Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 31-May-2022 | Report No: PIDC262061

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Parent Project ID (if any)	Program Name
Nigeria	P177442		Nigeria: State Action on Business Enabling Reforms (SABER)
Region	Estimated Appraisal Date	Estimated Board Date	Does this operation have an IPF component?
Western and Central Africa	29-Sep-2022	06-Dec-2022	Yes
Financing Instrument	Borrower(s)	Implementing Agency	Practice Area (Lead)
Program-for-Results Financing	Federal Ministry of Finance, Budget and National Planning	Federal Ministry of Finance, Budget and National Planning	Finance, Competitiveness and Innovation

Proposed Program Development Objective(s)

The Program Development Objective (PDO) is to improve the business enabling environment in the participating states.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	2,400.00
Total Operation Cost	750.00
Total Program Cost	730.00
IPF Component	20.00
Total Financing	750.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	750.00
World Bank Lending	750.00

Concept Review Decision

B. Introduction and Context

Country Context

1. **Nigeria is the most populous country and the largest economy of Sub-Saharan Africa and is central to the World Bank goals in the region.** With over 200 million people and an estimated GDP of USD421 billion in 2021, Nigeria is by far the most populous country and largest economy in the region. With an estimated 80 million people living in poverty, Nigeria is central to the World Bank Group (WBG)'s mission of eliminating poverty globally.

2. **Nigeria's development progress has stagnated since 2015**. Between 2001 and 2014 Nigeria was a rising growth star in West Africa, with an average growth rate of 7 percent per year, and among the top fifteen fastest growing economies in the world. The rising tide stopped since 2015 due to: (i) a decline in oil prices; (ii) increased insecurity; (iii) a reversal of macroeconomic reforms and heightened unpredictability of economic policies; and—more recently—(iv) the adverse effects of the COVID-19 pandemic. As a result, growth reduced to a 1.1 percent average between 2015 and 2021. The subdued economic growth, coupled with a rapid increase in population at 2.6 percent per year, one of the highest of the region, widened the gap in real GDP per capita between Nigeria and its peers.

3. **The outlook for Nigeria's growth is uncertain and highly dependent on external factors and the government's overall policy response to longstanding issues.** Nigeria's growth is expected to remain above population growth in 2022-2023, averaging 3.8 percent. The country's economic outlook remains uncertain. The projected recovery can be threatened by: (i) the impact of the 2022 Russian invasion of Ukraine on the global economy through lower capital flows, heightened uncertainty, higher prices of imported food and inputs for fertilizers, lower global growth, and volatile oil prices; (ii) lower-than-expected oil production due to technical inefficiencies; (iii) heightened insecurity; (iv) higher uncertainty on policy direction arising from the upcoming February 2023 general elections; and (v) worsening fiscal risks related to the premium motor spirit (PMS) subsidy deductions. Even in the most favorable global context, the policy response of Nigeria's authorities will be crucial to lay the foundation for a robust recovery. The authorities can boost growth by strengthening macroeconomic reform efforts, including measures aimed at: (a) adopting a more flexible and transparent foreign exchange management regime; (b) accelerating revenue-based fiscal consolidation; (c) strengthening expenditure and debt management; and (d) improving the business enabling environment.

Sectoral (or multi-sectoral) and Institutional Context of the Program

4. **Catalyzing private investment is needed to achieve a robust recovery.** Nigeria's ability to attract investment is low, and declining, compared to its peers. Between 2016 and 2019, while Africa's share of global foreign direct investment (FDI) inflows grew from 2.2 percent to 3.2 percent, Nigeria's share of FDI inflows to Africa declined from 7.5 percent to 4.9 percent. With FDI at 0.51 percent of Nigeria's GDP in 2019, compared to an average of 2.94 percent of GDP in lower-middle-income countries,[1] attracting FDI that has potential for job creation, revenue diversification and growth remains a key priority. The current fiscal pressures faced by the country have further underlined the imperative that crowding in private investment at scale is needed to achieve Nigeria's development priorities.

[1] UNCTAD. 2021. Country Factsheet on Nigeria: World Investment Report – Investing in Sustainable Recovery; and World development indicators. Washington, D.C.: The World Bank.

