

# LIFTING 100 MILLION NIGERIANS OUT OF POVERTY

## What will it take and how the World Bank Group can help

Briefing for returning &  
incoming GOVERNORS  
May 17, 2023





# OUTLINE

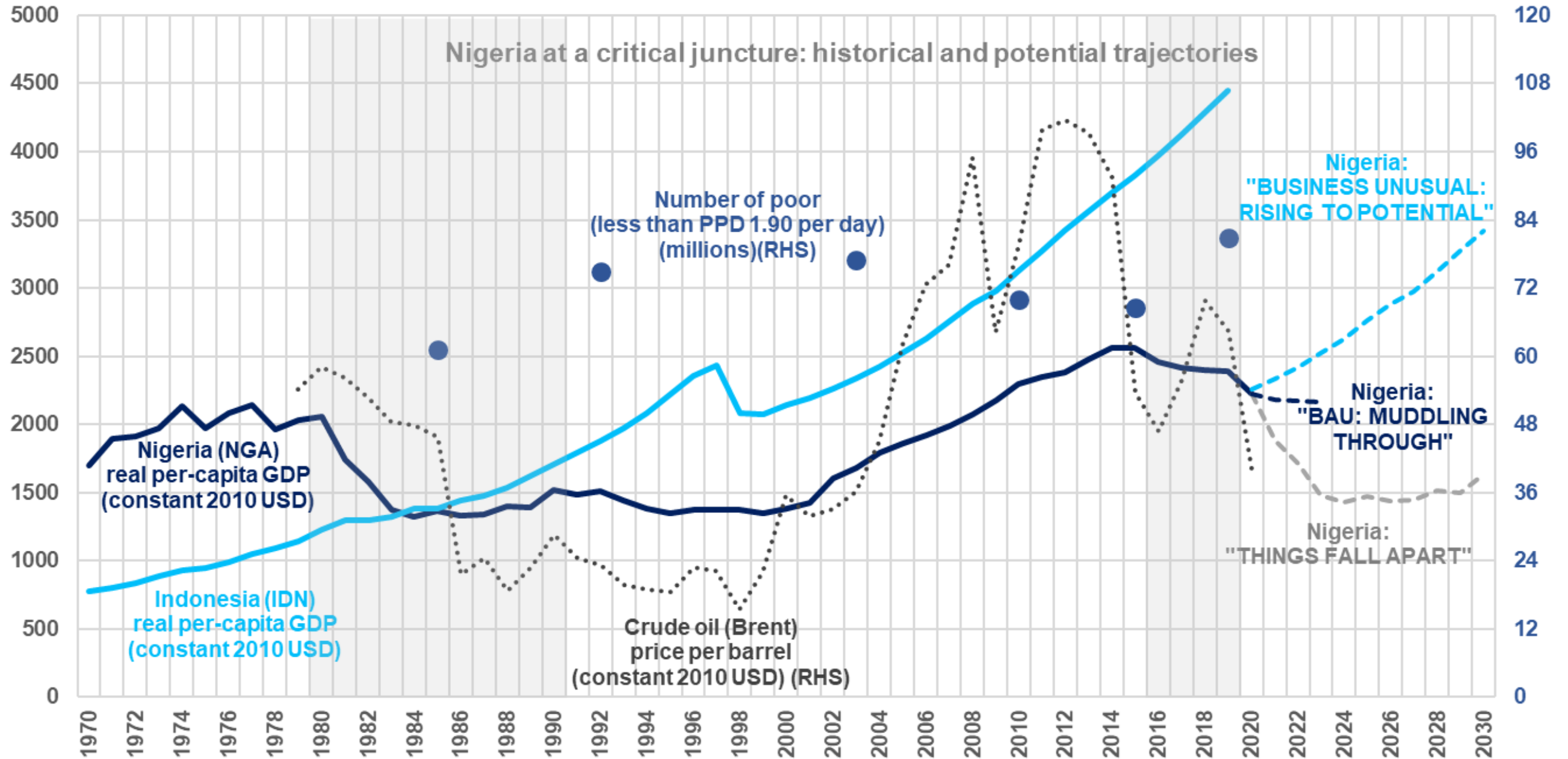


- **FIVE CHARTS TO BEGIN WITH**
- **INTRODUCING THE WORLD BANK GROUP: WHO WE ARE, WHAT WE DO, HOW WE WORK**
  - Who we are
  - How we work
  - An overview of our program...
  - ...and how we work with the STATES
- **EXAMPLES OF MULTI-STATE PROGRAMS WE SUPPORT**
- **NIGERIA: TAKING STOCK OF WHERE THINGS STAND**
  - Nigeria—Africa’s giant—has not lived up to its potential
- **NIGERIA: LOOKING AHEAD**
  - Nigeria is now at a critical juncture with an urgent choice to make

# NIGERIA IS AT A CRITICAL JUNCTURE, WITH A CHOICE TO MAKE



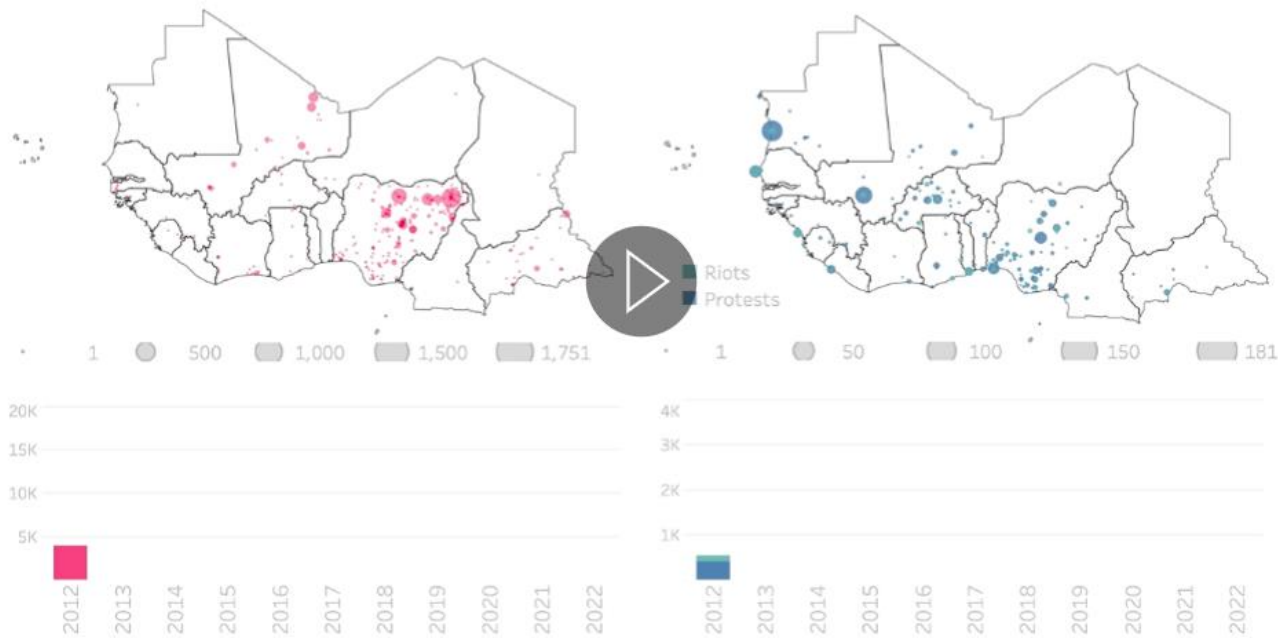
BAU: floating (muddling) along, buffeted by the swells of global oil price movements or BUSINESS UNUSUAL: rising to potential



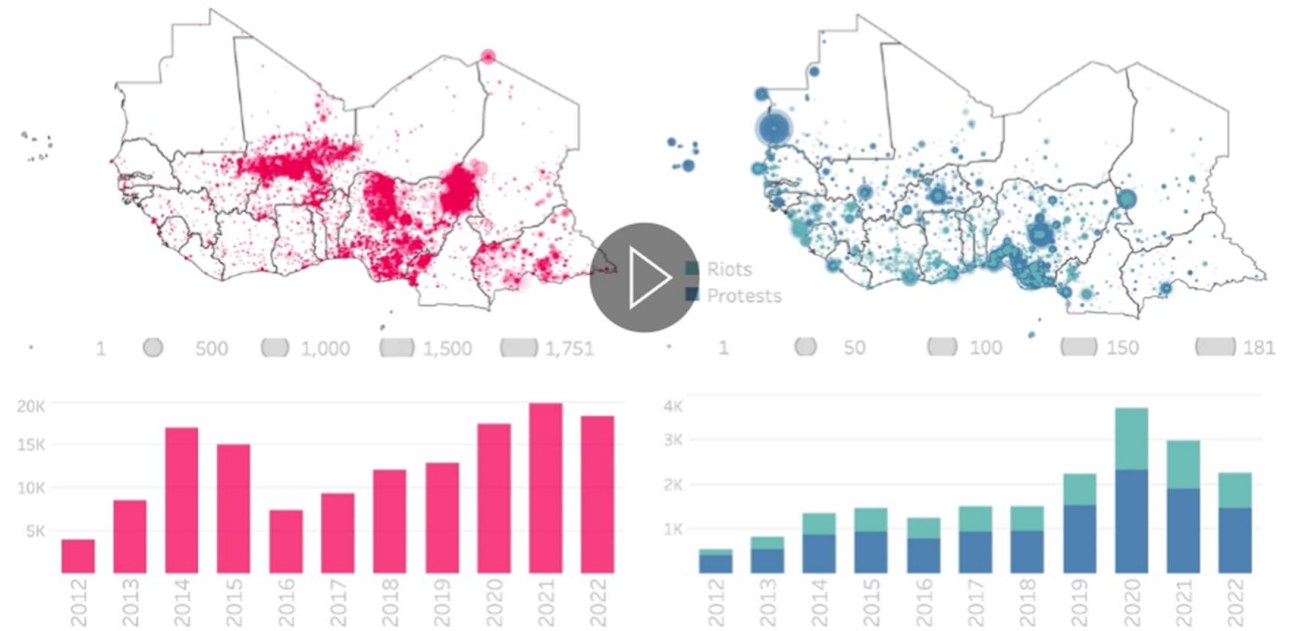
# NIGERIA AT A CRITICAL JUNCTURE: INSECURITY AND CONFLICT HAVE INCREASED AND SPREAD



2012



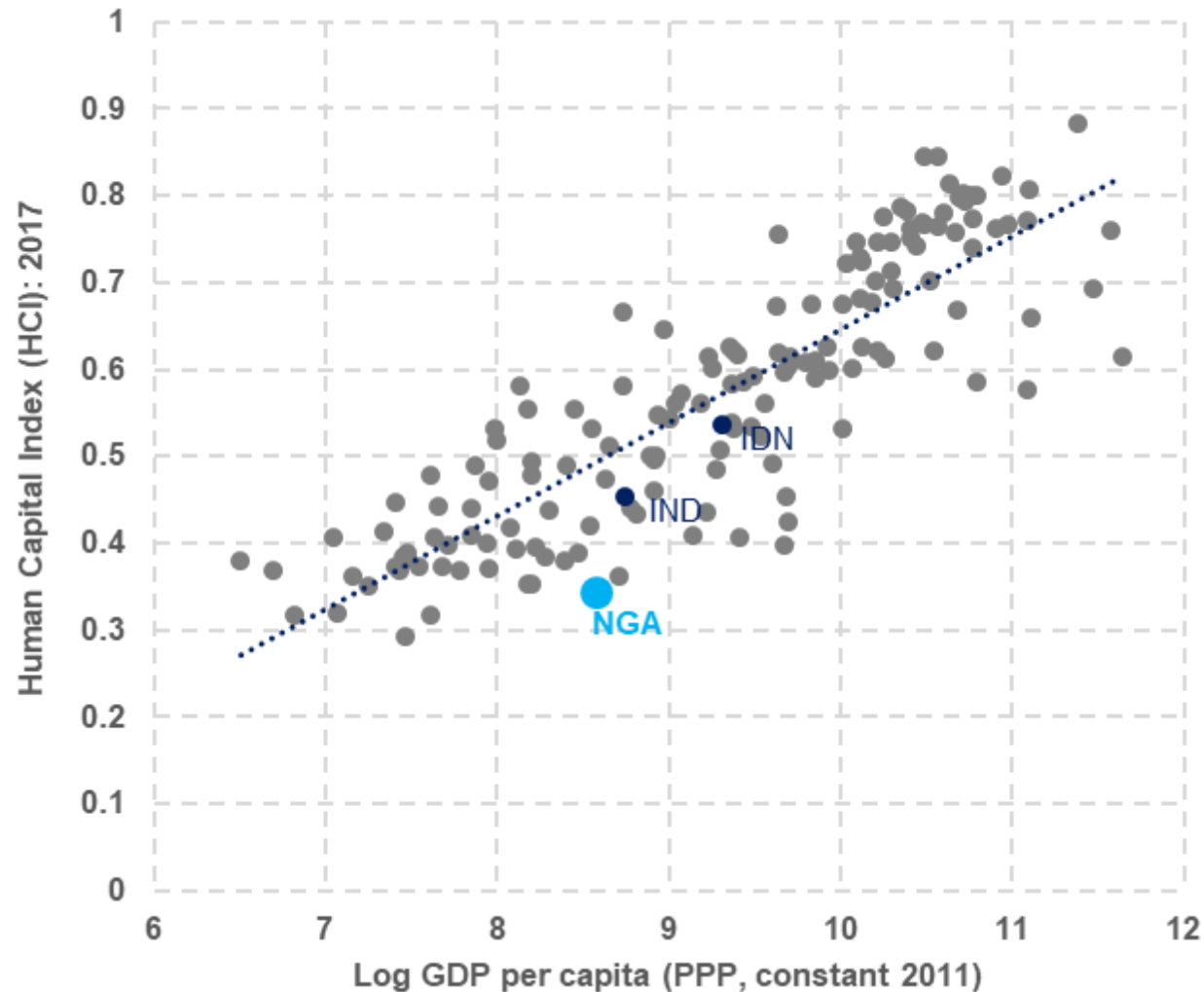
2022



# NIGERIA IS AT A CRITICAL JUNCTURE: THE HUMAN CAPITAL CHALLENGE



## SIXTH-LOWEST GLOBALLY ON THE HUMAN CAPITAL INDEX



### NUMBER OF OUT-OF-SCHOOL CHILDREN

One in every five of the world's out-of-school children is in Nigeria



### NUMBER OF PEOPLE DEFECATING IN THE OPEN

58% of all Nigerians lack access to basic sanitation services and 47 million people still practice open defecation, a number second only to India.



### NUMBER OF UNDER-5 CHILD DEATHS

Nigeria will soon overtake India as the country with the most under-5 child deaths in the world, over 700,000 a year



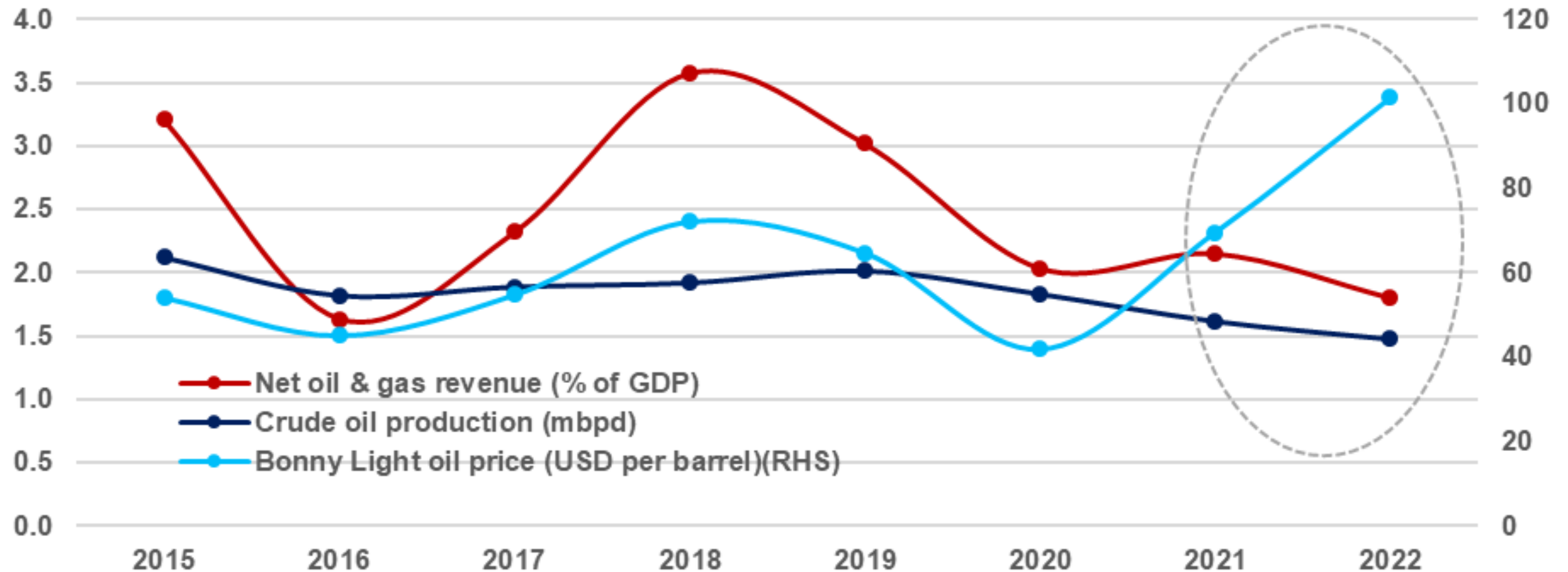
### PERCENTAGE OF CHILDREN STUNTED

One in every three children under five years of age (32%) suffers from chronic malnutrition, among the highest in the world

