Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 17-Aug-2022 | Report No: PIDA268246

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Program Name	Parent Project ID (if any)
Nigeria	P177442	Nigeria: State Action on Business Enabling Reforms (SABER)	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
WESTERN AND CENTRAL AFRICA	18-Aug-2022	06-Dec-2022	Finance, Competitiveness and Innovation
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Program-for-Results Financing	Federal Ministry of Finance, Budget and National Planning	Federal Ministry of Finance, Budget and National Planning, Presidential Enabling Business Environment Council (PEBEC)	

Proposed Program Development Objective(s)

The Program Development Objective (PDO) is to (1) improve the efficiency of land administration, (2) improve the regulatory framework for private investment in fiber optic infrastructure, (3) improve services provided by investment promotion agencies and public-private partnership units, and (4) improve the efficiency and transparency of government-to-business services in participating states.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	2,047.97
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

Decision

The review did authorize the team to appraise and negotiate

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. **In 2021-2022, the economy recovered from recession induced by the COVID-19 pandemic and lower oil prices and real GDP growth exceeded population growth for the first time since 2015, but welfare has continued to deteriorate.** Following the contraction of 1.8 percent in 2020, the Nigerian economy grew by 3.6 percent in 2021 and it is projected to grow by 3.2 percent in 2022. This growth trend has been driven by base effects in most of services and manufacturing, and by organic growth in agriculture, telecommunications, and financial services. However, the recovery seen in 2021 is not enough to recover the per capita income losses of the last 6 years. By the end of 2022, a Nigerian is projected to have the same level of income per capita as in 2011 and it will take roughly a decade to return to the same level of GDP per capita seen in 2014. Moreover, high inflation since 2020 has pushed an estimate of 12 million Nigerians into poverty.

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 3.2 percent. The country's economic outlook remains uncertain. 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 restoring macroeconomic stability, 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 and Institutional Context

4. **Catalyzing private investment is needed to boost growth and create jobs; however, Nigeria's ability to attract domestic and foreign investment is low compared to its peers.** Private firms are critical actors in promoting growth and poverty reduction. The contribution of investment to GDP growth has been small, due to limited fiscal space and a weak business environment: between 2015 and 2021, investment contributed 0.1 percentage points to the average GDP growth rate of 1.1 percent. At 0.2 percent of GDP by end-2021, Nigeria has one of the lowest foreign direct investment (FDI) inflows among emerging economies.

5. **Low 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.** Low productivity is pervasive across several sectors in the Nigerian economy.[1] 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, 71 thousand small and about 1800 medium-sized enterprises. Out of these micro firms, only 2.1 percent are formally registered.[2] 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.[3]

6. **Private sector investment's contribution to growth has declined because of macroeconomic and financial policies, largely in the purview of the Federal Government of Nigeria (FGN) and the Central Bank of Nigeria (CBN), that constrain exports and foreign investment.** Foreign exchange restrictions, import bans, and closed land borders reduce export competitiveness and hinder competition.[4] 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 CBN's subsidized development finance initiatives.[5] These macroeconomic and financial sector policies are within the purview of the FGN and the CBN.

7. **States do have the ability, however, to do their part to catalyze private investment, but have varied significantly in their efforts and ability to do so.** 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.

8. **Several critical business-enabling policy actions lie within the domain 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 by the states. 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) fiber optic infrastructure deficiencies, (ii) the lack of strong public-private partnership (PPP) and investment promotion frameworks, (iii) ambiguous and inconsistent land administration affecting land-based investments, and (iv) a complex and uncertain business regulatory environment related to business operations, interstate and external trade, paying taxes and contractual enforcement through courts.

[1] IFC. 2020. Country Private Sector Diagnostic (CPSD): Creating Markets in Nigeria: Crowding in the Private Sector; and World Bank. 2022. Nigeria Country Economic Memorandum (CEM).
[2] SMEDAN and NBS 2017.
[3] World Bank. 2022. Nigeria CEM.
[4] NDU June 2021. Resilience through Reforms.
[5] IFC. CPSD. 2020. Other factors are: the government's crowding out of the private sector; relatively incomplete financial information and infrastructure; a weak debt resolution and loan recovery framework; a weak microfinance sector; and MSMEs' lack of technical capacity to make successful loan application.