5. **Low private investment in a context of low competitiveness has resulted in a decline of medium-sized and productive firms, critical for economic growth and good jobs.** According to the 2019 Global Competitiveness Report, of the 141 countries assessed, Nigeria is ranked 116th, trailing behind South Africa (60th), Rwanda (100th) and Ghana (111th). Low productivity is pervasive across several sectors in the Nigerian economy. Nigeria's manufacturing sector has a lower total factor productivity (TFP) relative to comparator countries: TFP is between two and three times higher in Côte d'Ivoire, Ethiopia, and Ghana, and almost five times higher in Kenya.[2] Large firms in Nigeria are concentrated in telecommunications, oil production, and the financial sector, and are the most productive, but have not been able to generate productivity spillovers. Nigeria has approximately 41.5 million micro firms, 71 thousand small firms and about 1800 medium-sized firms. Out of these micro firms, only 2.1 percent are formally registered.[3] Informal firms are only a third as productive as formal firms, yet employ over three times more workers in total, pointing to informality as a potential source of labor misallocation. Between 2013 and 2017, the number of medium-sized firms declined by about 65 percent. Medium-sized firms are essential for diversification: they have the right size to export, start new production lines, and integrate into supply chains of larger firms.[4]

6. **Private sector investment's contribution to growth has declined as a consequence of macroeconomic and financial policies that constrain exports and foreign investment.** Foreign exchange restrictions, import bans, and closed land borders reduce export competitiveness, hinder competition, and adversely affect investor confidence and investment appetite.[5] Commercial banks are reluctant to lend to micro, small and medium-sized enterprises (MSMEs) at affordable rates as a result of, amongst others, the existing unlevel playing field and market distortions resulting from the Central Bank of Nigeria (CBN)'s subsidized development finance initiatives.[6] These macroeconomic and financial sector policies are within the purview of the Federal Government of Nigeria (FGN) and the CBN.

7. **States vary significantly in their efforts and ability to catalyze private investment.** TFP in the northern states (except Kano and Kaduna) is about one-third of TFP in the southern states.[7] A number of states have made significant efforts to improve their states' business-enabling environment over the last 5 years, as reported by the Presidential Enabling Business Environment Council (PEBEC)'s ease of doing business and cost of compliance reports. These same states rank in the top ten destinations of capital investment inflows, according to the National Bureau of Statistics (NBS).

8. **Several business-enabling policy actions are within the purview of the states.** While unfinished reforms of FGN and CBN policies will discourage some types of investment (such as efficiency-seeking FDI), other types of investment (such as domestic investment, and some market-seeking FDI) are expected to be positively affected if several aspects of the business-enabling environment for firm operations are made more attractive. States have a lot of room to improve, as most have not caught up with the business-enabling reform momentum witnessed in the reforming states. Beyond the macro-financial constraints, several other constraints to a conducive business-enabling environment fall at least partly within the purview of the states and are related to: (i) infrastructure deficiencies; (ii) the lack of strong public-private partnership (PPP) and investment policy frameworks; (iii) ambiguous and inconsistent land administration affecting land-based investments; (iv) a complex and uncertain business regulatory environment related to business registration,

[2] IFC. 2020. Country Private Sector Diagnostic (CPSD): Creating Markets in Nigeria: Crowding in the Private Sector. Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/791981613750124789/Crowding-in-the-Private-Sector-Nigeria-s-Path-to-Faster-Job-Creation-and-Structural-Transformation; and The World Bank. Country Economic Memorandum (CEM), draft.
[3] SMEDAN and NBS 2017
[4] The World Bank, CEM, draft.
[5] The World Bank. Nigeria Development Update, June 2021. Resilience through Reforms.
[6] IFC. 2020. CPSD.
[7] IFC. 2020. CPSD.

operation, interstate and external trade, paying taxes and contractual enforcement; and (v) limited access to local skilled talent.

9. **Since July 2016, PEBEC has driven reforms to eliminate constraints in the business enabling environment for MSMEs.** In July 2017, the National Economic Council (NEC) approved the replication of PEBEC's intervention structure at the subnational level implemented through the PEBEC-NEC Technical Working Group. This mandate was later articulated in the Economic Recovery and Growth Plan (ERGP) 2017-2020 and subsequently retained in the National Development Plan (NDP) 2021-2025. Since 2016, facilitated by PEBEC initiatives, Nigeria has implemented over 160 reforms. The creation of state ease of doing business councils[8] as part of these efforts established structures that are spearheading the reform efforts at the state level and serving as a platform to learn and uptake new reform ideas.