# NIGERIA AT A CRITICAL JUNCTURE: OIL & GAS REVENUES FALLING DESPITE HIGHER OIL PRICES...



...for the first time in Nigeria's history, and alone amongst major oil exporters



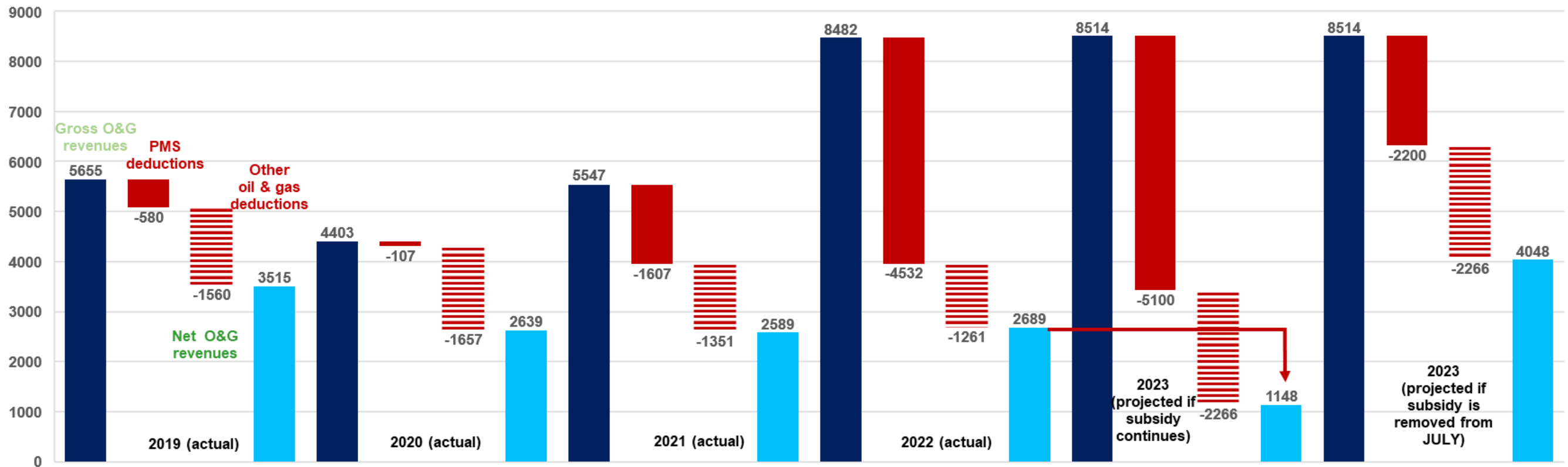
# NIGERIA AT A CRITICAL JUNCTURE:

## ...PRIMARILY BECAUSE OF THE GROWING FISCAL BURDEN OF PMS SUBSIDIES



Federation net oil & gas revenues will decrease to just over NGN 1 trillion in 2023 if PMS subsidies are not removed by JULY

From GROSS oil & gas revenues to NET oil & gas revenues (NGN billion): 2019 (actual) to 2023 (projected)



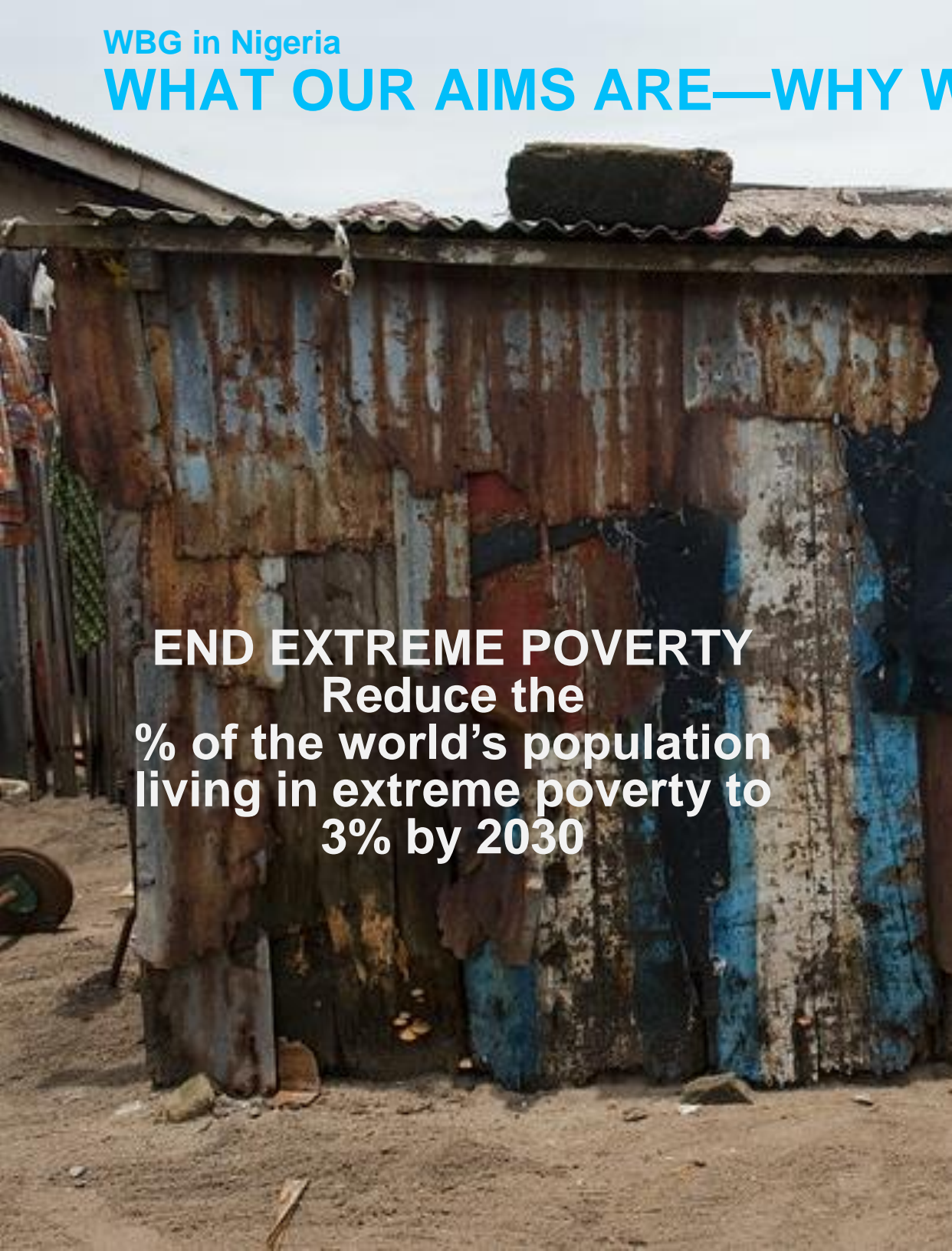


# INTRODUCING THE WORLD BANK GROUP

**Who we are, what we do, why we are here and how we work**



# WHAT OUR AIMS ARE—WHY WE ARE HERE



**END EXTREME POVERTY**  
Reduce the  
% of the world's population  
living in extreme poverty to  
3% by 2030



**PROMOTE SHARED PROSPERITY**  
Increase the incomes of the  
bottom 40% of the population  
in every country





# WHO WE ARE AND WHAT WE DO



- World Bank Group (WBG) consists of:
  - **World Bank**: we support and finance governments and public sector entities through our two financing windows—International Development Association (IDA) for low-income countries and International Bank for Reconstruction and Development (IBRD) for middle-income countries
  - **International Finance Corporation**: private-sector financing arm of the WBG
  - **Multi-lateral Investment Guarantee Agency (MIGA)**: political risk insurance for private cross-border investments
- World Bank is like a development cooperative providing support to our member governments in terms of:
  - **on-budget financing** (from either our **concessional** (IDA) window or our **non-concessional but still below-market** (IBRD) window) for **policy-based budget support** or **priority investment programs** (usually 5-6 years) implemented through government ministries and agencies
  - **analytic and advisory support services** directly provided by our teams (funded out of our operating budget or through trust fund resources provided by bilateral and other partners)
  - **knowledge and experience-sharing and convening and facilitation services** directly provided by our teams (funded out of our operating budget or through trust fund resources provided by bilateral and other partners)
- World Bank's Nigeria country team (250-plus of whom 130 are in Abuja) consists of:
  - **technical teams** based in Abuja, Washington DC and elsewhere who work with government partners in designing, preparing, appraising programs and providing implementation support
  - **shared services teams**, primarily based in Abuja, providing the administrative and operational support services
  - **country management team** responsible for the overall strategic direction and management of the country program

# HOW WE WORK: IMPORTANT FACTS



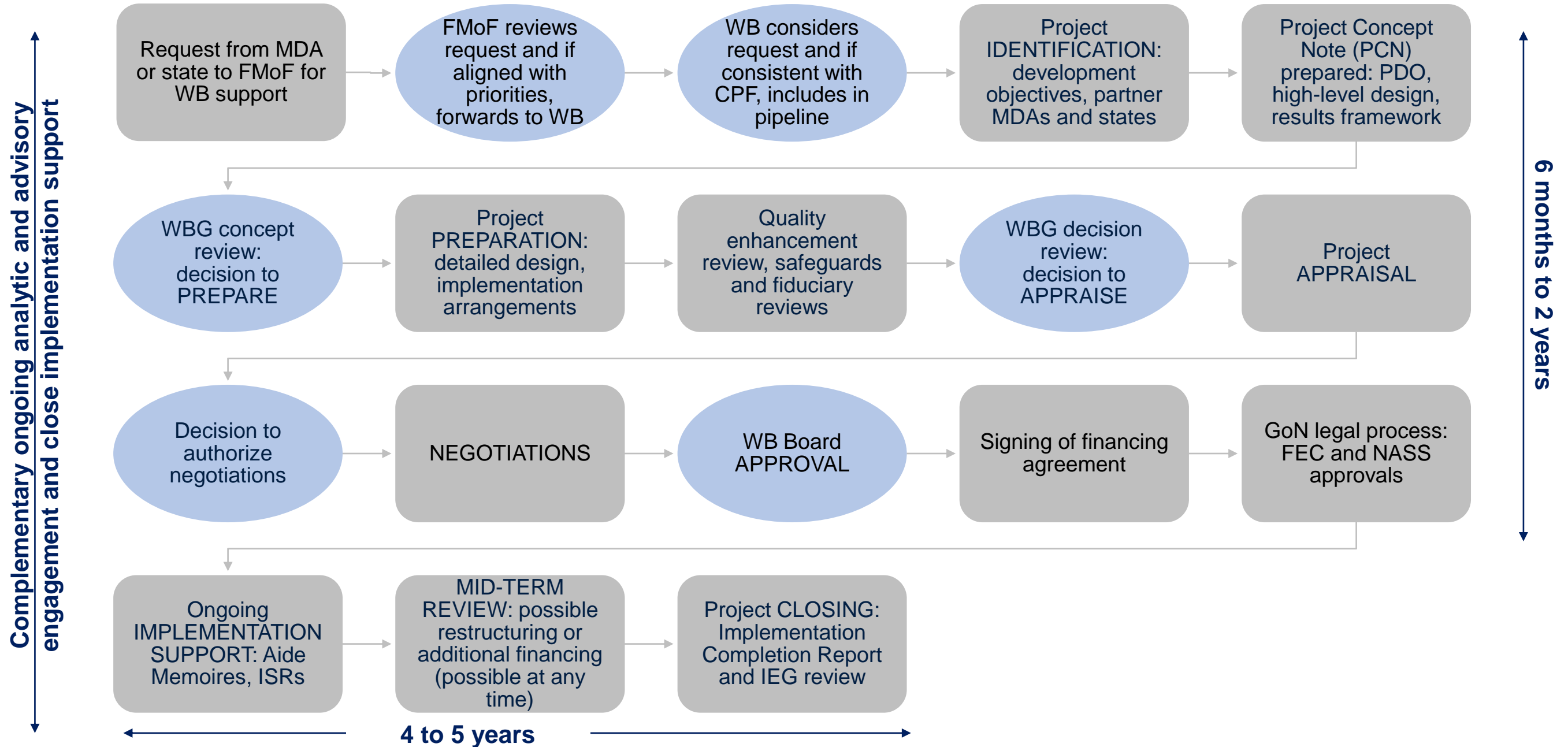
- By our articles, the World Bank can **only provide financing directly to sovereign borrowers** and so:
  - All requests for financing **have to come from the HMoFBNP, who is the Governor representing Nigeria on our Board of Governors**
  - the **HMoFBNP is the signatory** for all our financing agreements
  - Our financing has to flow **through the government's own systems and the programs implemented by government agencies** and are in that sense **no different from other sources of budget financing** such as IGR or other public debt
- Financing and support for **sub-national governments (states) and parastatal entities is possible** and is **nearly 70% of our financing in Nigeria**, but has to be **channeled—either as loans or grants—through subsidiary agreements** between the federal government and the relevant sub-national government
- The **concessional financing envelope** we have available for Nigeria is determined **every three years** as part of each **three-year IDA cycle**:
  - each IDA-eligible country is allocated **an indicative envelope** based on population, per-capita income (and incidence of poverty), and certain policy and institutional performance criteria
  - in the IDA20 cycle—July 2022 to June 2025—we anticipate an indicative envelope of **around USD 5.5 billion**
- Our current **concessional (IDA)** financing terms for Nigeria are:
  - **20 to 30-year maturity** with **5 to 10-year grace period**
  - fixed **financing charge** (at the moment but subject to periodic revision) of 2.82% per annum in USD



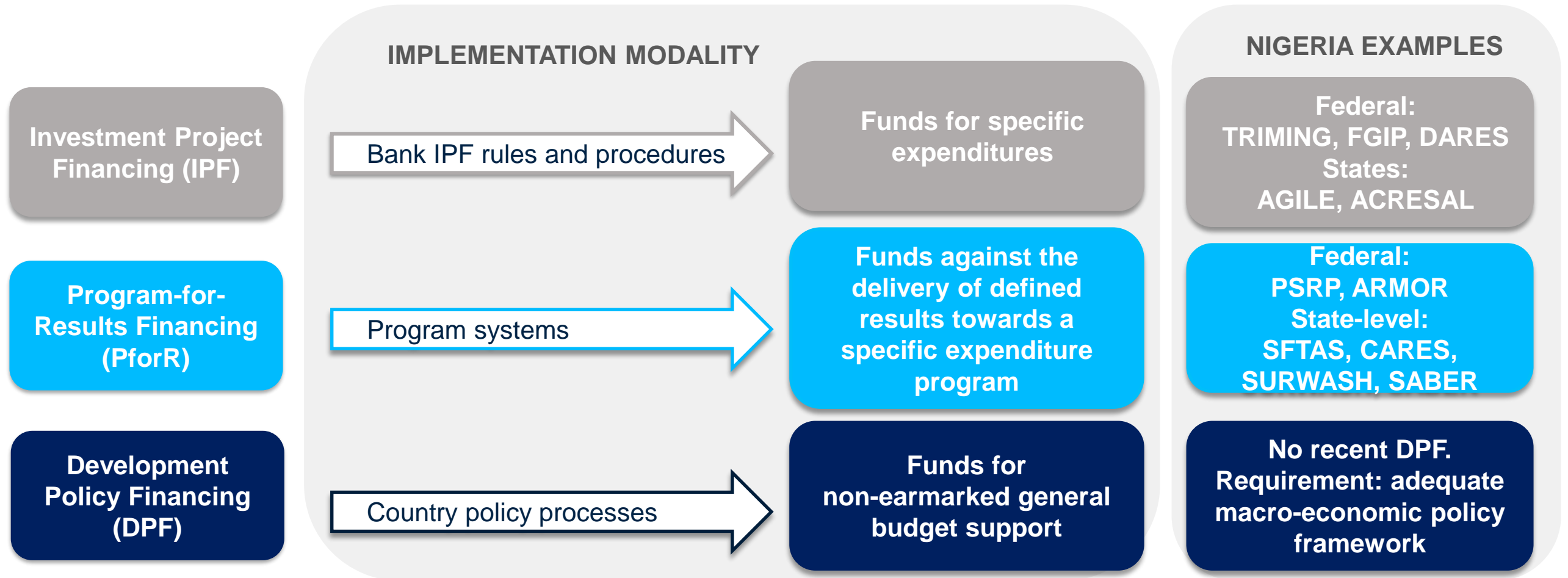
- What we do is broadly defined by our **WBG Country Partnership Framework**, the four-to-five year strategy endorsed by our Board:
  - **The current CPF for FY21-FY25 was approved by the WBG Board of Executive Directors on December 14, 2020**
- key elements of the CPF process are:
  - preliminary agreement on **indicative financing pipeline** for the CPF period though note that this need not be very detailed, and it is recognized that priorities of government can evolve, and so the approach is one of **adaptive programming based on continuous interaction** with government partners
  - **consultations with range of stakeholders**, certainly within government, but also outside government
  - **clarity on results** to be aimed for under the CPF
- Based on requests from the FMoF and subject to approval of the borrowing plan by the National Assembly, we have been providing about USD 2 billion in concessional financing annually
- Our financing program is underpinned and complemented by ongoing program on **analytic, advisory work and close implementation support** to government partners



# HOW WE WORK: THE BASIC PROCESS



# WORLD BANK FINANCING INSTRUMENTS







**EXAMPLES OF PROJECTS:**

TRIMING: Transforming Irrigation in Nigeria  
 FGIP: Fiscal Governance and Institutions Program  
 DARES: Distributed Access to Renewable Energy Scale-up  
 AGILE: Adolescent Girls Initiative for Learning and Empowerment  
 ACRESAL: Agro-Climatic Resilience in Semi-Arid Landscapes

PSRP: Power Sector Recovery Program  
 ARMOR: Accelerating Revenue Mobilizing Reforms  
 SFTAS: State Fiscal Transparency Accountability and Sustainability  
 CARES: COVID Action Recovery and Economic Stimulus  
 SURWASH: Sustainable Urban and Rural Water Sanitation and Hygiene Program  
 SABER: State Action on Business Enabling Reforms

# OUR PROGRAM IN NIGERIA: PILLARS AND OBJECTIVES



PILLAR	CORE OBJECTIVE	COMPLEMENTARY PRIORITY
 <p>STRENGTHENING THE FOUNDATIONS OF THE PUBLIC SECTOR</p>	1 Increase domestic revenue mobilization, improve the quality of public expenditures and strengthen debt management	1 Promote use of more reliable and timely data and more evidence-based policies to enhance macro-financial stability and accelerate inclusive growth
		2 Enhance the effectiveness, transparency and accountability of public institutions and systems for service delivery
 <p>INVESTING IN HUMAN CAPITAL</p>	2 Increase access to and quality of basic education	
	3 Improve primary healthcare	
	4 Increase access to basic water and sanitation services	
	5 Increase the coverage and effectiveness of social assistance programs	
	6 Empower women and girls by increasing their human capital and economic opportunities	3 Promote youth employment and skills
 <p>PROMOTING JOBS AND ECONOMIC TRANSFORMATION AND DIVERSIFICATION</p>	7 Promote financial deepening and inclusion	4 Further business enabling reforms and promote competitive clusters
	8 Increase access to reliable and sustainable power for households and firms	5 Enhance connectivity and support development of economic corridors and cities as livable growth poles
	9 Develop digital infrastructure, platforms and skills	
 <p>ENHANCING RESILIENCE</p>	10 Enhance climatic resilience	6 Modernize agriculture
	11 Reduce fragility in the Northeast and other areas affected by conflict	

# OUR PROGRAM IN NIGERIA: A SNAPSHOT



As of June 30, 2022

## ACTIVE NATIONAL PORTFOLIO

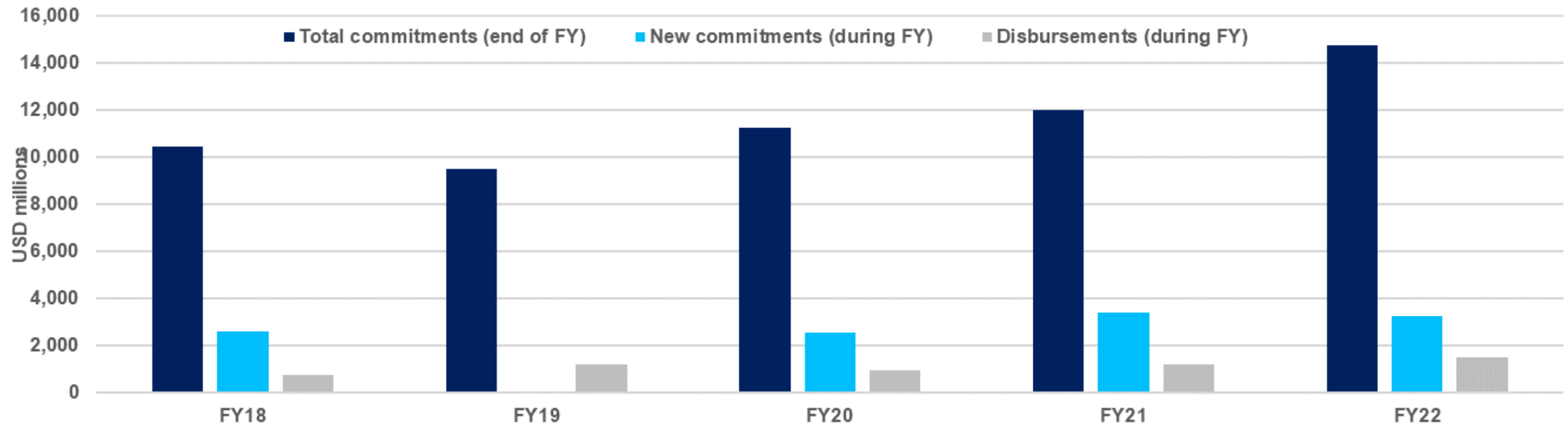
**30**  
PROJECTS

**USD 13,990 million**  
COMMITMENTS

## DISBURSEMENTS: CUMULATIVE

**USD 4,564 million**  
TOTAL

**USD 9,198 million**  
UNDISBURSED BALANCE

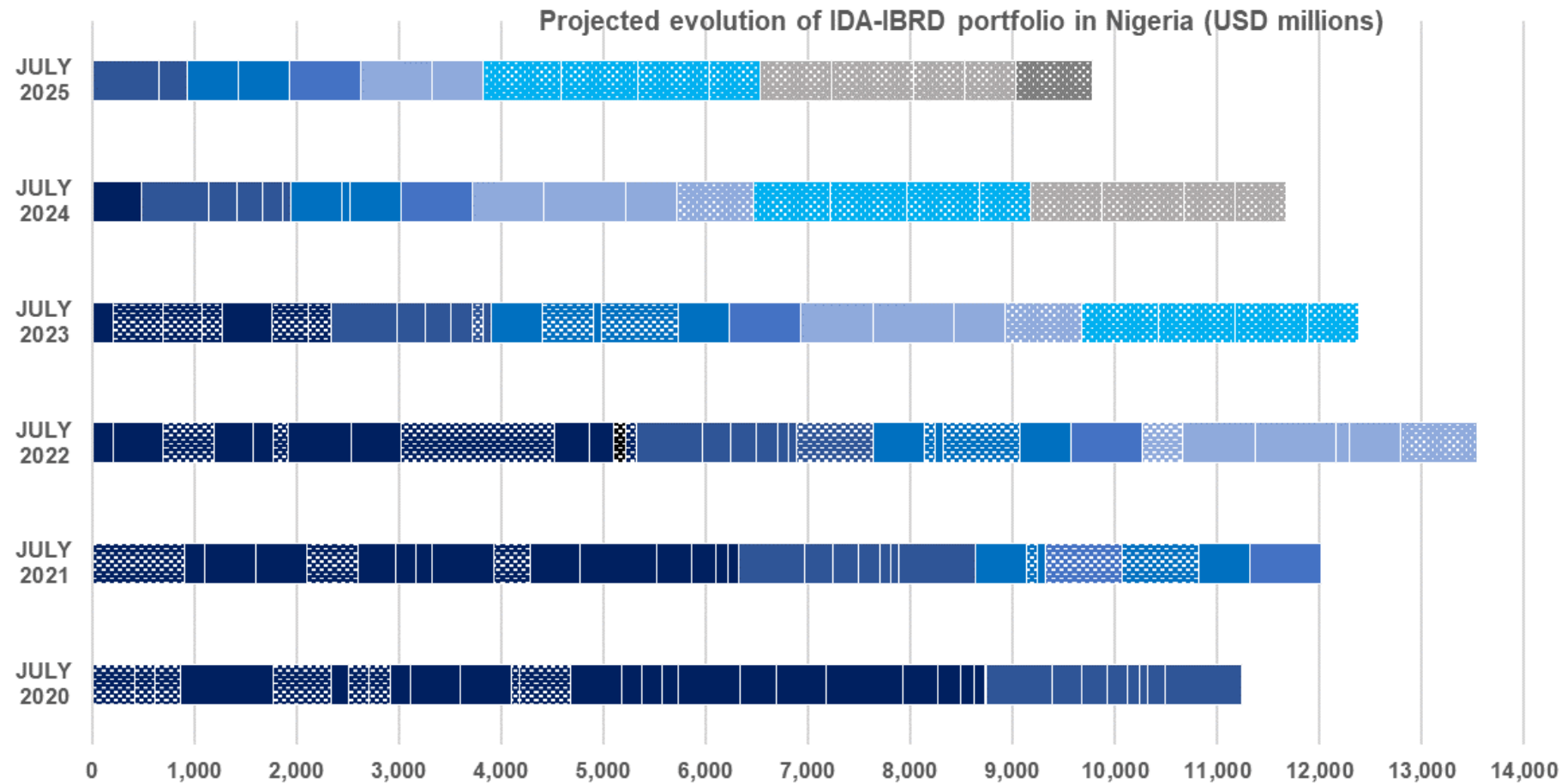




# OUR PROGRAM IN NIGERIA: HOW IT HAS AND IS LIKELY TO EVOLVE



...in terms of overall volume and number of operations



In the last two years, even as a large number of projects closed—8 in FY21, and 3 anticipated in FY22—the IDA-IBRD portfolio has increased significantly because of the **unprecedented volume of new commitments: USD 9, 200 million**



Shift towards **FEWER** and **LARGER** projects:

- from 34 projects in July 2020 to a projected **27 projects in July 2023**
- from an average size of **USD 331 million in July 2020 to USD 459 million by July 2023**

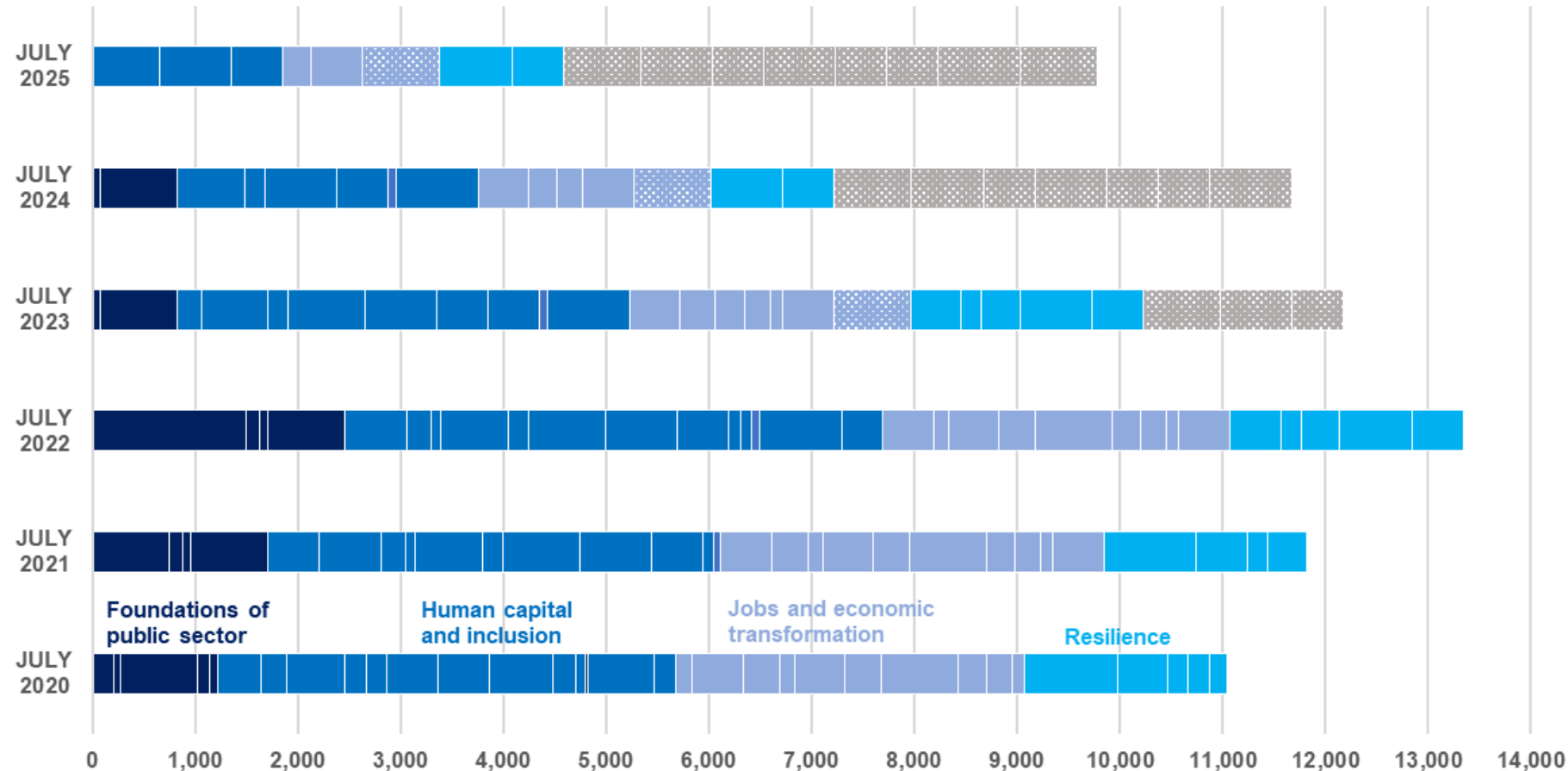


Pipeline for the next three years under **IDA20 (around USD 6 billion)** yet to be firmed up but hope is to aim for no more than 3 to 4 large (between USD 500 and 750 million) operations a year

# OUR PROGRAM IN NIGERIA: HOW IT HAS AND IS LIKELY TO EVOLVE



...by CPF pillar



Investments in human capital and inclusion constitute the largest share of our program...



...with financing for programs that promote jobs and economic transformation coming next

The five largest sectors in terms of the current portfolio and anticipated pipeline are:



- GOVERNANCE: USD 2,455 million
- ENERGY: USD 2,086 million
- SOCIAL PROTECTION: USD 2,050 million
- EDUCATION: USD 1,386 million
- HEALTH: USD 1,375 million

# OUR PROGRAM IN NIGERIA: PRINCIPLES AND SELECTIVITY CRITERIA



## A STRONG DEVELOPMENT RATIONALE IS NOT ENOUGH—WE NEED TO CONSIDER THE LIKELIHOOD AND FEASIBILITY OF ACHIEVING IMPACT AT SCALE

- Nigeria's development priorities have not changed much over the last decade—the challenges remain the same and while some progress has been made, much more remains to be done, and the urgency of making much more rapid and tangible progress has increased
- In this context, the **development need and rationale for particular programs and interventions do not by themselves provide a fine enough filter** to justify directing large-scale financing—we need to also to have **a feasible and implementable path to achieving impact at scale...**
- ...and because any impact we have is through the government partners and programs we support, the **likelihood of our impact depends on the degree of government ownership, and the commitment, integrity and capability of the main government partners** we would be working with
- We use three principles cum selectivity criteria to determine in which areas and how we will engage:
  - We will engage where there are **national programs and platforms** that aim to move the needle at the national level on a critical development challenge
  - We will engage where there is a reasonable prospect of **fiscal and institutional sustainability** of the programs we support
  - We will engage where the **policy and institutional prerequisites exist and the commitment, integrity and ownership of government partners** is evident

# OUR PROGRAM IN NIGERIA: PRINCIPLES AND SELECTIVITY CRITERIA



## AIMING TO HELP NIGERIA MAKE TANGIBLE PROGRESS ON A NATIONAL SCALE

- Financing from the World Bank constitutes a significant portion (nearly a third in 2019) of Nigeria's development budget. Given this scale, and given the inherent threshold effects and increasing returns associated with many development initiatives, rather than fragment our support across multiple smaller projects, we will **aim for scale with programs and engagements that are national in scope**. That will mean **both larger volumes (at least USD 500 million) for our financing operations** and a **shift towards more upstream engagements** that offer greater potential for our support to be leveraged and magnified
- The higher level of ambition is reflected in the **CPF objective indicators** for which, wherever feasible, we select **Tier 2 type indicators that are national in scope**

## FOCUSING ON THE FISCAL AND INSTITUTIONAL SUSTAINABILITY OF THE PROGRAMS WE SUPPORT

- Development-partner financed programs too often end up as ring-fenced initiatives that **cannot be sustained once the external financing and support end**. To mitigate this risk we will aim to incorporate upfront, considerations of **fiscal and institutional sustainability** into the design of our programs by **anchoring them in government-owned national programs**. Several of our programs already do this; we will apply this principle to all our programs going forward