9. **Since July 2016, the Presidential Enabling Business Environment Council (PEBEC) has driven reforms to eliminate constraints in the business environment.** In July 2017, the National Economic Council (NEC) unanimously 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 as part of these efforts established structures that are spearheading the reform efforts in the states 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–available to all states–to support gaps in reform implementation.

PforR Program Scope

11. **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**. The proposed US$730 million SABER PforR (2023-2025) focuses on a subset of the SABER program: the most critical State-level business enabling reforms (Figure 1, Table 1).

Figure 1: Program boundary: link with NDP 2021-2025 and PEBEC's initiatives

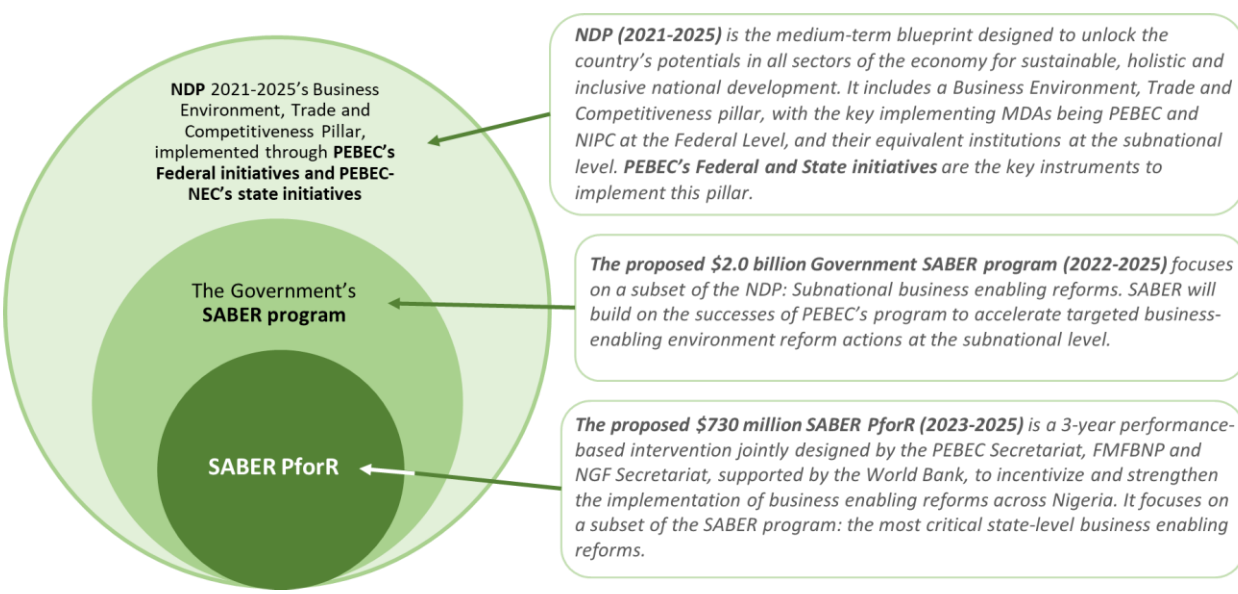

Table 1: Program Boundary

	Government program	PforR Program	Reasons for non-alignment
Objective	To improve the business enabling environment in Nigeria's states.	To (1) improve the efficiency of land administration, (2) improve the regulatory framework for private investment in fiber optic infrastructure, (3) improve services provided by investment promotion agencies and public-private partnership units, and (4) improve the efficiency and transparency of government-to-business services in participating states.	States must achieve the annual eligibility criteria as a prerequisite for being part of the Program's results-based financing.
Duration	2022-2025	2023-2025	The Government program is expected to be adopted in August 2022; the PforR is expected to be effective in November 2022.
Geographic coverage	Entire country	Entire country[6]	N/A
Results areas	RA1-4	RA1-4	N/A
Results focus	State-level business enabling reforms	Select state-level business enabling reforms	The PforR supports the most critical state-level business enabling reforms out of the Government's program.
Overall Financing	US$2.0B	US$730M	The PforR finances 36% of the Government's SABER program.