10. **Given the urgency of these reforms, the government is developing a new program—State Action on Business Enabling Reforms (SABER)—to accelerate the implementation of critical actions that improve the business enabling environment in Nigeria's states.** The Government's SABER program will build on the successes of PEBEC. It will prioritize critical measures and interventions, with a focus on accelerating targeted business-enabling environment reform actions at the state level. It aims to strengthen the existing PEBEC subnational interventions by adding incentives, namely results-based financing to the states, and the delivery of wholesale technical assistance (TA)—available to all states—to support gaps in reform implementation.

Relationship to CAS/CPF

11. **The proposed Operation is aligned with the WBG's Nigeria Country Partnership Framework (CPF) for FY21-25**. The CPF reflects Nigeria's aspiration for faster, more inclusive, and sustained economic growth in the next decade to help the government in its aspiration to lift 100 million people out of poverty. This Program directly supports the CPF's pillar of 'promoting jobs and economic transformation and diversification' and the related complementary priority of furthering business enabling reforms and promoting competitive clusters. It also aims to contribute to the related core objectives of increased access to reliable and sustainable power for households and firms and the development of digital infrastructure, platforms and skills.[9]

Rationale for Bank Engagement and Choice of Financing Instrument

12. **The Bank is uniquely placed to support Nigeria's efforts to enhance states' ability to improve their business enabling environment.** In Nigeria, the Bank has been supporting multi-state (Program-for-Results, PforR) Programs on State Fiscal Transparency, Accountability and Sustainability (SFTAS) and COVID-19 Action Recovery and Economic Stimulus (CARES) that provide the Bank with unique experience in the design and implementation of multi-state, nation-wide Programs. The Bank is also able to bring in global experience, including in large federal countries (India, Brazil, Mexico, and South Africa), on issues relating to the subnational business enabling environment. Building on Nigerian single-state programs, such as the Kaduna State Economic Transformation (KDSET) PforR, the proposed Program also enables the Bank to introduce a 'wholesale' approach to business enabling reforms within the Federal system.

13. **A PforR is considered by both the Borrower, the States, and the Bank as the optimal financing instrument for the proposed SABER Program.** The Federal Ministry of Finance, Budget and National Planning (FMFBNP) has indicated it plans to on-lend the loan to the participating states. The proposed Program is expected to be a subset of the Government's

[8] About 17 States now have an ease of doing business (EODB) council.

[9] World Bank; IFC; MIGA. 2020. Country Partnership Framework for the Federal Republic of Nigeria for the Period FY21-FY25. World Bank, Washington, DC. https://openknowledge.worldbank.org/handle/10986/35098

program to improve the business enabling environment at the state level. The use of the PforR instrument helps the Bank to support the Government in strengthening its own program by incentivizing institutional performance at the state level through results-based financing, thereby creating a strong mutual accountability framework between the Federal Government and the States. Investment Project Financing (IPF) would not be suitable for this operation, as the proposed Program focuses on critical results (institutional strengthening, outputs, and outcomes), rather than specific investments. Development Policy Financing would not permit measures to strengthen systems and institutional capacity for implementation and ensure results-based financing arrangements for Program funding. Finally, by utilizing the existing fiduciary and safeguards systems (with support as necessary to strengthen institutional capacity), the PforR instrument will not introduce additional burdens on Government systems.

14. **This Operation will build on the lessons learned from SFTAS and CARES by having a complementary IPF TA component.** The IPF component will allow carrying out targeted procurements and addressing government capacity needs through TA to various agencies, ensuring that inputs are well-designed, and that sufficient quality assurance is provided, including on the verification of the results.