## EMPHASIZING THE POLICY AND INSTITUTIONAL PREREQUISITES FOR INVESTMENT FINANCING

- Recognizing that our financing envelope is quite constrained relative to Nigeria's needs, and that financing is not our only value-added, we will aim to scale up our support beyond (or in lieu of) financing through **dialogue and advisory and TA activities on policy and institutional reforms** that can be as (sometimes even more) impactful
- For development impact of large-scale financing to be fully realized, the **policy, regulatory, and institutional prerequisites must be in place**. We will aim to engage upstream, informed by analytical work, to ensure that these prerequisites are met before large-scale financing is contemplated



# OUR PROGRAM IN NIGERIA: A MORE STRUCTURED AND RESULTS-BASED APPROACH TO OUR ENGAGEMENT WITH STATES



- **Nearly 70 percent** of our financing currently is for **programs implemented at the state level**, with the funds being **on-granted or on-lent** from the federal government
- States play a critical role on most aspects of the development agenda and the share of our financing going to states may increase further
- But for that to happen, we need a more **structured and results-based approach** to our engagements with the states...
- ...because:
  - the WBG **financing envelope is limited**. If **all states** participated in **all projects** and programs, the **average financing per state may be inadequate** to achieve development objectives
  - while some issues are relevant to all states (e.g., fiscal transparency and accountability), other issues are more relevant to a subset of states
  - the **ownership and demonstrated commitment of state governments** is essential for the intended development impacts to be realized
- A more **structured results-based approach** could have the following elements:
  - Consensus around the **technical ELIGIBILITY criteria** that would, in principle, make a state eligible for inclusion in a program based on how salient the development challenge being addressed by the program is for the state
  - Agreement on a set of **SELECTION criteria**—i.e., actions that would **demonstrate the upfront commitment and ownership** by the relevant state governments for participation in the program
  - Clarity on a set of **results indicators** (potentially with clear timeframes for achievement), on the basis of which **disbursement of funds** would occur

# THE PROGRAMS WE SUPPORT: MOST ARE IMPLEMENTED BY STATES



PROJECT NAME	CLOSING	(USD MIL)	(USD MILLION)		NORTH CENTRAL					NORTH EAST					NORTH WEST					SOUTH EAST					SOUTH SOUTH					SOUTH WEST					COUNT OF STATES PER - PROJECT															
		COMMITMENT	PERCENTAGE EXPENDITURE AT FEDERAL LEVEL	PERCENTAGE EXPENDITURE AT STATE LEVEL	Beneue	Kogi	Kwara	Nassarawa	Niger	Plateau	FCT	Adamawa	Bauchi	Borno	Gombe	Taraba	Yobe	Jigawa	Kaduna	Kano	Katsina	Kebbi	Sokoto	Zamfara	Abia	Anambra	Ebonyi	Enugu	Imo	Akwa Ibom	Bayelsa	Cross River	Delta	Edo		Rivers	Ekiti	Lagos	Ogun	Ondo	Osun	Oyo								
IDEAS	30-Jun-25	200	64%	36%	X									X				X						X								X	X																6	
OGSET	30-Jun-25	250	0%	100%																																			X										1	
NEP	31-Oct-23	350	100%	0%																																													0	
RAAMP	30-Jun-26	280	3%	97%		X	X		X	X		X		X			X	X	X	X	X	X		X		X		X	X								X		X	X	X	X	X	X	X			20		
BESDA	31-Oct-25	611	3%	97%					X		X	X	X	X	X	X	X	X	X	X	X	X	X		X								X												X				17	
PSRP	30-Jun-23	750	100%	0%																																													0	
NETAP	31-Dec-24	486	100%	0%																																													0	
ANRIN	31-Dec-23	225	33%	67%		X	X	X	X	X				X			X	X	X					X				X																	X				12	
IUFMP	31-Dec-23	200	0%	100%																																									X				1	
SPESSSE	31-Oct-24	80	100%	0%																																													0	
MINDIVER	30-Jun-23	150	100%	0%																																													0	
NFWP	31-May-23	100	10%	90%	X	X		X	X				X	X	X					X	X			X	X			X	X	X	X					X		X	X	X				X	X	X	X	19		
NASSP	30-Jun-24	800	100%	0%																																													0	
MCRP	31-May-24	376	3%	97%							X		X			X																																	3	
SFTAS	30-Jun-23	1,500	2%	98%	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	37	
TRIMING	30-Apr-24	495	100%	0%																																														0
CARES	30-Jun-23	750	4%	96%	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	37		
APPEALS	30-Sep-23	200	42%	58%		X											X	X									X					X									X								6	
DFP	30-Jun-23	500	100%	0%																																													0	
EDBESST	31-Dec-24	75	0%	100%																																													1	
IMPACT	31-Dec-25	650	55%	45%	X	X	X	X		X		X	X		X		X	X			X		X		X		X																	X	X	X		X	19	
AGILE	31-Jul-25	500	7%	93%						X			X				X	X	X	X																								X					7	
DID4D	30-Jun-24	115	100%	0%														X	X																														0	
SURWASH	30-Jun-27	700	4%	96%						X				X			X	X										X																					7	
DISREP	30-Jun-26	500	100%	0%																																													0	
COPREP	29-Feb-24	500	10%	90%	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	37		
ACRESAL	31-Mar-28	700	tbc	tbc	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	19		
COUNT OF PROJECTS					6	8	6	6	7	8	3	6	6	8	9	5	6	4	10	10	8	7	7	4	8	4	6	4	6	6	4	5	5	5	5	9	5	6	5	4	9									



**Introducing the World Bank**

**EXAMPLES OF THE MULTI-STATE PROGRAMS  
WE SUPPORT**

# SFTAS Objective: to strengthen fiscal transparency, accountability and sustainability in the participating States, *including in the context of COVID-19*



Component One  
(Program for  
Results):  
Performance-  
based Grants to  
States

ORIGINAL  
US\$700 million

ADDITIONAL  
FINANCING  
US\$750 million

Component Two  
(IPF): Technical  
Assistance  
US\$50 million

- **Program Duration: 2018 – 2022 for PforR; through December 31, 2023 for IPF**
- **PforR: Four annual performance assessments which disbursed a total of US \$1.45 billion of performance-based grants to States.**
  - All states participate as long as they achieve annual **Eligibility Criteria (EC)**
  - The grant size depends on the number of **Disbursement-linked Indicators (DLI)** achieved in each performance assessment
  - DLIs have basic and stretch targets to enable “lagging” States to participate while incentivizing States with stronger capacity to do more

\* \* \* \* \*

- **Capacity building to all States** provided by Nigeria Governors’ Forum (NGF), Public Service Institute of Nigeria, Debt Management Office, and OGP Secretariat
- **Support to the Program Coordination Unit** in the Federal Ministry of Finance
- **Support for the independent verification of results** by the OAuGF and an external audit firm





# Program for Results: Eligibility Criteria (EC) and Disbursement-Linked Indicators (DLIs)

**All States have access to performance-based grants as long as they meet 2 annual Eligibility Criteria:**

- (1) Timely publication of annual State budget in line with the National Chart of Accounts**
- (2) Timely publication of annual Audited Financial Statements in compliance with IPSAS standards**

**The grant amount is determined by the number of DLIs achieved in the annual performance assessment**

- **SFTAS had 13 DLIs across 4 Results Areas**
- **Results are assessed annually by an independent verification agent subject to several layers of quality assurance**
- **The World Bank disburses to the Federal Government, which in turn disburses to States**
- **States are supported to achieve results through extensive capacity building and peer learning**



# SFTAS Results Areas and DLIs



## FISCAL TRANSPARENCY & ACCOUNTABILITY

DLI 1. Improved financial reporting and budget reliability

DLI 2. Increased openness and citizen engagement in the budget process

DLI 10. Enhanced transparency and accountability of funds in the COVID-19 response and resilient recovery phases



## DOMESTIC REVENUE MOBILIZATION

DLI 3. Improved cash management and reduced revenue leakages through implementation of State Treasury Single Account

DLI 4. Strengthened Internally Generated Revenue Collection

DLI 11. Provided structured tax relief in response to COVID-19 and strengthened tax administration to enhance non-oil tax collection in the resilient recovery phase



## EFFICIENCY OF PUBLIC EXPENDITURES

DLI 5. Biometric Registration and Bank Verification Number used to reduce payroll fraud

DLI 6. Improved procurement practices for increased transparency and value for money

DLI 12. Strengthened procurement function for COVID-19 and other emergency situations



## DEBT SUSTAINABILITY

DLI 7. Strengthened public debt management and fiscal responsibility framework

DLI 8. Improved clearance of stock of domestic expenditure arrears

DLI 9. Improved debt sustainability

DLI 13. Established a fiscally sustainable response to COVID-19 through COVID-19 responsive budgets



# STATE-LEVEL PERFORMANCE UNDER SFTAS

## OVERALL PERFORMANCE: OVER ENTIRE PERIOD AND ALL DLRS



TOP PERFORMER

YOBE

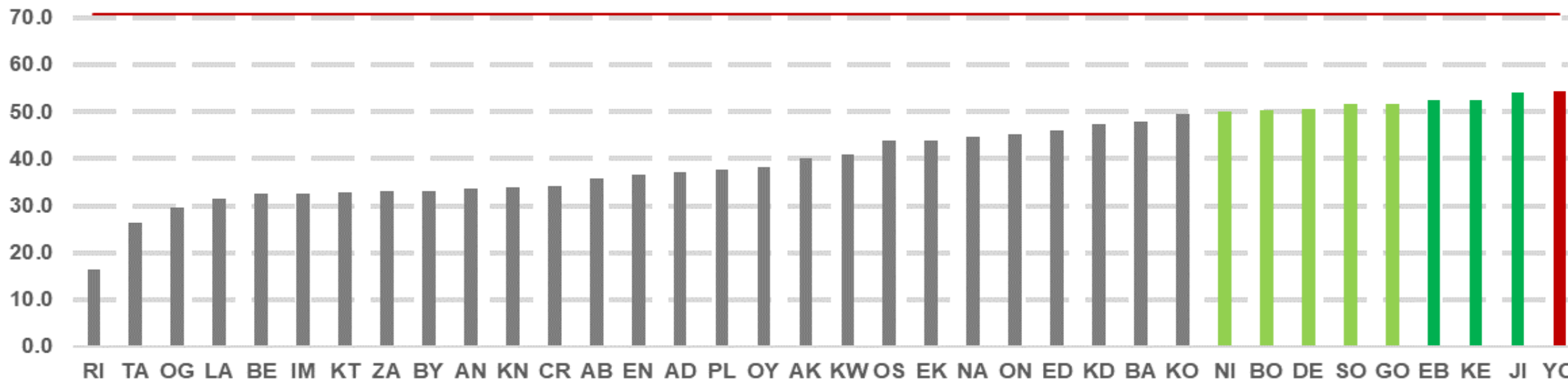
EXCELLENT PERFORMERS:  
TOP 10% OF STATES

JIGAWA  
KEBBI  
EBONYI

VERY GOOD PERFORMERS:  
TOP 25% OF STATES

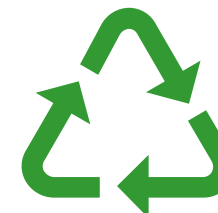
GOMBE  
SOKOTO  
DELTA  
BORNO  
NIGER

STATE-LEVEL PERFORMANCE: **OVER ENTIRE PERIOD AND ALL DLRS**  
(USD million)



# SFTAS PROGRAM FOR RESULTS: 2018 TO 2022

## STATE-LEVEL PERFORMANCE: SUMMARY



OVERALL: OVER ENTIRE PERIOD & ALL DLRs	GREATEST IMPROVEMENT: 2018-2019 TO 2020-2021	FISCAL TRANSPARENCY & ACCOUNTABILITY	DOMESTIC REVENUE MOBILIZATION	EFFICIENCY OF PUBLIC EXPENDITURES	DEBT SUSTAINABILITY
<b>TOP PERFORMER</b>					
<b>YOBE</b>	<b>BORNO</b>	<b>YOBE</b>	<b>OSUN</b>	<b>EDO</b>	<b>JIGAWA</b>
<b>EXCELLENT PERFORMERS: TOP 10% OF STATES</b>					
JIGAWA KEBBI EBONYI	NASARAWA KEBBI BAYELSA	GOMBE DELTA EKITI	SOKOTO KADUNA BAUCHI	BORNO NIGER EBONYI	YOBE KEBBI KOGI EBONYI
<b>VERY GOOD PERFORMERS: TOP 25% OF STATES</b>					
SOKOTO GOMBE	ZAMFARA IMO KANO EBONYI AKWA IBOM	EDO ABIA ONDO ENUGU KOGI	KEBBI JIGAWA EBONYI KOGI PLATEAU GOMBE NASARAWA	DELTA YOBE KEBBI  OSUN GOMBE JIGAWA	SOKOTO BORNO  NASARAWA NIGER DELTA AKWA IBOM





# Sustaining and deepening SFTAS results

**Although the grants have been fully disbursed, SFTAS remains active through December 31, 2023**

- ✓ State-level briefs summarizing performance 2018-2021 are being distributed
- ✓ A performance assessment for 2022 is ongoing. States will be provided with preliminary results and will be supported to correct omissions
- ✓ The SFTAS team will engage incoming Commissioners of Finance and core staff to understand the DLIs and take advantage of ongoing technical support and peer learning
- ✓ Core SFTAS results are incentivized as Eligibility Criteria through the follow-on SABER program
- ✓ Continued achievements will enhance State fiscal space, expenditure efficiency and State trust and credibility vis a vis citizens and investors

# State Action on Business Enabling Reforms (SABER) to improve the business enabling environment in participating states



Component One  
(Program for  
Results):  
Performance-  
based **Loans** to  
States

US\$730 million

Component Two  
(IPF): Technical  
Assistance  
US\$20 million

- **PforR: Results-based loans to incentivize states to take concrete steps in addressing major business-enabling environment challenges in the state.**
  - Open to all states to participate, provided they achieve annual **Eligibility Criteria**.
  - The loan size depends on the number of **Disbursement-linked Indicators (DLI)** achieved in each performance assessment covering 2023, 2024 and 2025.
  - 19 states (to date) submitted evidence of their achievement of the **Prior Results** ('DLIs' due by January 6, 2023) for verification, as part of the initial stage of SABER.
  - DLIs have basic and **stretch targets** to enable 'lagging' states to participate while incentivizing states that have already made progress on their business-enabling environment to do more.
- **TA: Capacity building to all States** provided by PEDEC's Secretariat (EBES), Nigeria Governors' Forum (NGF), and the Debt Management Office
- **Private sector engagement** organized by PEDEC's Secretariat (EBES)
- **Support to the Program Coordination Unit** in the Federal Ministry of Finance
- **Support for the independent verification of results** by an external firm



# SABER Eligibility Criteria, to ensure strong commitment to a holistic business-enabling reform effort, and sustain the SFTAS reforms

Objective	Description	Recent/Upcoming deadlines
<p><b>Improved planning and accountability of business enabling reforms</b></p>	<ul style="list-style-type: none"> <li>Annual <b>State Business Enabling Reforms Action Plan (BERAP)</b> prepared with private sector participation (with records), approved by the State Executive Council and published online. (For the 2023 report, private sector participation not required).</li> <li>Previous year's <b>progress report</b> submitted to the State Executive Council and published online</li> </ul>	<p>BERAP 2023 by Jan-31, 2023  <b>BERAP 2024 by Dec-31, 2023</b></p>
<p>Continuation of selected criteria from SFTAS: <b>Continued transparency of annual State Budget and Audited Financial Statements AND Strengthened and transparent debt management</b></p>	<ul style="list-style-type: none"> <li>Annual <b>state budget</b>, prepared under national Chart of Accounts, approved by the State Assembly and published online by end January the next year (SFTAS EC).</li> <li>Annual <b>audited financial statement (AFS)</b>, prepared in accordance with IPSAS, submitted to the State Assembly and published by July the next year (SFTAS EC).</li> <li>Annual <b>State Debt Sustainability Analysis and Debt Management Strategy Report (SDSA-DMSR)</b> published end-December as per the criteria set in the verification protocol (former SFTAS DLI).</li> </ul>	<p>FY23 Budget by Jan-31, 2023</p> <p>FY21 AFS by Oct-31, 2022  <b>FY22 AFS by Jul-31, 2023</b></p> <p>SDSA-DMSR by Dec-31, 2022</p>



# SABER DLIs offer concrete steps to improve your state's business-enabling environment, and a menu to pick/prioritize from.