12. **The Program will cover the gamut of instruments that impact states' land administration, fiber optic infrastructure, PPP and investment promotion frameworks, and business enabling regulatory environment.** 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:

(a) **Result Area 1:** Improved land administration and land-based 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-based investment procedures for large-scale agribusiness investments. This will lead to states improving access to land-based investments and securing private investment that better meets economic and social objectives, reduces the risk of conflict, and is more sustainable and inclusive for all.

(b) **Results Area 2:** Improved regulatory framework for private investment in fiber optic infrastructure. Under this Result Area, the PforR will support states to adopt aggregate fees charged for broadband

[6] The Federal Capital Territory (FCT) is part of the program/Program scope. When the document refers to participating states this includes FCT.

deployment on a per linear meter basis at a maximum of NGN145 per meter. This will lead to states facilitating investment and expanding the deployment of new routes of fiber optic infrastructure.

(c) **Results Area 3:** Improved services provided by investment promotion agencies (IPAs) and PPP units. 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 capacity for PPP transactions, with stronger risk-management, and better provision of investor services by state investment promotion entities, and investors having greater access to information on available incentives.

(d) **Results Area 4:** Improved efficiency and transparency of government-to-business services : Under this Results Area, the PforR will support states to: (i) provide greater access and transparency on regulatory requirements and public services to businesses, (ii) rationalize inter-state fees and export procedures, (iii) adopt a presumptive turnover tax for small businesses and consolidate payment of key business-related 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 (iv) establish special courts for smaller size commercial disputes and put in place practice directions to strengthen court practices. This will lead to states achieving greater regulatory certainty efficiency with less discretionary behavior by state ministries, departments, and agencies (MDAs), improved domestic and external trade, increased tax compliance by businesses, and facilitated access to a quicker and more predictable commercial justice.

C. Proposed Program Development Objective(s)

Program Development Objective(s)

13. **The Program Development Objective (PDO)** is to (1) improve the efficiency of land administration, (2) improve the regulatory framework for private investment in fiber optic infrastructure, (3) improve services provided by investment promotion agencies and public-private partnership units, and (4) improve the efficiency and transparency of government-to-business services in participating states.

14. **The following outcome indicators covering the States and the Federal Capital Territory (FCT) participating in the PforR will be used to measure the achievement of the PDO:**

- PDO Indicator 1: improved efficiency of land administration:
    - 1.1 States (number) with at least 50% of Certificates of Occupancy (CofOs) issued and duly registered since 1 January 2012 digitized and indexed in accordance with international good standards.
- PDO Indicator 2: improved regulatory framework for private investment in fiber optic infrastructure:
    - 2.1 States (number) adopting aggregate fees for broadband deployment on a per linear basis at a maximum of NGN 145 per meter.
- PDO Indicator 3: Improved services provided by IPAs and PPP units:
    - 3.1: States (number) that establish an IPA performing the key functions of Marketing, Information, Assistance and Advocacy.

- 3.2: States (number) that establish a PPP coordinating unit mandated to facilitate PPPs, that has publicly disclosed its PPP pipeline projects on a portal.
- PDO Indicator 4: Improved efficiency and transparency of government-to-business services:
    - 4.1: States (number) in which all State-level and local government taxes, levies, and fees from businesses can be paid electronically.
    - 4.2: States (number) in which fees, procedures, and service delivery timelines of five key business-enabling environment State-level MDAs are published on a website.

D. Environmental and Social Effects

15. **The Program risks and impacts are not likely to be significant, not complex, low in magnitude, predictable and expected to be temporary and/or reversible; and low probability of serious adverse effects to human health and/or the environment and mitigation measures are readily available, including use of exclusion list.** The PforR activities with environmental and social risks are (i) Adoption and implementation of a Framework for Responsible Investment in Land-Intensive Agriculture (FRILIA) as disbursement linked indicator (DLI) 1, which will include providing increased transparency around construction permits and the implementation of FRILIA for at least one pilot investment; (ii) Improved regulatory framework for private investment in fiber optic infrastructure under DLI 2, which is expected to lead to increased fiber optic network deployment and may also require associated infrastructure development including e-waste generation; and (iii) Development of an effective PPP framework for States under DLI 3.