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

15. **The PDO is to improve the business enabling environment in the participating states.**

PDO Level Results Indicators

16. **The following *indicative* outcome indicators covering the States participating in the PforR will be used to measure the achievement of the PDO:**

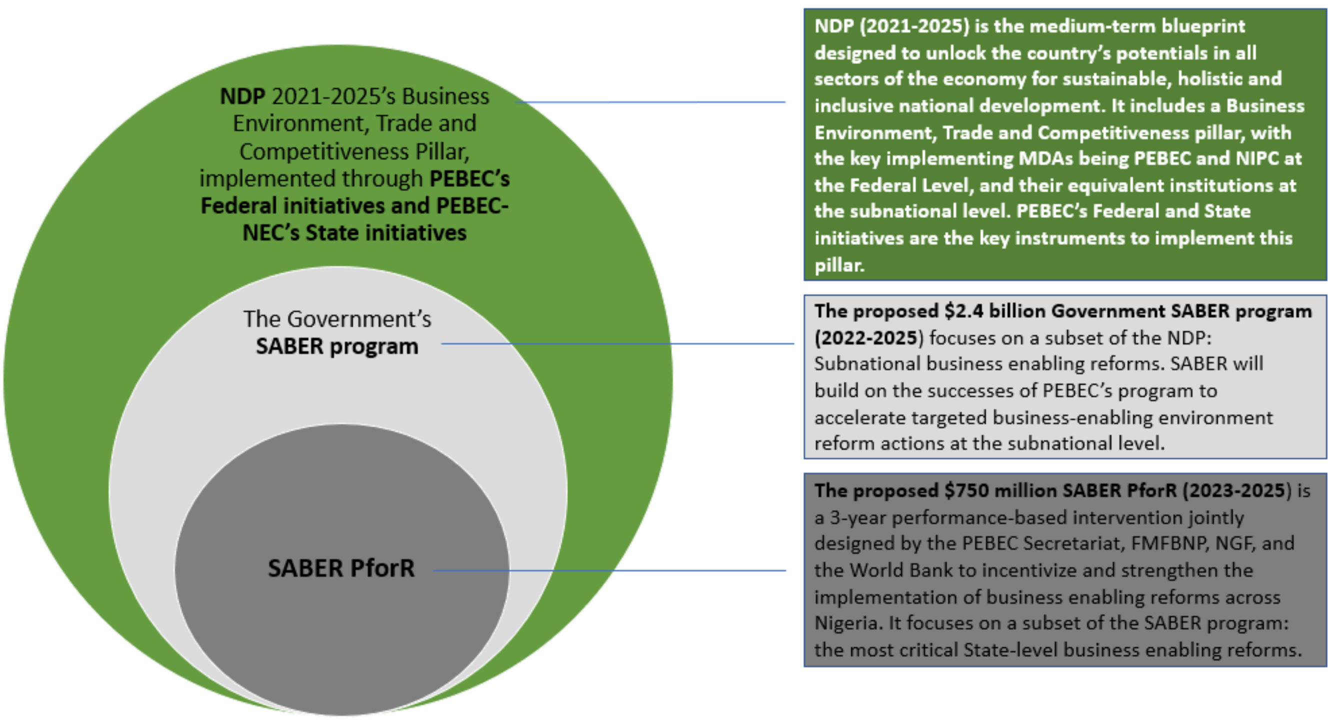
- PDO Indicator 1: Improved land administration and land investment process measured by:
    - 1.1 States (number) that achieved at least 30 percent of Certificates of Occupancy (CofOs) digitally covered in a Geographic Information System (GIS) platform designed in accordance with international good standards and providing gender-disaggregated data.
    - 1.2 States (number) that have adopted and implemented the Framework for Responsible Investment in Land-Intensive Agriculture (FRILIA) with at least one pilot investment materialized under FRILIA as confirmed by a social audit.
- PDO Indicator 2: Improved business-enabling infrastructure measured by:
    - 2.1 States (number) with at least [x] percent increase in new fiber routes deployed
    - 2.2 Total new megawatts (MW) of off-grid clusters demand matched with off-grid suppliers
- PDO Indicator 3: Increased Sustainable Large-Scale Investments measured by:
    - 3.1: Number of investments facilitated by state investment promotion agencies (IPAs)
    - 3.2: Number of new PPP transactions that meet commercial close in participating states
- PDO Indicator 4: Enabling Firm Operations measured by:
    - 4.1: Average number of days to resolve commercial cases in the judicial system in participating states
    - 4.2: States (number) in which all state-level and local government taxes to businesses can be paid electronically
- PDO Indicator 5: Workers' Skills measured by:
    - 5.1: Number of workers completing skills development course

D. Program Description

PforR Program Boundary

17. **The PforR supports the most critical state-level business enabling reforms of the Government's SABER program, which in turn is anchored in the NDP 2021-2025's Business Environment, Trade and Competitiveness Pillar, which is implemented through PEBEC's federal and PEBEC-NEC's state initiatives**. PEBEC's mandate was articulated in the ERGP 2017-2020 and subsequently retained in the NDP 2021-2025. The proposed USD750 million SABER PforR (2023-2025) focuses on a subset of the SABER program: the most critical state-level business enabling reforms (Figure 2).

Figure 2: Program boundary: link with NDP 2021-2025 and PEBEC's initiatives



18. **As described in Figure 2, the proposed PforR will support the Government's SABER program.** The Program will cover the gamut of instruments that impact states' land administration, business-enabling infrastructure, PPP and investment promotion frameworks, business enabling regulatory environment, and workers' skills. The duration of the PforR is proposed to be 3 years, from 2023 to 2025. In line with the Government's SABER program, the proposed Program will focus on the following result areas:

- **Result Area 1: Improved Land Administration and Land Investment Process**. Under this Result Area, the PforR will support states to: (i) promote more transparency and accountability in land administration services; (ii) produce better quality data on land ownership; and (iii) strengthen sustainability and transparency in the land acquisition procedures for large-scale agricultural investments. This will lead to states improving access to land-based investments and securing private investment that better meets economic and social objectives, reduces conflict, and is more sustainable and inclusive for all.
- **Results Area 2: Improved Business Enabling Infrastructure.** Under this Result Area, the PforR will support states to: (i) instill more transparency and accountability in resolving complaints with electricity distribution companies

(DISCOs); (ii) identify and match off-grid demand clusters with off-grid electricity suppliers; (iii) support the full adoption by states of the new Right of Way (ROW) fees of NGN145 per meter for broadband without reformulating them as new or increased charges; and (iv) adopt a wholesale access legal and regulatory framework, including having dominant providers provide transparent, cost-based, and non-discriminatory wholesale access. This will lead to states having a quicker resolution of customers complaints to DISCOs, greater off-grid demand being supplied by off-grid suppliers, and new routes with fiberoptic cable for broadband deployed.

- **Results Area 3: Increased Sustainable Large-scale Investments**. Under this Results Area, the PforR will support states to: (i) set up a PPP coordination unit to better identify, vet and implement PPP projects; (ii) better manage PPP risks, especially fiscal commitments and contingent liabilities; (iii) establish a PPP Project Facilitation Fund; (iv) promote transparency of state incentive frameworks; and (v) strengthen states' investment promotion and investor aftercare capabilities. This will lead to states having a more effective and sustainable attraction and delivery of PPP transactions, with stronger risk-management, and better provision of investor services by state investment promotion entities, and investors having greater access to available incentives.
- **Results Area 4: Enabled Firm Operations**: Under this Results Area, the PforR will support states to: (i) provide more transparent and predictable public services to investors; (ii) apply risk-based inspections and licensing approaches to businesses; (iii) rationalize inter-state fees and export procedures; (iv) adopt a presumptive turnover tax for small businesses and consolidate payment of key state and local-government taxes and other fees and levies through an e-platform which includes electronic notifications of outstanding payments and e-receipts; and (v) establish special courts for smaller size commercial disputes and put in place practice directions to strengthen court practices and encourage alternative dispute resolution (ADR), and introduce automated case management systems in the courts. This will lead to states achieving greater regulatory efficiency with lower compliance costs imposed onto firms, less discretionary behavior by state ministries, departments, and agencies (MDAs), improved domestic and external trade, increased tax compliance by businesses, and access to a quicker and more predictable commercial justice.
- **Results Area 5: Workers' Skills**: Under this Results Area, the PforR will support states to (i) develop a state talent pool available to hiring firms; (ii) conduct a skills gap audit to, in turn; (iii) establish a skills development center; and (iv) establish a digital lab to support digital skills and entrepreneurship. This will lead to states developing greater talent and diversity made available to firms.