Should a state achieve all DLRs, it would potentially receive a total disbursement of USD 52.5M, plus USD 8M in stretch targets

USD million (INDICATIVE)						
SABER DLIs	Sub-DLI	PRIOR RESULTS by JAN-6, 2023	YEAR 1 By DEC-31, 2023	YEAR 2 By DEC-31, 2024	YEAR 3 By DEC 31, 2025	TOTAL
1 <b>LAND ADMINISTRATION: certificates of occupancy &amp; FRILIA (sustainable land-based investment)</b>	1.1	1	0.5	2 (2)	2	5.5
	1.2			2	2.5	4.5
2 <b>BROADBAND private investment (ROW processes and fees)</b>			2	1	2 (2)	5
3 <b>PPP framework</b>			1	2.5	2.5	6
4 <b>INVESTMENT PROMOTION</b>		1	2	2	2 (2)	7
5 <b>TRANSPARENCY of official fees and procedures in G2B services</b>		1	1	2	2	6
6 <b>INTER-STATE TRADE fees &amp; levies and exporter certification</b>	6.1	1	1	1	2	5
	6.2		1	1	1	3
7 <b>TAXES: Presumptive turnover tax &amp; electronic payments</b>	7.1			2		2
	7.2			2.5	2(2)	4.5
8 <b>COURTS: Quick determination of commercial disputes</b>			1	2	1	4
<b>TOTAL:</b>		<b>4</b>	<b>13.5</b>	<b>16</b>	<b>19</b>	<b>52.5</b>





# Nigeria For Women Program

Empowering Women through Establishment of Platform, improved access to livelihood, financial and public services

*Works by establishing platform ( Women Affinity Group - WAG) to improve livelihoods and access to financial and select public services for women and influence social norms in targeted areas of Nigeria.*

**Component 1: Building Social Capital by influencing social norms and establishing Women Affinity Groups (WAGs).**

**Component 2: Livelihoods support to individual women and collectives.**

**Component 3: Innovation and Partnerships.**

**Component 4: Project Management, Capacity Building, Monitoring , Evaluation and Learning**





# Nigeria for Women Program: achievements to date:



The first phase of the project has successfully developed and tested the Women Affinity (WAG) model, an adaptation of women's self-help groups, as a platform for addressing key constraints to women's social and economic empowerment at the community, and household levels.

- ✓ Over 19,604 WAGs formed & 409,922 members trained on Gender and life Skills, Financial literacy and Business Skills.
- ✓ \$ 7.3 Million total savings and over \$ 4.3 million total loans taken till date
- ✓ 8,400 WAG members and dependents enrolled into the State Social Health Insurance Scheme.
- ✓ 689,790 community members reached through community interventions.
- ✓ Over 1,500 WAG members and community members trained on alternative fuel cooking energy source to help reduce deforestation & insecurity challenges women face when looking for firewood.
- ✓ 226,918 business plans for individual livelihoods grants have been disbursed to date, totaling N10.2 billion (US\$22.1 million).
- ✓ 142 Livelihood Collectives have been formed to date, reaching over 33,000 WAG members.





# NFWP SCALE UP PROGRAM

The Nigeria for Women Program Scale Up (NFWP-SU) builds on the original Nigeria for Women Project which is currently being implemented in six states\* across the country. The objective of the proposed project is ‘to institutionalize Women’s Affinity Groups and other platforms for women’s economic empowerment and to enhance the economic opportunities of unbanked women.



**US\$ 500M Finance**



To be implemented in up to 23 states\* through 170,000 WAGs.



3.9 million women mobilized into WAGs who will benefit from livelihood enhancement, financial inclusion, RMNCH-N, WASH, and climate change adaptation.



Second-order benefits to 19.5 million in the households\*.

## Key Investments through

- Financial literacy and business planning.
- Community Investment Funds (CIFs) and livelihood collective (LC) grants will enable women to increase their incomes and enhance their livelihood opportunities.
- Establishment of WAG federations at higher levels to take leverage economies of scale in linkages to markets and finance.
- Climate smart livelihoods (farm and non- farm).

\* The average household size in Nigeria is five people.

\* Abia, Akwa Ibom, Kebbi, Niger, Ogun

\* Anambra, Bayelsa, Benue, Borno, Cross River, Delta, Ekiti, Gombe, Kebbi, Kogi, Nasarawa, Niger, Ondo, Ogun, Oyo, Sokoto, Taraba



# ADOLESCENT GIRLS' INITIATIVE FOR LEARNING AND EMPOWERMENT (AGILE) PROGRAM



Platform to deliver a holistic multi-sectoral support (Education, Health, Skills) to address constraints girls face in adulthood and completing secondary school



## Safe and accessible learning spaces (Edu / WASH)

- Construction of Junior and Senior Secondary Schools in rural communities (including WASH, admin block, science lab, water and electricity)
- Improving infrastructure in existing schools



## Fostering an enabling environment for girls (HNP, SPJ, DD, Comms, SD)

- Promoting social and behavior change through traditional leaders, communication campaigns and advocacy
- Providing girls with critical life skills and digital literacy
- Providing financial incentives to poorest households



## Project management and system strengthening (All)

- National strategy on girls secondary education and empowerment
- EMIS for secondary education
- Teacher management and recruitment policy
- Secondary school supply network plan



# Keeping Adolescent Girls in School



## AGILE Program



**\$500M + \$700M**



**More than 15m girls & families**



**Reduced early marriage**



**Adolescent fertility**

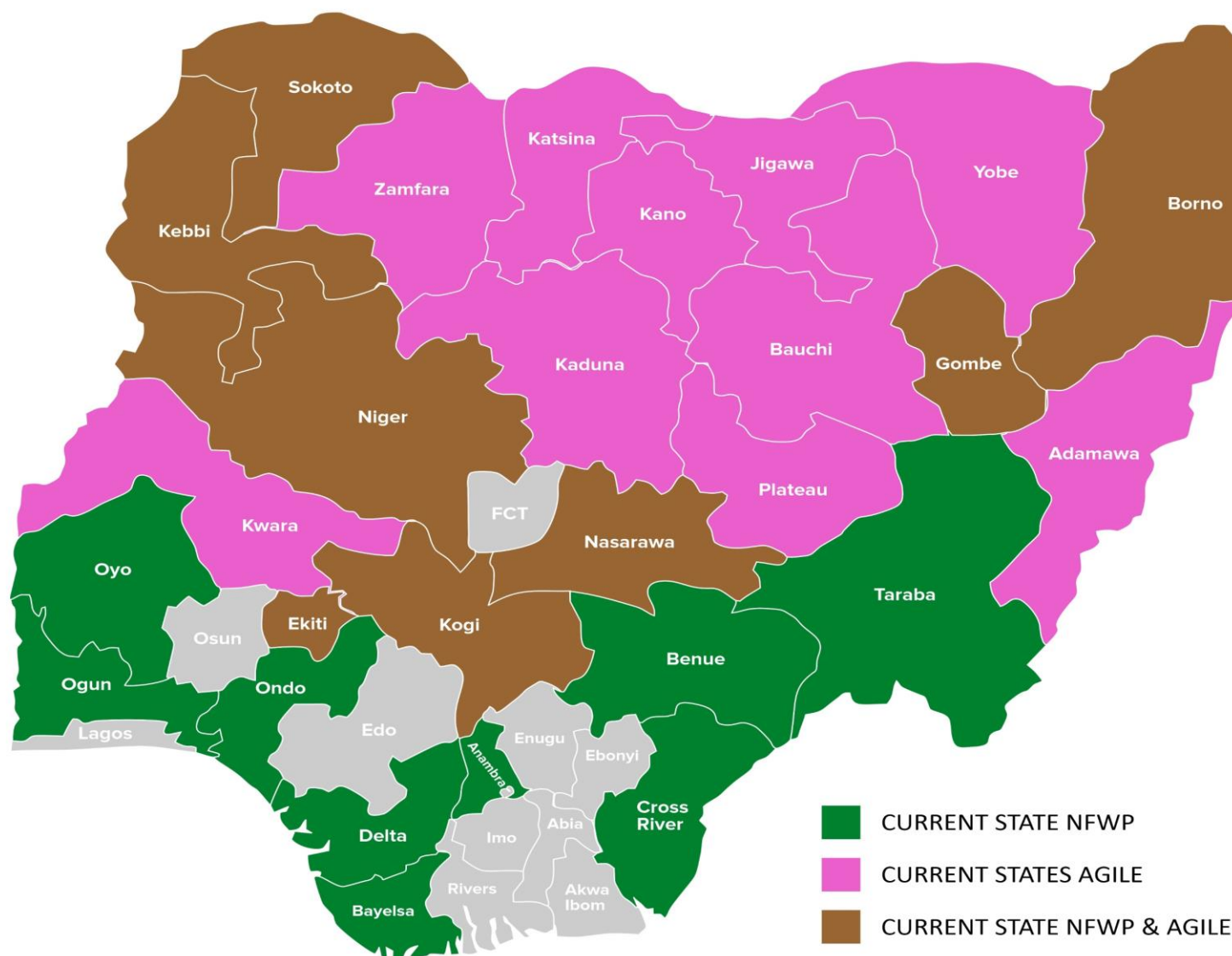


**Improved HC outcomes**





# Almost all states are covered by one of the programs



# NG CARES



## **STATUS and Next Steps**

**May 2023**



## PROGRAM SUMMARY

- PDO is to expand access to livelihood support and food security services, and grants for poor and vulnerable households and firms
- An emergency program to support state-level efforts to respond to and recover from the COVID-induced socioeconomic crisis
- Disbursements are RESULTS-based linked to DLIs in three RESULTS AREAS:
  - Increased Social Transfers, Basic Services, and Livelihood Support to Poor and Vulnerable Households
  - Increasing Food Security and Safe Functioning of Food Supply Chains
  - Facilitating the Recovery and Enhancing Capabilities of Micro and small enterprises

## PROGRAM COVERAGE AND

- All 36 states and FCT
- USD 750 million CREDIT of which, USD 735 million ON-LENT to States and FCT under Program for Results and USD 15 million for federal TA, coordination and project reporting. IPF

# NG-CARES: PROCESS AND CURRENT STATUS



## APPROVALS PROCESS & TIMELINE

- **IDA BOARD APPROVAL:** December 14, 2020
- **FEC APPROVAL:** April 14, 2021
- **NASS APPROVAL:** April 21, 2021
- **SIGNING OF FINANCING AGREEMENT:** June 3, 2021
- **DECLARATION OF EFFECTIVENESS:** September 28, 2021
- **CLOSING DATE – June 30 2023**

## IMPLEMENTATION MILESTONES

**Disbursement effectiveness – 15th October 2021**

**Programme Launch – 20th January 2022**

**States and FCT Eligibility – 3rd February 2022.**

**Advance to States and FCT – 5th March 2022**

**Engagement of IVA – 20th December 2022**

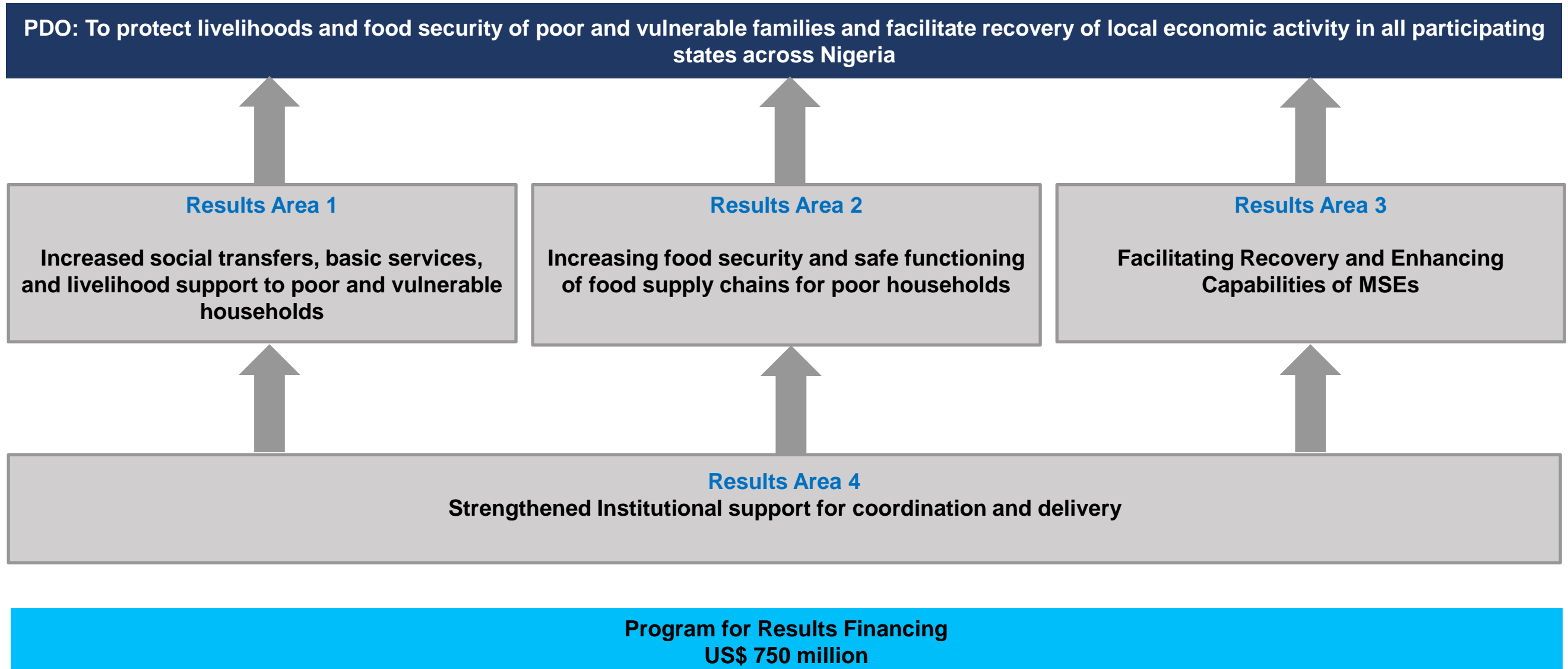
**First IVA RVA – 13th January 2023**

**Reimbursement to States and FCT – March 2023.**

# Program Development Objectives and Result Areas

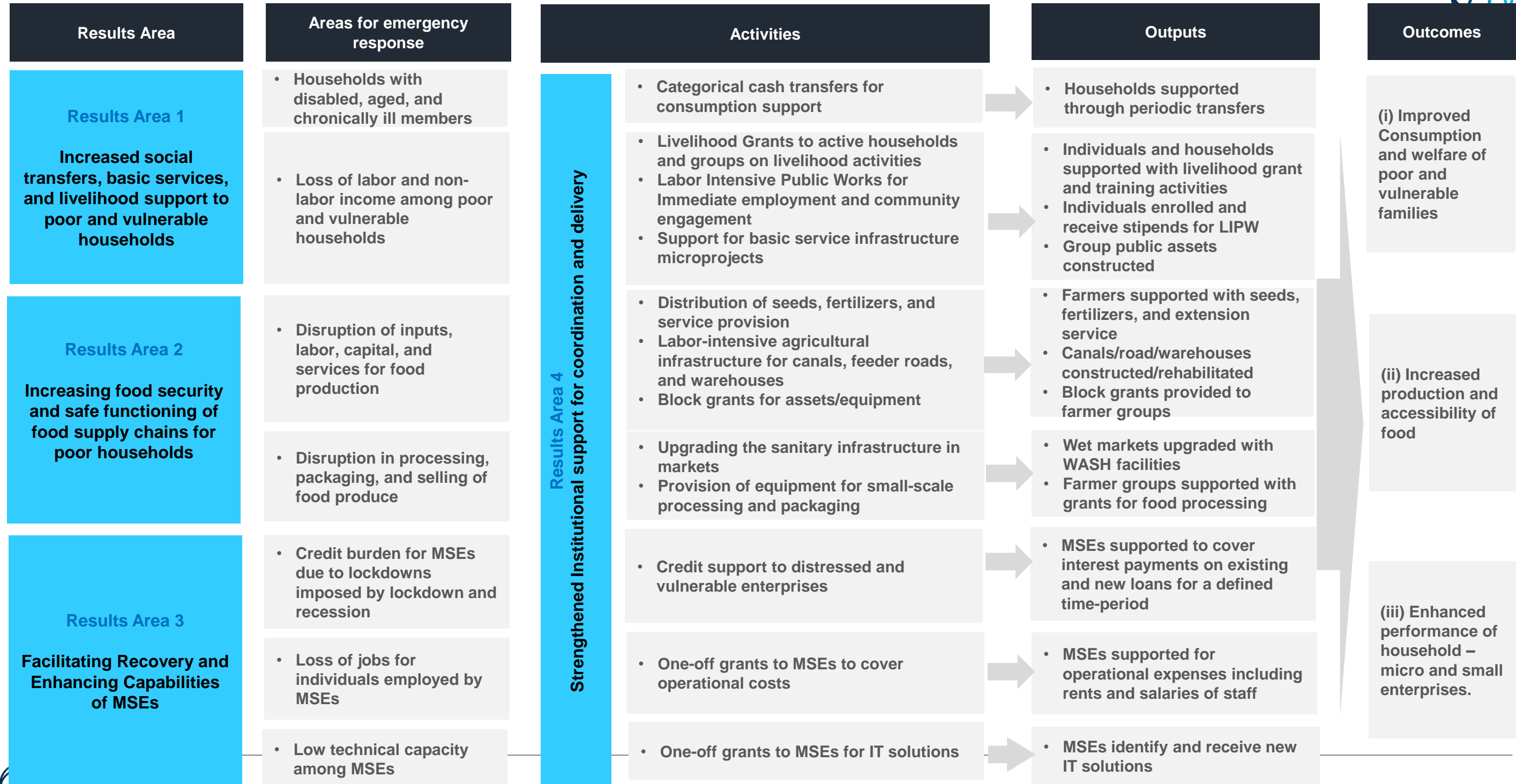


## NIGERIA CARES





# Theory of Change (Summary)



# NG CARES – Key Principles and Practices



- **Agreed Strategic Principles and Practice**
  - A program for results - results-based financing under which disbursements are made **AFTER** specific results agreed to at the start of the program have been achieved and verified
  - 11 monitorable and verifiable **DISBURSEMENT-LINKED INDICATORS (DLIs)** spanning the 3 **RESULTS AREAS (RAs)**—4 DLIs under RA-1, 4 DLIs under RA-2, and 3 DLIs under RA-3
  - For each DLI, a per-unit “**PRICE**” was agreed to, that varies across DLIs but **IS THE SAME FOR ALL STATES**
  - **FLEXIBILITY** - State to choose the DLIs (at least four) and agreed on **TARGETS** thought to be most relevant and achievable (ambitious but realistic) for the population and economy of the state up to a total projected disbursement of USD 20 million per state
  - **STATE Designated DELIVERY PLATFORMS, Coordinating Units and Other Organisational structure within State Governance arrangement also agreed.**
  - **State CARES Coordinating Unit relates and report to Federal CARES Coord. Unit.**
  - **FCCU and supporting Agencies provides Coordination, Technical Support, Monitoring and overall Reporting.**



- **\* About 2 Million people and firms have directly and indirectly benefited from the Programme interventions in all States and FCT.**
- \* 35 States and FCT earned N77 Billion Naira (\$168 Million).**
- \* 29 States and FCT earned reimbursement after deducting the initial advance \* 7 States earned no reimbursement after deducting the initial advance.**
- \* On the basis of earnings, Zamfara state ranked first, earning N5.273 Billion with 70,835 beneficiaries. This is followed by Bauchi and Ondo States that earned N4.232 Billion with 43,069 beneficiaries and N3.838 Billion with 56,161 beneficiaries respectively**

# States Performance Ranking by Earnings

State	Beneficiaries	Earnings
Zamfara	70,835	5,273,150,000.00
Bauchi	43,069	4,232,200,000.00
Ondo	56,161	3,838,233,411.96
Lagos	12,002	3,617,725,238.94
Gombe	20,448	3,393,696,750.00
Yobe	20,136	3,366,284,000.00
<b>Delta</b>	<b>31,058</b>	<b>3,315,540,000.00</b>
Ekiti	46,110	3,297,117,549.40
Kwara	39,290	3,154,818,800.00
Katsina	68,405	3,040,540,000.00
Kebbi	29,594	2,972,890,000.00
Adamawa	18,562	2,640,490,000.00
Osun	27,866	2,613,230,000.00

## States Performance Ranking by Earnings cont'd

State	Beneficiaries	Earnings
Osun	27,866	2,613,230,000.00
Rivers	9,877	2,428,596,865.00
Niger	19,872	2,300,800,000.00
Bayelsa	27,735	2,283,380,000.00
FCT	23,768	2,260,050,000.00
Abia	20,031	2,134,460,000.00
Anambra	45,221	2,044,223,137.40
Oyo	14,435	2,021,081,214.40
Kaduna	19,473	1,821,079,922.20
Kano	8,846	1,671,280,000.00
Borno	19,323	1,618,880,000.00
Nasarawa	23,965	1,553,510,000.00
Sokoto	10,864	1,516,060,000.00



## States Performance Ranking by Earnings cont'd

State	Beneficiaries	Earnings
Edo	19,188	1,459,629,739.91
Jigawa	6,328	1,451,660,000.00
Plateau	13,476	1,081,360,000.00
Akwa Ibom	11,967	992,330,000.00
Cross River	10,430	907,800,000.00
Benue	8,160	834,560,000.00
Ebonyi	2,353	828,380,000.00
Kogi	18,787	813,160,000.00
Taraba	1,320	184,000,000.00
Enugu	1,174	153,440,000.00
Ogun	2,568	96,140,000.00
Imo	0	-
<b>Total</b>	<b>822,697</b>	<b>77,211,776,629.20</b>



## ● Major Elements

- ▶ DLI selection changes and Reallocation of resources **by States Governors**
- ▶ Changes in DLI pricing methodology to increase possible targets and coverage (reducing mark up). *Uniform mark-up agreed*
- ▶ Changes in Operational process and IVA protocol. *Flooding consideration?*
- ▶ Extension of closing date **12** months (original June 2023) – **Additional Advances to States (to the limit of “ceiling”)**. *Criteria for second advance –*
- ▶ Changes to Withdrawal Schedule in FA (category of disbursement) to allow State flexibility within Result Areas or across Result Areas. *(FM/WFA/Legal Advice)*

# Action Plan (with Timeline)



- **WB Management Approval of Restructuring – end May 2023**
- **FA Amendment clearance and signing – Mid June 2023**
- **Special Planning Meeting with State Chairmen of CARES Steering Committees – Reps of GOVERNORS – May 31/June 1 Abuja**
- **Third Party Monitors to be deployed to States by FCSU June 2023**
- **2<sup>nd</sup> Advance disbursement to deserving States – June 2023.**
- **Next IVA assessment late June 2023. (3<sup>rd</sup> and 4<sup>th</sup> Assessment in December 2023 and June 2024 respectively)**
- **Next Implementation Support Mission SR Mission July 2023.**

Nigeria: taking stock of where things stand



**NIGERIA—AFRICA'S GIANT—HAS NOT LIVED  
UP TO ITS POTENTIAL**

# NIGERIA: TAKING STOCK

## THE POTENTIAL TO BE A GIANT ON THE GLOBAL STAGE...



- A multi-ethnic and diverse federation of 36 autonomous states, Nigeria is already Africa's largest country (over 200 million people) and Africa's largest economy (nominal GDP of around USD 440 billion in 2021)
- With its abundance of resources, a young and entrepreneurial population, and a dynamic private sector, Nigeria has the potential to be a giant on the global stage

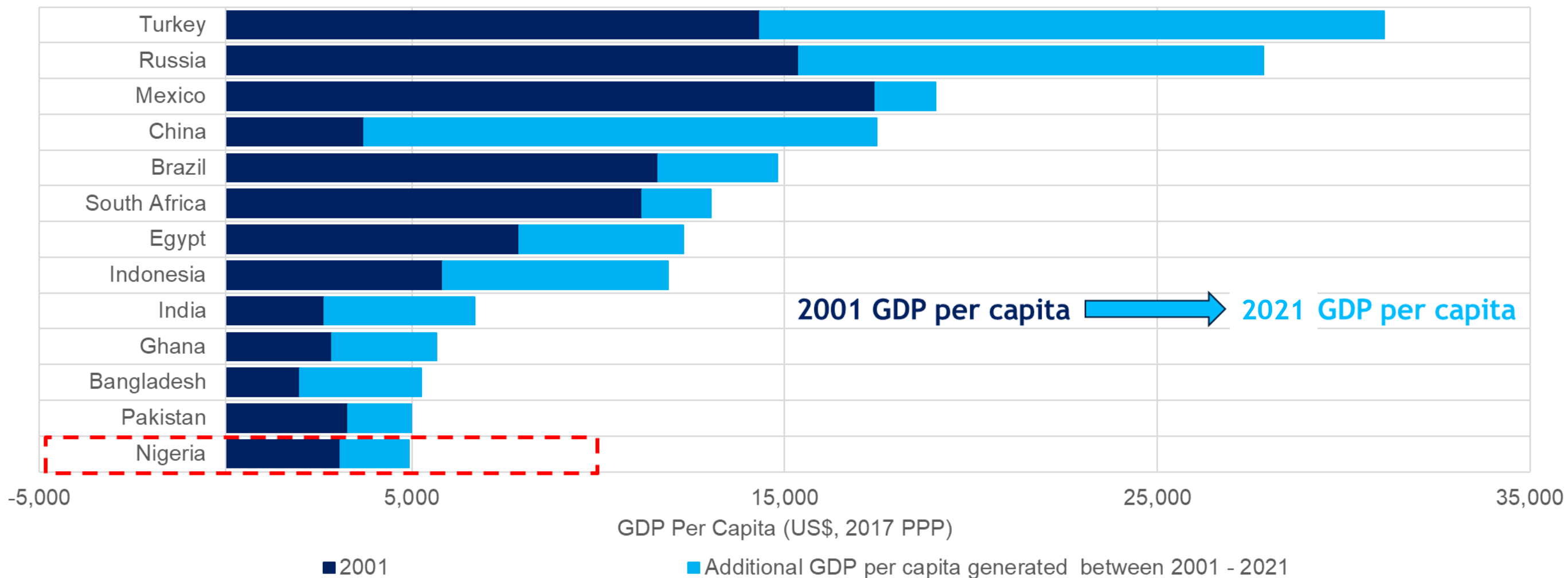






# NIGERIA: TAKING STOCK

## NIGERIA'S GDP PER CAPITA GROWTH SINCE 2001 IS THE LOWEST AMONG ITS MIDDLE-INCOME PEERS



Source: NBS, CBN, WDI, and World Bank estimates.

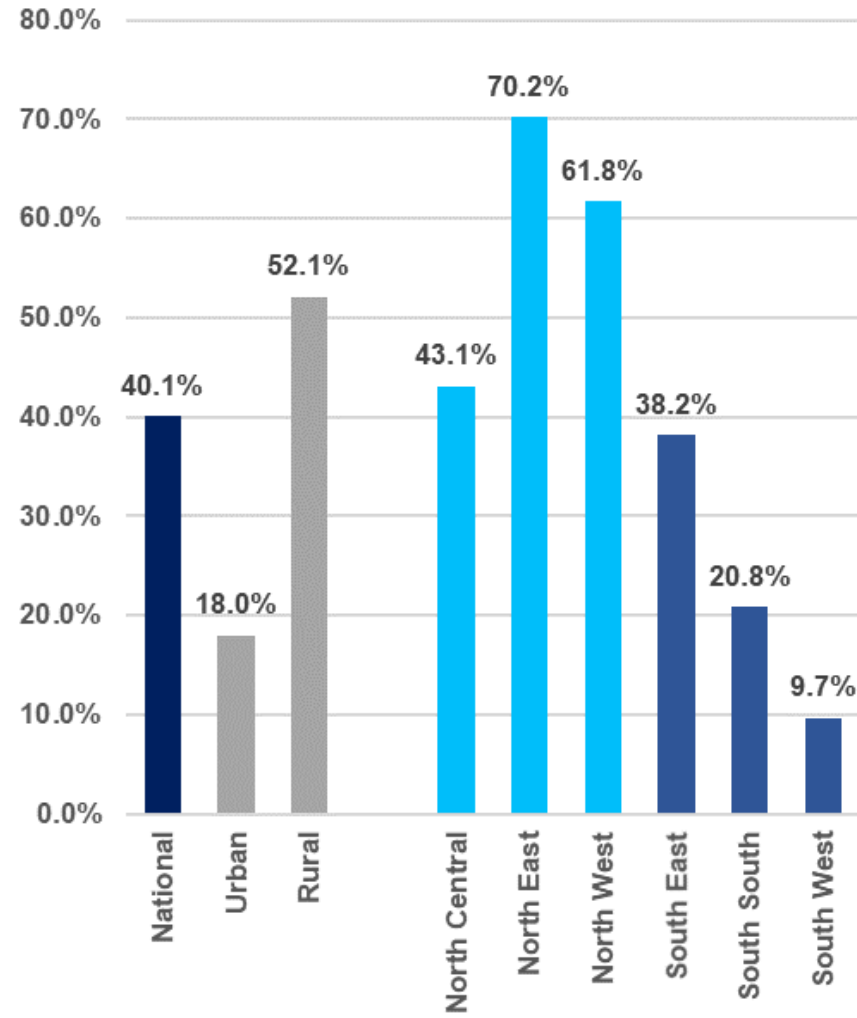
# NIGERIA: TAKING STOCK

## HIGH LEVELS OF POVERTY AND PRONOUNCED SPATIAL DISPARITIES

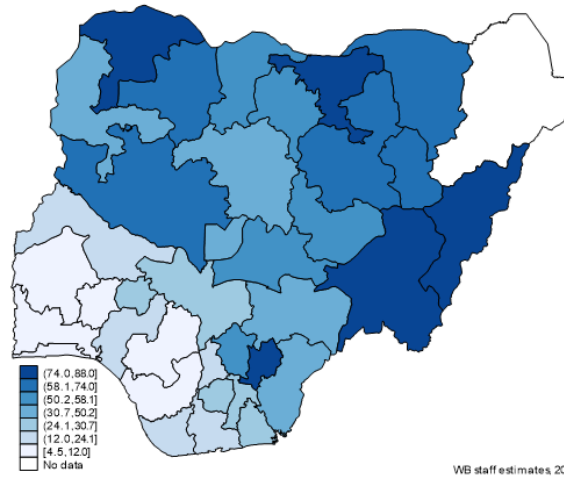


**AROUND 4 IN 10 NIGERIANS ARE POOR**

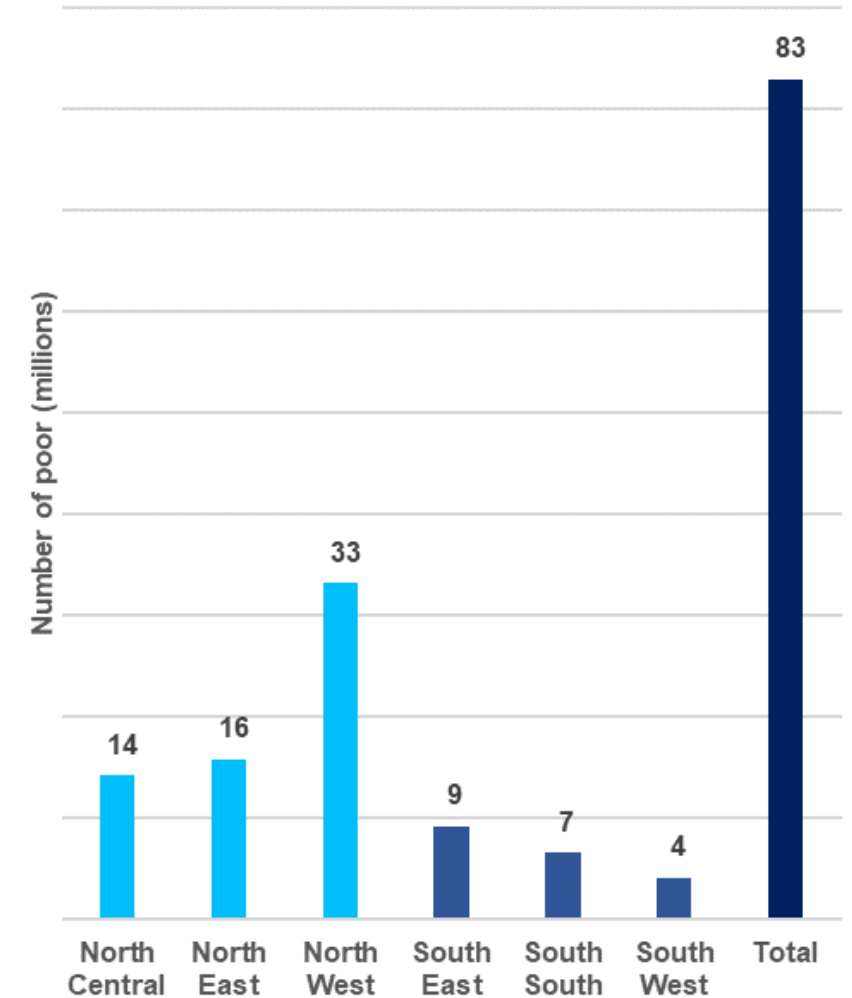
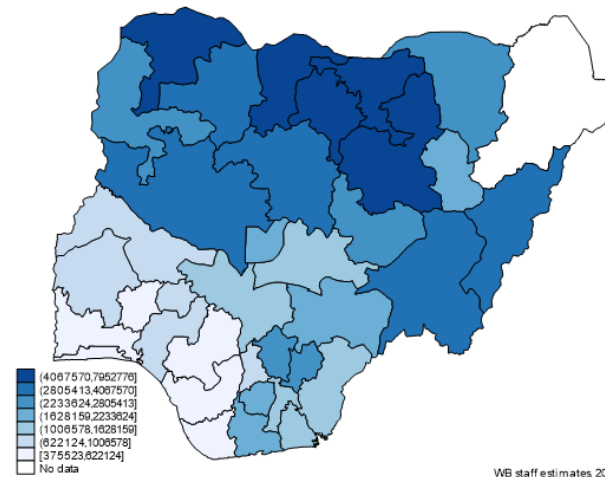
...and there is a sharp north-south and rural-urban divide



Nigeria: State level poverty map  
Poverty rates, using national upper poverty line