16. **In line with the six core principles outlined in the World Bank's policy and guidance note for the PforR instrument, the relevant risks *directly* associated with the SABER Program activities and *indirectly* given the achievement of the Program activities under the DLIs covers environmental and social issues and include:**

a) Potential generation of e-waste given the digital data-centric and indexed database for CofOs.
b) In case of poor implementation of FRILIA, induced increased pollution due to environmentally unsustainable agriculture practices.
c) Indirectly, temporary displacement of people, primarily low-income people selling their wares or residing along the right-of-way for the deployment of fiber optic network.
d) Indirectly, the expansion and deployment of fiber optic networks given standardized right of way (ROW) fees will lead to the generation of dust resulting in air pollution.
e) Indirectly, there could be an increase in carbon emissions due to the use of off-grid diesel generators at cellular sites linked to fiber deployment.
f) Indirectly, there may be gender-based violence (GBV) and sexual harassment (SH) due to the influx of workers deploying fiber optic networks.
g) Indirectly, expected environmental and social risks, such as risks due to construction and rehabilitation and involuntary resettlement associated with PPP projects (that may materialize after Program completion), given weak environmental and social systems in most states.

17. **The overall environmental and social risks have been assessed and deemed to be Moderate.** Although the Program will not support construction work, the achievement of new ROW fees at maximally NGN145 per meter may indirectly lead to the expansion of fiber optic networks by the private sector (not financed by the Program), which will involve some minor construction. Also, the establishment of a robust PPP framework may indirectly lead to PPP projects involving construction and rehabilitation (after the Program period). Actual Program activities are thus not likely to require significant changes to the borrower's overall environmental and social systems.

Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts (With IPF Component for PforR)

18. **The environmental risk for the IPF component is rated Low**. Technical Assistance (TA) activities will not support or design any kind of physical intervention or civil work. The TA may require some office/IT equipment. The IPF will only support TA (consultancy services and operational costs).

19. **Any kind of activities triggering negative environmental and social risk/impact will not be supported by this TA. The potential risks from the projects are expected to be minimal.** The potential risks are:
  a) Waste generation from the office;
  b) Poor working conditions in offices, occupational health and safety (OHS) and travel-related risks;
  c) Health issues due to lack of following COVID-19 Protocol; and
  d) Lack of fire safety provision in the building for general public access.

20. **The implementing agency will prepare an Environmental Social Management Plan (ESMP) that details how the wastes and OHS related issues will be appropriately managed.**

E. Financing

21. **Program expenditure framework:** The estimated expenditure framework of the government program supported by the SABER Operation for the period 2022-2025 is USD2.0 billion. The PforR financing envelope of USD730 million represents 36 percent of the government program financing. The PforR is fully financed by IDA (Table 2).

Table 2: Program Financing by source of financing

Source	Amount (USD Million)	% of Total
IDA	730	**100**
Other Development Partners	0	**0**
Total Program Financing	730	**100**

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CONTACT POINT

World Bank

Name :	Bertine Kamphuis		
Designation :	Lead Country Economist	Role :	Team Leader(ADM Responsible)
Telephone No :	234-90-61444	Email :	bkamphuis@worldbank.org

Borrower/Client/Recipient

Borrower :	Federal Ministry of Finance, Budget and National Planning		
Contact :	Mrs. Aisha Omar	Title :	Director, International Economic Relations Department
Telephone No :	2348033115666	Email :	ishay2k2006@yahoo.com

Implementing Agencies

Implementing Agency :	Federal Ministry of Finance, Budget and National Planning		
Contact :	Mr. Stephen Okon	Title :	Director Home Finance Department
Telephone No :	2348065643949	Email :	Stephenokon117@yahoo.com

Implementing Agency :	Presidential Enabling Business Environment Council (PEBEC)		
Contact :	Jumoke Oduwole	Title :	Secretary
Telephone No :	2348034021043	Email :	oduwole.j@statehouse.gov.ng

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects