeria National Financial Inclusion Strategy (Revised) 2018** **Education for change: a ministerial strategic plan (2018-2022):** Emphasis on Science, Technology, Engineering and Mathematics (STEM), and Technical, Vocational Education and Training (TVET) **Strategic Framework and Implementation Plan for Job Creation and Youth Employment in Nigeria (2016-2018):** Identifies four sectors for scaled up response to job creation and youth employment; agribusiness and agro-allied industries, wholesale and retail trade, construction, and ICT. **National Digital Economy Policy and strategy (2020-2030):** Build a nation where digital innovation and entrepreneurship are used to create value and prosperity for all.	**Strategy for Agricultural Transformation in Africa 2016-2025**: (i) investment in infrastructure, particularly energy to drive agriculture transformation; (ii) linking production to markets; (iii) strengthening processing capacity and job creation. **Regional Integration Strategic Framework (2018-2025)**: (i) Infrastructure connectivity, (ii) Trade and Investment. **Bank Group Strategy for Jobs for Youth in Africa (2016- 2025)**: (i) integration, innovation; and (iii) investment. **Bank Human Capital Strategy 2014-2018 to be extended to 2022:** (i) Skills and technology for employability; (ii) Service delivery and systems strengthening (iii) catalytic safety nets **Financial Sector Development Policy and Strategy 2014-2019 extended to 2020**

Country Development Results/Indicators:

Indicator	Baseline (2019) *	Target (2024)
Agricultural Value Chain Development		
Agricultural productivity (T/Ha)		
- Rice	2.2	3.3
- Cassava	6.0	15.0
Skills Development and Support to MSMEs for Employability and Job Creation		
Secondary enrolment, including technical colleges (%)	42	48
Access to credit for private sector (% of GDP)	11.8	15
Male youth unemployment rate (%)	19.4	15
Female youth unemployment rate (%)	19.9	15
Youth unemployment rate (%)	29.7	25
Youth working in poor conditions (%)	81	70

* Or latest available data.

Bank's interventions & Resources:

Interventions or instruments in West Africa	Amount (UA)
Investment:	**1 643**
…of which sovereign investment operations	1 352
…of which non-sovereign Investment operations	160
…of which lines of credit	130
Capacity building and Technical Assistance:	**0.75**
Knowledge work:	**0.25**

B. Performance Matrix: *The performance matrix measures a wide range of results that should be regularly tracked during CSP period. This does not only include operational results that will be delivered by the projects approved in the previous period, but also other essential elements of the CSP including cross-cutting issues, financial leveraging, harmonization, portfolio performance, etc.*

Performance areas	Monitoring indicators	Baseline (2019)	Target (2025)	Source of Verification
Operational results: Outcomes	**Priority Area 1: Supporting Infrastructure Development**			
	Power: Enhanced power distribution (Average GW per day) Transmission and distribution Infrastructure capacity (GW) Generated renewable energy (% of total supply) Rural electrification and Power Access (% of rural households)	4 7 12 30	8 10 30 50	IPR/PCR
	Transport: Reduced travel time (hours) Reduced Vehicle Operations Cost (USD/Km)	2 - 6 1.1	1 - 3 0.83	IPR/PCR IPR/PCR
	Water and Sanitation: People with access to improved water services (million) People with access to improved sanitation facilities (million)	0 0	13,4 11,6	IPR/PCR IPR/PCR
	Health Infrastructure People with access to health services (#)	0	1,000,000	IPR/PCR
	Priority Area 2: Promoting Social Inclusion through Agribusiness and Skills Development			
	Agriculture and Agrobusiness: Post-harvest losses on agricultural value chain products (rice, maize, cassava, groundnut, fish). Boosting agricultural productivity (T/Ha): - Rice - Cassava - Maize - Soybean - Sorghum - Cocoa - Groundnut - Cotton - Dairy Milk (Liters/Day)	60 2.2 6 2 1.5 1.5 0.38 0.5 0.45 2.0	25 6 15 4.5 2.5 2.9 1.0 2.5 2.0 8.0	PCRs/PSRs/CSP Completion Report
	Skills Development and Support to MSMEs for Employability and Decent Job Creation: Employability rate of youth acquiring industry skills from Bank projects. Growth in revenue of supported MSMEs, including women and youth enterprises (USD million)	0 0	70% 800	Jobs for Youth PCR PCRs/PSRs/CSP Completion Report
Operational results: Outputs	**Priority Area 1: Supporting Infrastructure Development**			
	Power: Generated Renewable Power (MW) Built power transmission line built (km)	0 0	2,000 1,282	IPR/PCR IPR/PCR
	Transport: Constructed urban and rural roads (km) Bus Rapid Transit (BRT) Lanes (km)	0 0	600 32	IPR/PCR IPR/PCR
	Water and Sanitation: Constructed water systems (#) Constructed distribution networks (km) Constructed boreholes constructed (#) Provided sanitation facilities in schools and public places (#)	0 0 0 0	600 1,975 3,440 6,900	IPR/PCR IPR/PCR IPR/PCR IPR/PCR
	Health Infrastructure: Constructed Tertiary, secondary and primary health facilities (#)	0	120	IPR/PCR
	Priority Area 2: Promoting Social Inclusion through Agribusiness and Skills Development			
	Agriculture and Agrobusiness: Established SAPZs (#) Irrigable land opened up in the 12 River Basins (hectares)	0 0	6 100,000	PCR PCR

	Skills Development and Support to MSMEs for Employability and Decent Job Creation: Constructed TVET acquisition centers/innovation hubs (#) Youth trained in entrepreneurship and industry skills (#) - Of which 40% women (#) Upgraded MSME clustered receiving support (#) Volume of financing through intermediaries /capital markets to MSMEs (including women, and youth enterprises) (USD million)	0 0 0 0 0	100 60,000 24,000 5 500	PCR PCR PCR PCR PCRs/PSRs/CSP Completion Report
Cross-Cutting Issues				
Job created	Jobs created through Bank projects (#) (direct, indirect, induced)	0	702,736 [11]	AfDB PARs and PCRs; Jobs impact study report
Climate Change & Green Growth	Reduced Green House Gases (% NDC target) Climate-proof projects (% of lending operations) Climate finance allocation (% Bank Portfolio)	3 100 32	20 100 40	IPCC and Nigeria's NDC Climate Reports AfDB Appraisal Reports
Gender	Women led MSMEs accessing credit through Bank LOCs/AFAWA (#) Women equipped with industry/entrepreneurship skills (#) National Gender Policy developed (Yes/No)	0 0 No	10,000 10,000 Yes	PCR PCR Publication of policy
Financial Leveraging	Amount of co-financing (UA million) Green Climate Funds (UA million) PPP transactions (#)	2,500 0 0	3,000 150 4	AfDB Appraisal Reports
Portfolio Performance	Projects flagged for implementation challenges (%) Overall portfolio performance rating (1 to 4) Timely PCRs posting (average % of projects) Time from approval to signature (months) Time from approval to first disbursement (months)	24 3.2 0 3 8	15 3.4 100 3 6	AfDB Executive Dashboard
Sustainability and Capacity Building	Budget allocated for infrastructure maintenance (USD million) Budget allocated for sustainability of technology park project (USD million)	0 0	35 2	PCRs/PSRs/CSP Completion Report
Knowledge Work/Policy Advice	ESW produced (#) Policy Dialogue Notes prepared (#) National Procurement Diagnostic Study completed (No/Yes)	0 0 No	5 10 Yes	ESW Reports Dialogue Notes Study Report
Development Harmonization	Sector Working Groups led by AfDB (#) Working Groups in which AfDB participated (#) Use of Country Procurement Systems (% of AfDB projects) Joint donor missions per year (#)	1 5 0 1	1 6 10 5	Development partners meetings' minutes/Aid coordination reports

[11] Estimation of jobs is based on expected total investments of USD 5.03 billion lending over the CSP period. We apply sector specific employment loan ratios from AfDB's 2015 studies on "Employment Effects of Multilateral Development Bank Support: The Case of the African Development Bank". The study used data based on quantity of jobs created (direct +indirect) during implementation of Bank sovereign and non-sovereign operations and as reported by Project Completion Reports (PCRs), Expanded Supervisory Reports (XSRs) respectively and other secondary sources covering the period 1990 and 2010. The Employment loan ratio (i.e. per US$ 1 million of investment) are Agriculture =28.7; Road and Transport =57.4; Energy=46.3; Water and Sanitation=28.4; Economic/Institutional/Reform=621.7; Education& Health=7.4; Finance & LOCs=504.2. It should be noted that these are indicative values as methods to estimate jobs generated by economic activity are very case specific and could be much more complex and varied. In addition, this measurement does not factor in the quality of jobs nor its sustainability. Over the CSP period, studies will be conducted to generate typical sector context specific multipliers.

Annex 16: Findings from stakeholder consultations

Consultations on the new CSP 2020-2024 took place at different times namely, during the preparation mission of the 2013-2019 CSP Completion Report (CR) and Country Portfolio Performance Review (CPPR), the validation workshop of the CSP CR and CPPR, and the CSP 2020-2024 preparation mission; carried out in close consultation with the respective governments (national and sub-national); Ministries, Departments and Agencies (MDAs); Executing Agencies; the private sector and civil society organizations. A questionnaire was used to solicit feedback from relevant MDAs and Executing Agencies on portfolio performance, challenges and best practices in implementing the country portfolio and measures to further improve the country portfolio. The workshops held included representatives of the Office of the Vice President of Nigeria; Nigeria Governors Forum; Office of the Government of the Federation; North-East Development Commission; Central Bank of Nigeria; Federal Ministry of Finance, Budget and National Planning; and 19 other MDAs. Consultations were also held with development partners, private sector and the civil society. The key issues raised during various stakeholder consultations include the following:

a) **Stakeholders Engagement:** There was a suggestion on the need for better stakeholder engagement to ensure that all agencies including implementing agencies that are involved in projects implementation and monitoring are engaged at the concept stage. There is the need to have a focal point in all MDAs to enhance engagements.