Nigeria: State level poverty map  
Number of poor



**MORE THAN 80 MILLION NIGERIANS ARE POOR**

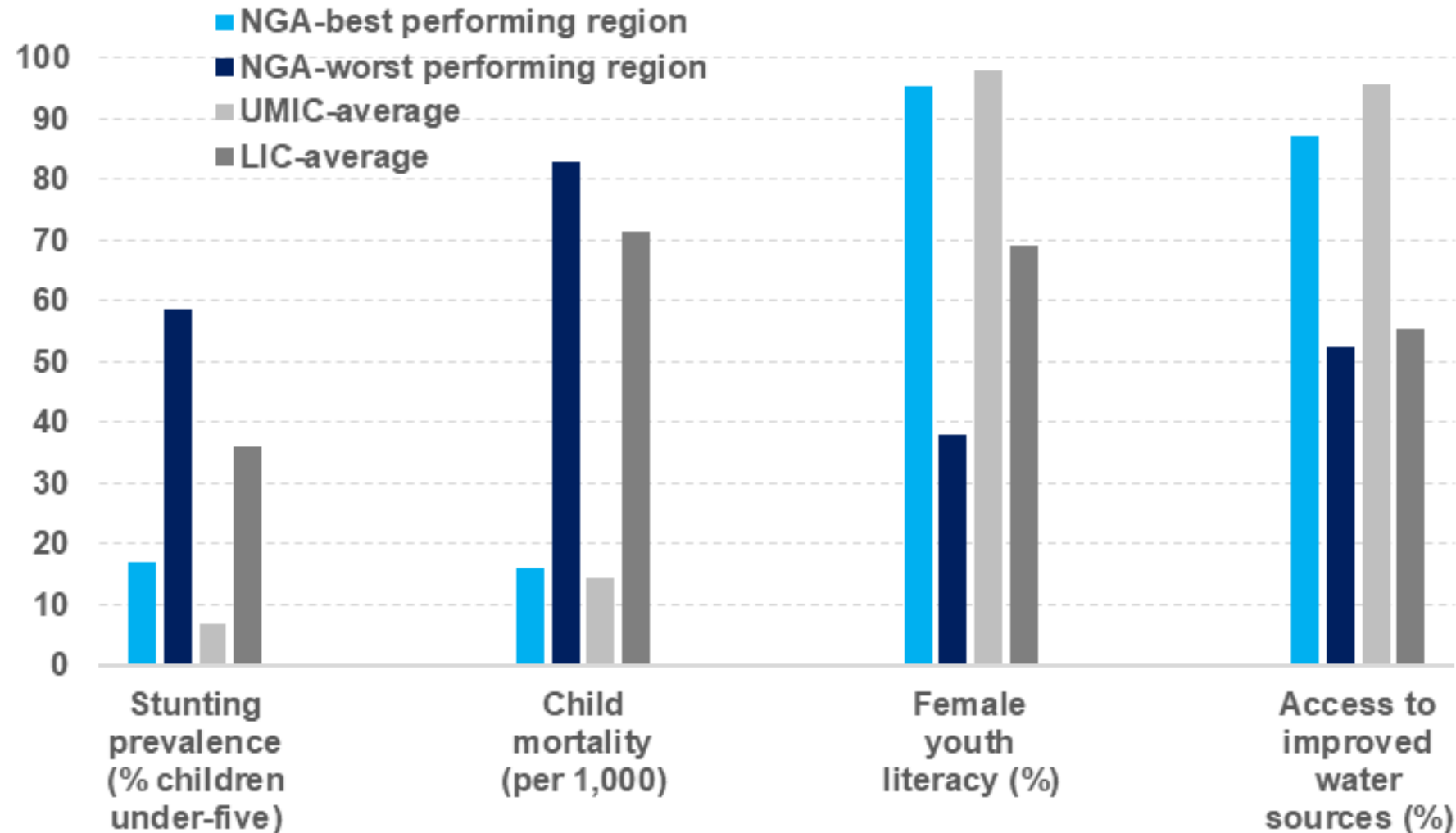
...with 60 percent of the poor in the North East and North West

# NIGERIA: TAKING STOCK

## SPATIAL DISPARITIES AND INEQUALITIES IN HUMAN DEVELOPMENT ARE EQUALLY PRONOUNCED



...due in part but not entirely to the regional differences in poverty



### STARK SPATIAL DISPARITIES

- On many human development indicators, the **best performing of Nigeria's six regions** is close to the average for **Upper Middle Income Countries**, while the **worst-performing region** is below the average for **Low Income Countries**
- A woman living in **North East** is **10 times** more likely to die in childbirth than a woman in the **South West**

### WIDE INCOME INEQUALITIES

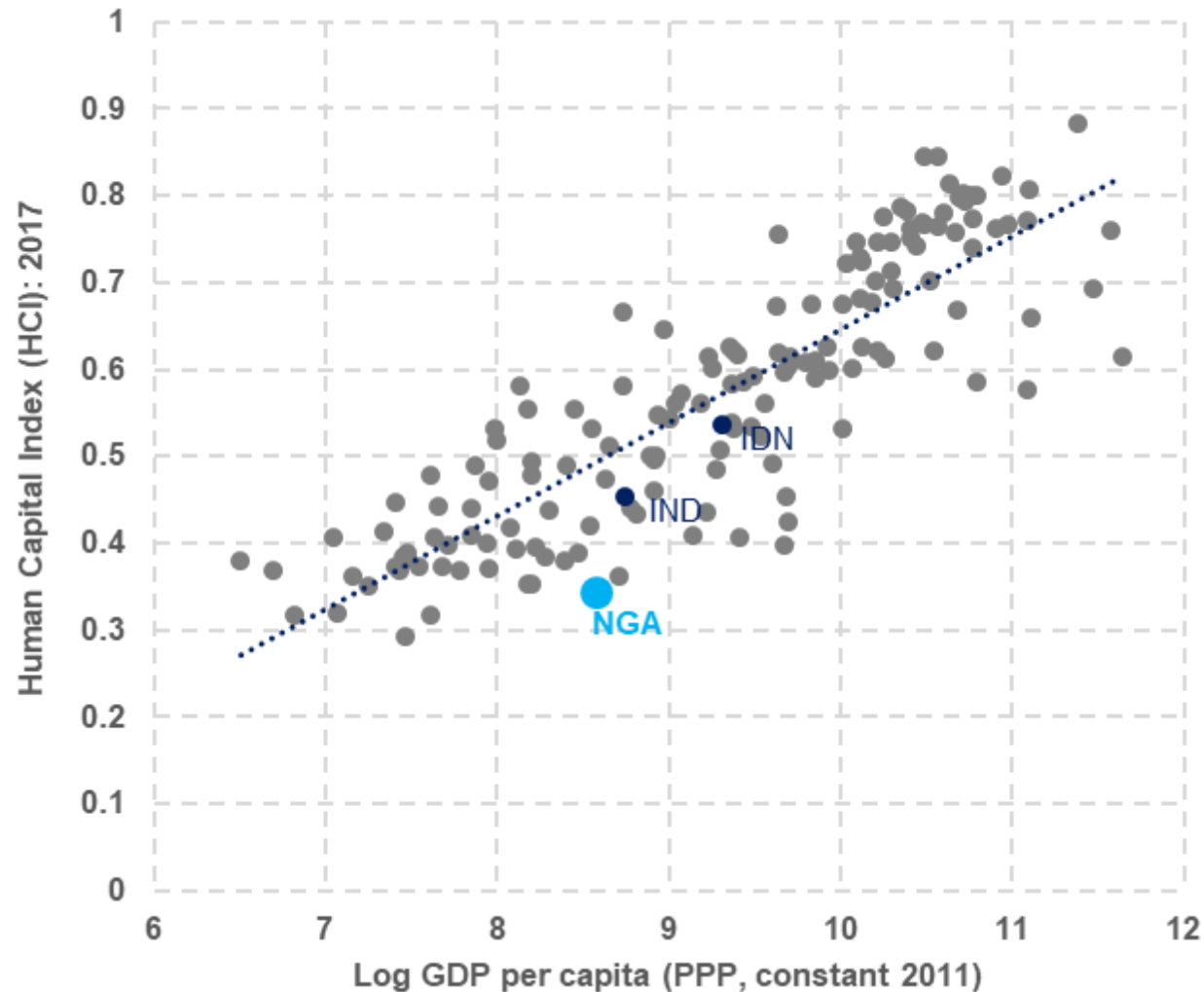
- **Child mortality** (between ages 1 and 5) is **eight times higher** among the poor than the rich

# NIGERIA: TAKING STOCK

## THE HUMAN CAPITAL CHALLENGE



### SIXTH-LOWEST GLOBALLY ON THE HUMAN CAPITAL INDEX



#### NUMBER OF OUT-OF-SCHOOL CHILDREN

One in every five of the world's out-of-school children is in Nigeria



#### NUMBER OF PEOPLE DEFECATING IN THE OPEN

58% of all Nigerians lack access to basic sanitation services and 47 million people still practice open defecation, a number second only to India.



#### NUMBER OF UNDER-5 CHILD DEATHS

Nigeria will soon overtake India as the country with the most under-5 child deaths in the world, over 700,000 a year



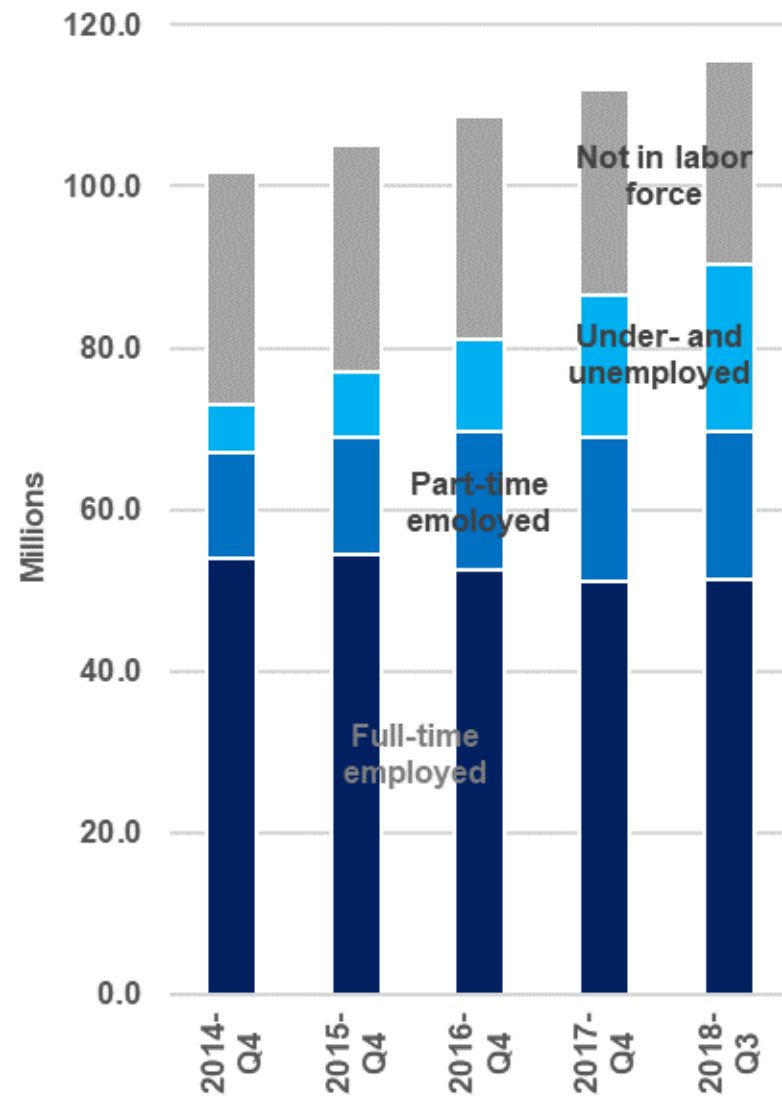
#### PERCENTAGE OF CHILDREN STUNTED

One in every three children under five years of age (32%) suffers from chronic malnutrition, among the highest in the world

Source: World Development Indicators

# NIGERIA: TAKING STOCK

## NOT ENOUGH JOBS FOR NIGERIA'S GROWING YOUTH POPULATION



### A RAPIDLY GROWING WORKING AGE POPULATION

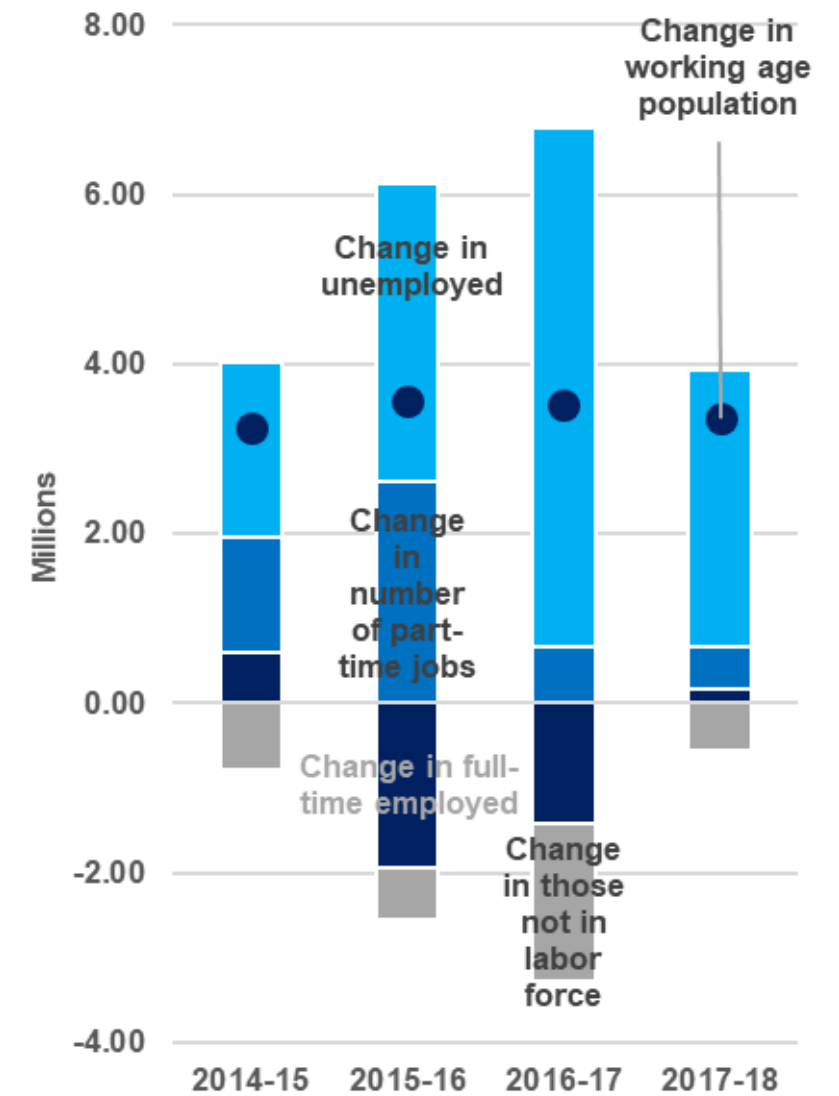
- Growing by about 3.5 million per year from 101 million in 2014 to 115 million by 2018

### AN EXPANDING POOL OF UNDER AND UNEMPLOYED

- Between 2014 and 2019, 19 million Nigerians entered the labor force and only 4 million found a job...
- ...while 15 million ended up under or unemployed

### A NET LOSS OF FULL-TIME JOBS DURING THE RECESSION AND ONLY A SLOW RECOVERY SINCE

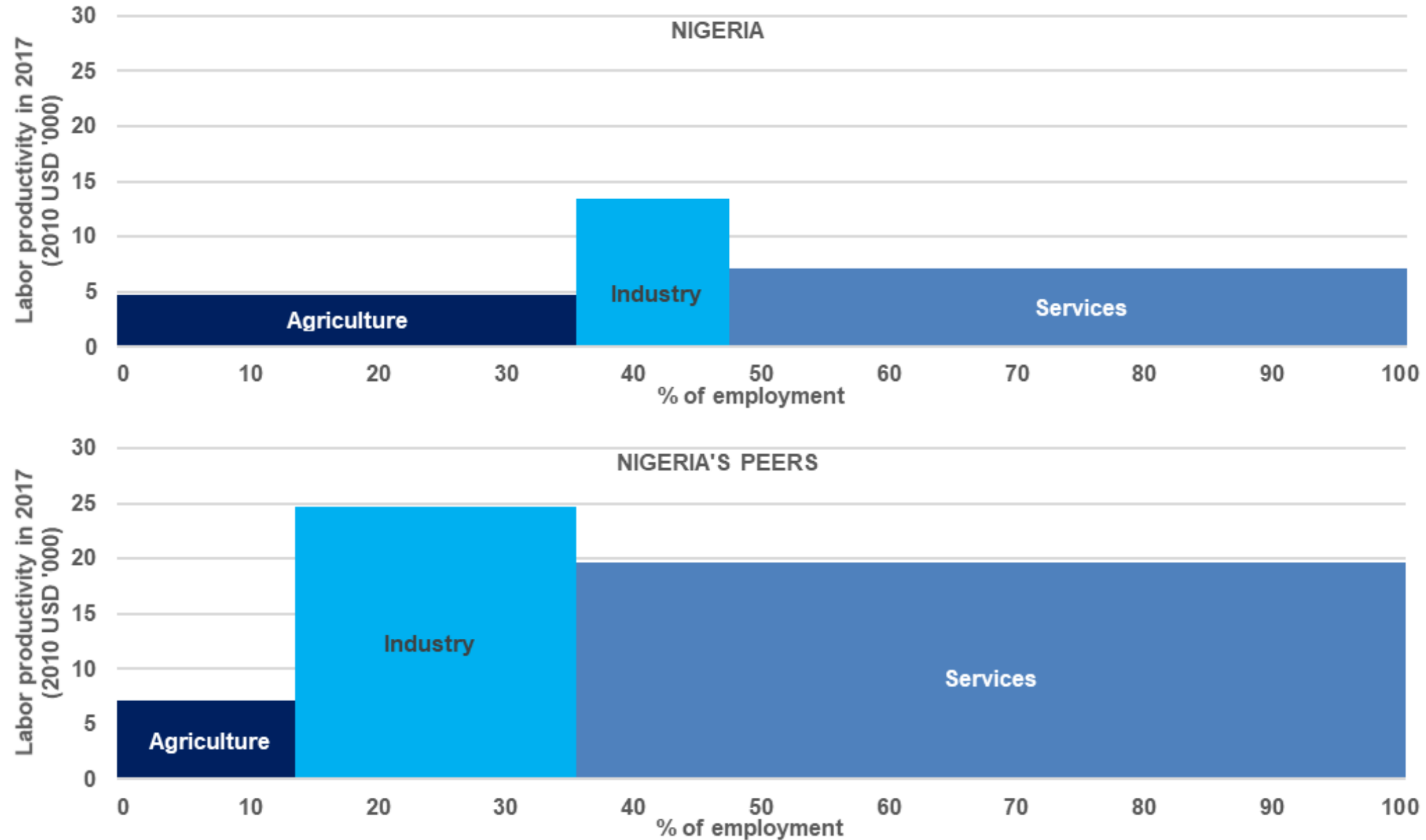
- In 2016 and 2017 nearly 3.5 million full-time jobs were lost...
- ...and many more individuals of working age entered the labor force