E. Initial Environmental and Social Screening

19. **The environment and social risk of the Program is classified as 'low' as the possibility of any physical construction and extent of electronic equipment purchase is not clear at this concept stage**. An environmental and social (E&S) screening of initial risks considering direct, indirect, and induced risks associated with the PforR was carried out using the World Bank's PforR exclusion principles and screening criteria to determine whether there may be linked or associated activities which would be required to meet Program objectives from an E&S sustainability and inclusion perspective. The Program will cover the gamut of instruments that impact States' land administration, business-enabling infrastructure, PPP and investment promotion frameworks, business enabling regulatory environment, and workers' skills. To address potential risks related to nontransparent property registration and land investment processes, the PforR will incorporate, as one of its DLIs, the Framework for Responsible Investment in Land-Intensive Agriculture (FRILIA), which will include a strong consultative component to ensure the process is subject to public scrutiny, utilizing a stakeholder engagement strategy, social audit, and community grievance redressal and conflict resolution mechanism. To address the workers' skill gap, the Program is expected to establish a skills development center and a digital lab to support digital skills and entrepreneurship. The Program will not support any activities that are likely to cause any negative environmental or social effects, any loss or conversion of natural habitats, any changes in land or resource use, or any environmental pollution.

20. **The World Bank will conduct an Environmental and Social Systems Assessment (ESSA) for the SABER PforR to examine participating states' existing environmental and social management systems (ESMS)**. The ESSA will evaluate the acceptability of a borrower's system for managing the SABER's E&S risks. Since the private sector is one of the stakeholders of the Program, the ESSA will also look into the overall ESMS status followed in the private sector. The ESSA will consider the consistency of the Program systems with these principles on two levels: (a) as systems are defined in laws, regulations, and procedures, and (b) the capacity of Program institutions to effectively implement the Program's E&S management systems.

21. **The environmental risk of the IPF component is rated Low**. The IPF will only support TA (consultancy services and operational costs). The IPF component may procure some goods/IT equipment. The decision of goods procurement is still under consideration. TA will not support or design any kind of physical intervention or civil work. Any kind of activities triggering negative environmental and social risk/impact will not be supported by this TA. The potential risks from the activities are expected to be minimal. The risks are: (i) waste generation from the offices of the implementing agencies of the IPF component; (ii) poor working conditions in offices, occupational health and safety (OHS) and travel-related risks; (iii) health issues due to lack of following COVID-19 protocols; and (iv) e-waste generation, if any IT equipment is procured. The FMFBNP will prepare an Environmental Social Management Plan (ESMP) that will detail how the wastes, e-wastes and OHS related issues will be appropriately managed. The TA will ensure procurement of resource-efficient equipment, if any. The TA will support training on Environmental and Social Framework (ESF) requirement to the Project stakeholders.

22. **The proposed social risk classification for the IPF component is rated Low, given that the anticipated risks and impacts are minimal due to the scope of the Project.** There is the potential risk of inability of citizen, stakeholders and other nonstate actors to adequately monitor government Project spending. To address this potential risk, the Project will incorporate a mechanism to ensure citizen's engagement and active involvement of these stakeholders in the Project (the IPF TA component). To further promote understanding of social accountability and build trust in government systems, the Project will ensure a grievance redress mechanism is in place, which will be incorporated into the Stakeholder Engagement Plan (SEP). The SEP will include aspects of COVID-19 constraints and the related requirements to comply with the guidelines provided by the World Bank and the Nigeria Centre for Disease Control (NCDC). Potential labor and project-induced sexual exploitation and abuse/sexual harassment (SEA/SH) risks are expected to be limited. The Environmental and Social Management Plan (ESMP) will include a brief on labor management procedures, including grievance mechanism for workers, and sexual exploitation and abuse/sexual harassment (SEA/SH) prevention and response measures relevant to the project.

23. **The ESSA findings and proposed Program Action Plan (PAP) will be shared and consulted with the Government and relevant stakeholders**. The ESSA, ESMP and the Environmental and Social Commitment Plan (ESCP) will be disclosed before appraisal.

24. **The SEA/SH Risk Rating was done using the Bank's Human Development SEA/SH Risk Rating tool.** This categorized the Project as Low risk for SEA/SH. The risk assigned is due to the country context and specific information relevant to the intervention. Nevertheless, the borrower will identify gender-based violence (GBV) Service Providers, establish a GBV referral pathway, and ensure a GBV-specific grievance redressal mechanism (GRM).

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Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts of the IPF Component