b) **Ownership of the Project:** Issues surrounding ownership and the need for the borrower to take ownership of the project particularly in the drafting of the project appraisal documents was discussed.

c) **Special Agro-Industrial Processing Zone:** Stakeholders underscored the importance of the Special Agro-industrial Processing Zones (SAPZs) to Nigeria's transformation agenda, the need for close consultation and collaboration with the private sector in its implementation, and the imperative of building necessary infrastructure and capacity for the process

d) **Sector Governance**: Issues on data support to strengthen governance and ensure a robust monitoring and evaluation framework was raised. This underpins the importance of data collection and storage

e) **Capacity Development:** Implementation units need to be strengthened. The Bank has a role of assisting in strengthening institutional capacity and building the capacity of Executing agencies through capacity development workshops. It is proposed that capacity component should be included in each project to strengthen project implementation capacity. The Bank needs to leverage on its expertise to provide advisory services to government, especially at sub-national level, in ensuring due diligence in project implementation including projects funded through the government budget.

f) **Project Design:** Need to improve the quality of project designs particularly the Result Framework to improve the monitoring of results. To this end, it is proposed that the Federal Government of Nigeria should establish a special Project Preparation Fund to facilitate robust project preparation and enhance quality at entry.

g) **Domestic Resource Mobilization-** Issue on low domestic resource mobilization was raised and the need for policy advice on how government can improve its domestic resource mobilization. In this context, the recent increase in value-added tax from 5% to 7.5% was acknowledged. Furthermore, the financial gap can be bridged by leveraging on private sector resources.

h) **Mainstreaming of Projects into the Budget:** State governments need to ensure projects are mainstreamed into the State Budget and proper management of public funds is very essential particularly at this level of government.

i) **Strengthening the Capacity of the Research Arm of the National Assembly** by leveraging on expertise from the Bank and strengthening the capacity of the National Institute of Legislative and Democratic Studies.

j) **Jobs, skill gaps and mix:** Emphasis should be put on human capital development to address the problem of skill gaps and skill mix through technical and vocational education and training. The design of the intervention should match scale of need for overall skills development aimed at strengthening the overall skills delivery system. Need to ensure design and implementation of skills and job enhancement projects draw from lessons of projects by the Bank and other donor on what has worked and what hasn't from Nigeria and Africa. For instance, the DFID MAFITA programme (successes with institution building but challenges with affordability of skills training) and manufacturing programmes working with investors, and improving regulation, developing backward linkages e.g. with farmers provides valuable lessons

k) Ensure that environmental and social policies are implemented in terms of the Bank' internal capacity as well as aimed at building Nigeria's capability to address social and environmental aspects of infrastructure investments and focus should be on tracking progress against set targets, identify and tackle challenges as they emerge.

l) Need to demonstrate, graphically, the discrepancy between future population growth and economic **growth path in order to** emphasise the risks to achieving SDGs of not establishing high and sustained rates of growth based on greater diversification.

m) Any interventions in the financial sector, especially provision of lines of credit, should aim at supporting Nigeria's financial sector development rather than crowd our traditional forms of finance from deposit money banks and other financial institutions.

END NOTES

[i] Partly due to corruption, delays in delivery of justice and disobeying of court orders by the Executive arm of government

[ii] Consequently, Nigeria became the largest country in Africa and 26th in the world

[iii] Nigeria has tradable commodities/raw materials to be processed including agriculture products (e.g cocoa, cotton, rice etc.), crude oil, cement and other mineral resources to promote both import substitution and export promotion.

[iv] As at end of March 2020, the price of Brent Crude oil has fallen to US$22.76 per barrel down from about US$60 a month earlier in end-February 2020.

[v] Figures obtained from the 'National Integrated Infrastructure Master Plan (NIIMP)' for Nigeria (https://nesgroup.org/storage/app/public/policies/National-Intergrated-Infractructure-Master-Plan-2015-2043_compressed_1562697068.pdf)

[vi] Some of the administrative controls included the restrictions on access to foreign currency for 41 import items, freezing of domiciliary accounts for almost a year, and suspension of PTA sales at the forex markets.

[vii] Oxford Business Group, Steady Progress made to expand broadband in Nigeria, 2018.

[viii] The minimum wage was revised upwards to about US$100 in 2019. However, implementation has yet to start and some states are likely to face challenges effecting the new rate due to lack of fiscal space

[ix] In this context, 1 GB of internet data in Nigeria costs more than some other African countries

[x] Figures obtained from the 'National Integrated Infrastructure Master Plan (NIIMP)' for Nigeria (https://nesgroup.org/storage/app/public/policies/National-Intergrated-Infractructure-Master-Plan-2015-2043_compressed_1562697068.pdf)

[xi] ABSA (2018) Africa Financial Markets Index

[xii] https://www.businessamlive.com/nigeria-needs-142bn-contribution-meet-2030-climate-change-target/

[xiii] CIVICUS is a global alliance of civil society organisations and activists dedicated to strengthening citizen action and civil society throughout the world.