# NIGERIA: TAKING STOCK

## A STRUCTURAL TRANSFORMATION YET TO HAPPEN



# NIGERIA: TAKING STOCK

## AN ENERGY-STARVED ECONOMY AND POPULATION



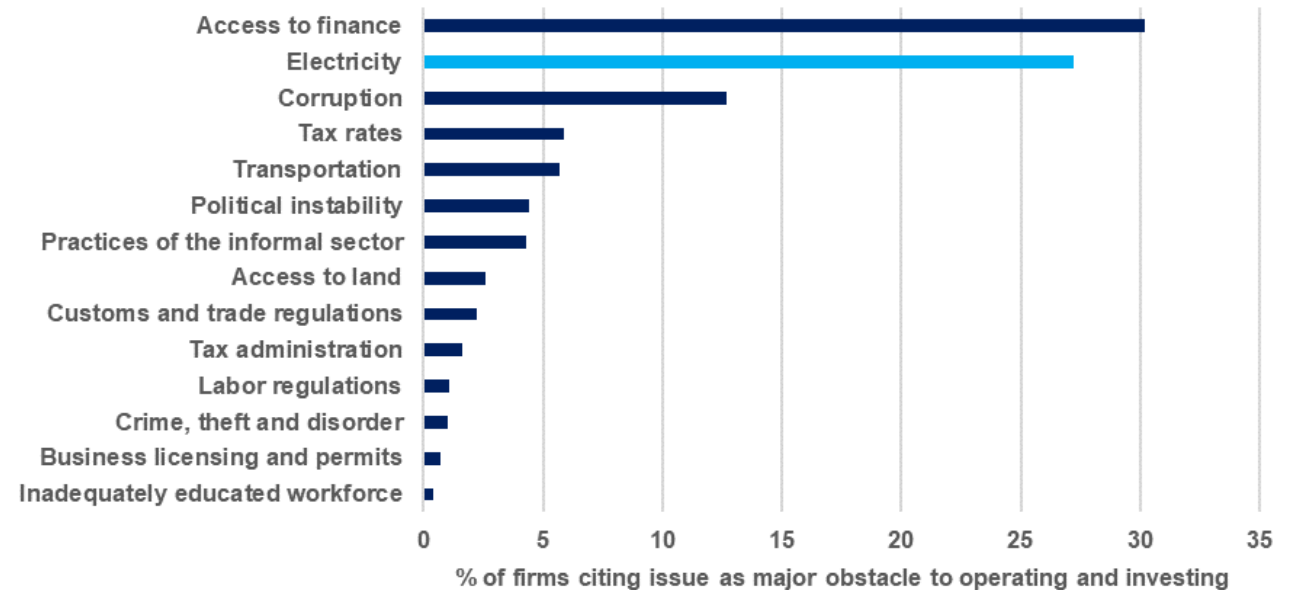
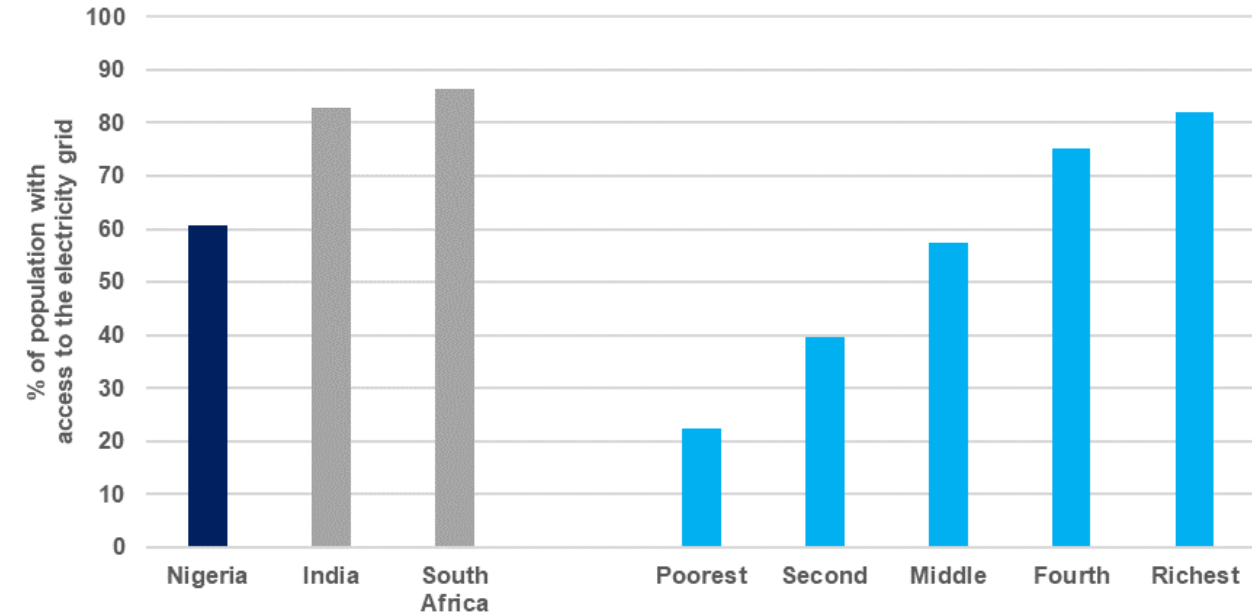
### LOW LEVELS OF ACCESS TO GRID ELECTRICITY

- About 40% of Nigeria’s population—roughly 80 million people—lack access to grid electricity
- Nigeria ranks 102<sup>nd</sup> in the world on this metric of access
- At 147 kWh, per capita electricity consumption in Nigeria is a fifth of the average low middle-income country consumption

### LACK OF RELIABLE POWER HAS STIFLED ECONOMIC ACTIVITY

- Businesses consistently cite lack of reliable power as one of the top two constraints
- Annual economic losses from lack of reliable power are estimated to be in the range of 4%--7% of GDP or around USD 29 billion

### REGULATORY AND POLICY REFORMS ARE URGENTLY NEEDED

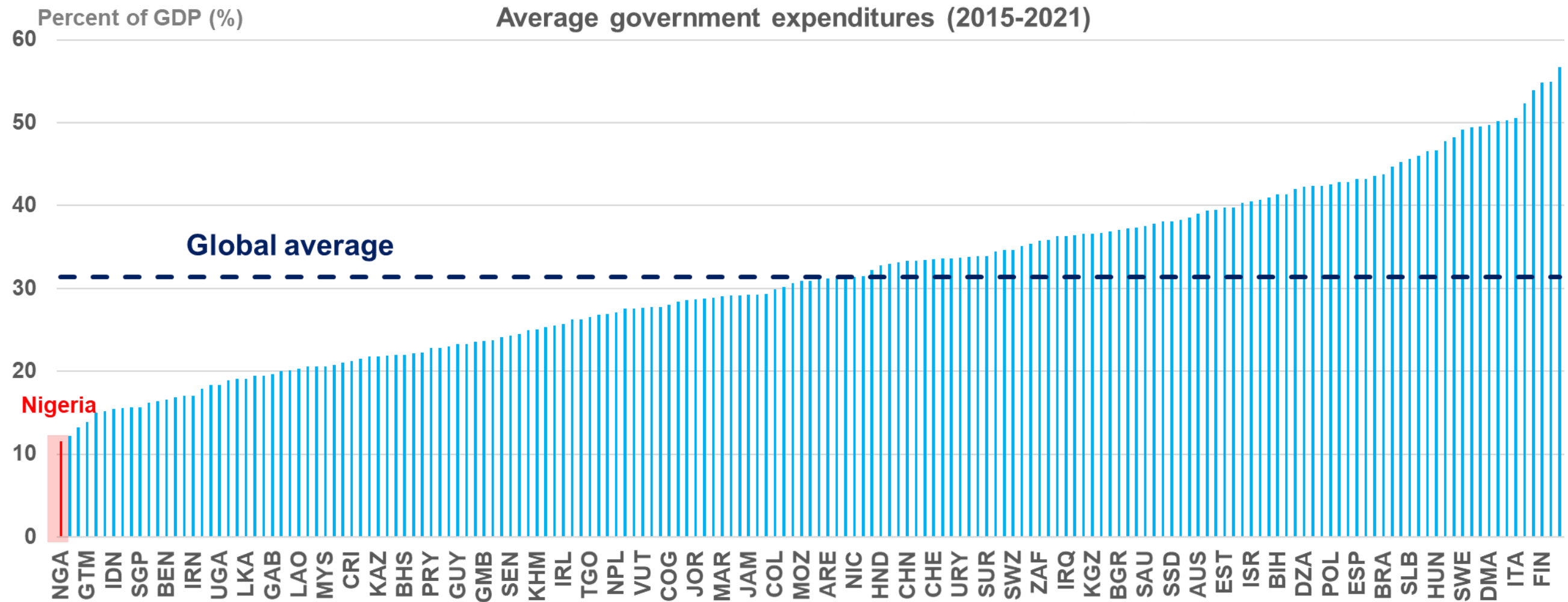


# NIGERIA: TAKING STOCK

## PUBLIC SPENDING CURRENTLY AMONGST THE LOWEST ANYWHERE...



Nigeria's government expenditures are the lowest globally

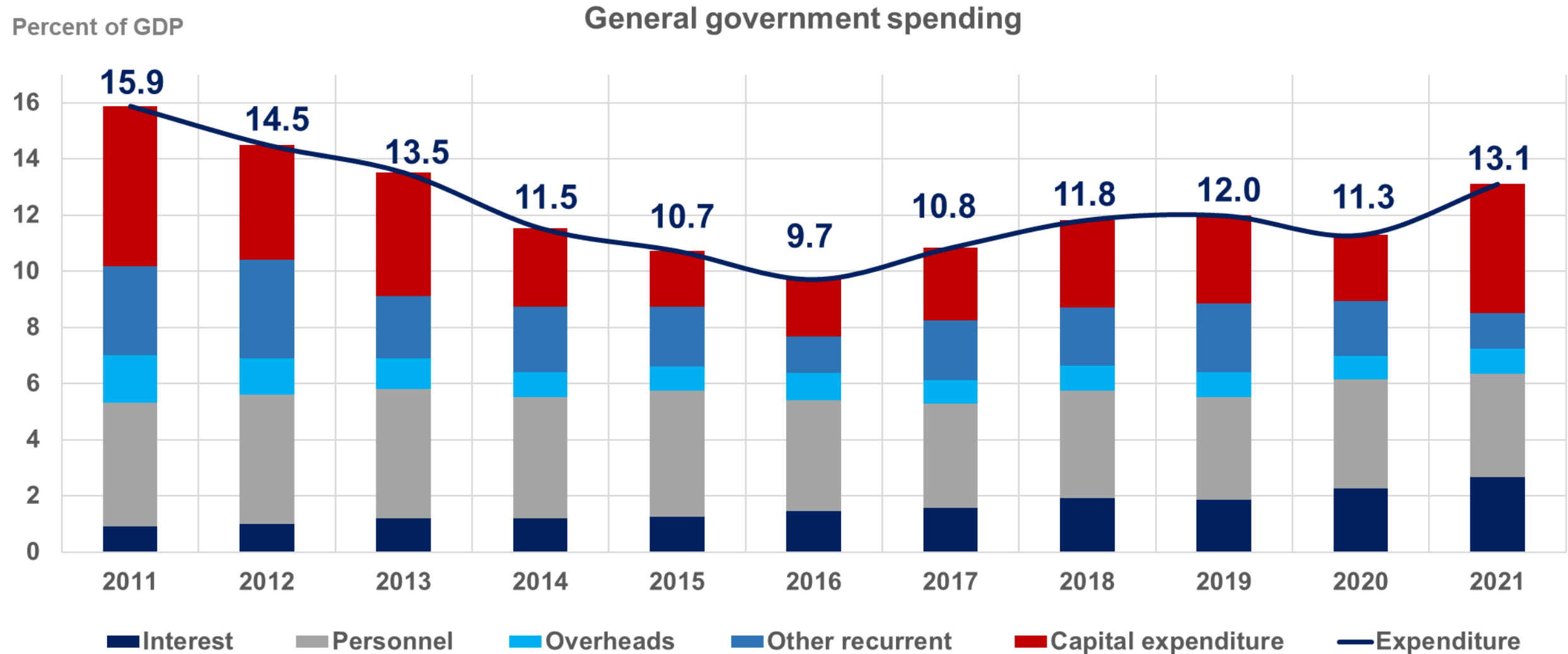


Source: World Bank staff calculations based on WB MFMod

# NIGERIA IS ALSO SPENDING LESS THAN IT USED TO



Public spending has decreased, and it has become more rigid



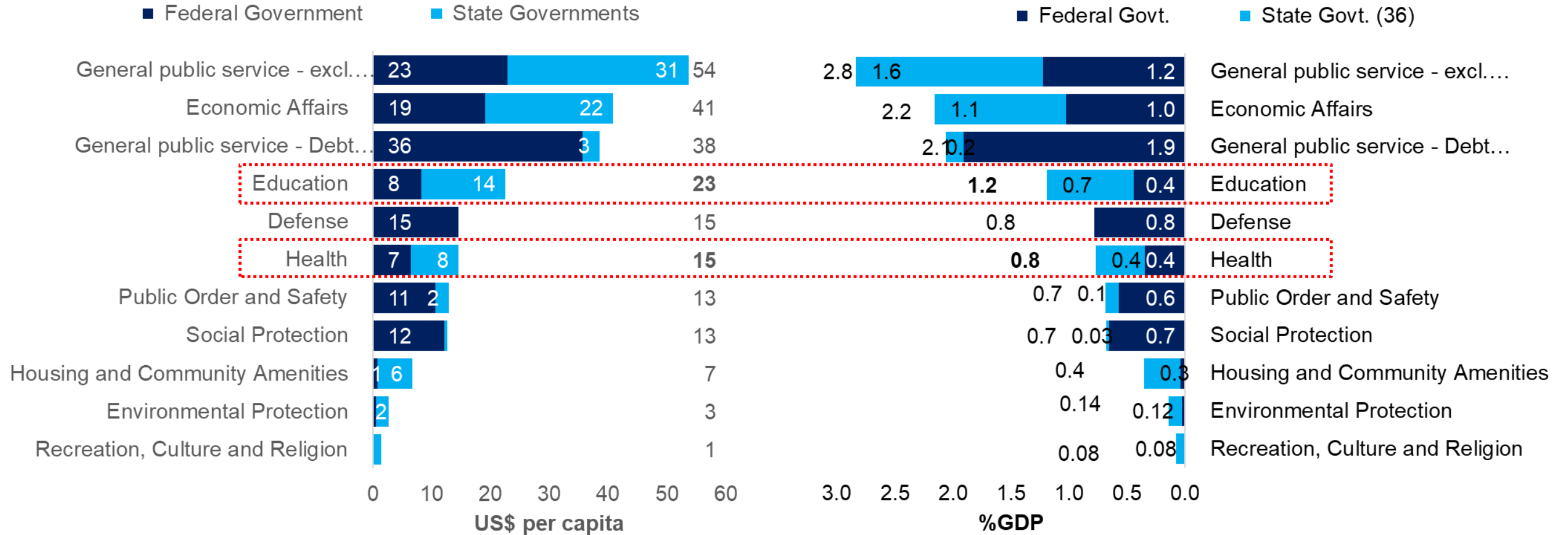
Source: World Bank staff calculations based on data from BOF and OAGF



# SPENDING ON SOCIAL SECTORS IS PARTICULARLY LOW...

Social sectors received less than one-quarter of the national budget in 2021

General government (federal and state) budget allocations across government functions



Source: Federal Government and 36 state government budgets 2021.

Note: Estimates exclude FCT, local governments, Federal Government-owned enterprises, and extrabudgetary funds receiving Federation Account allocations.

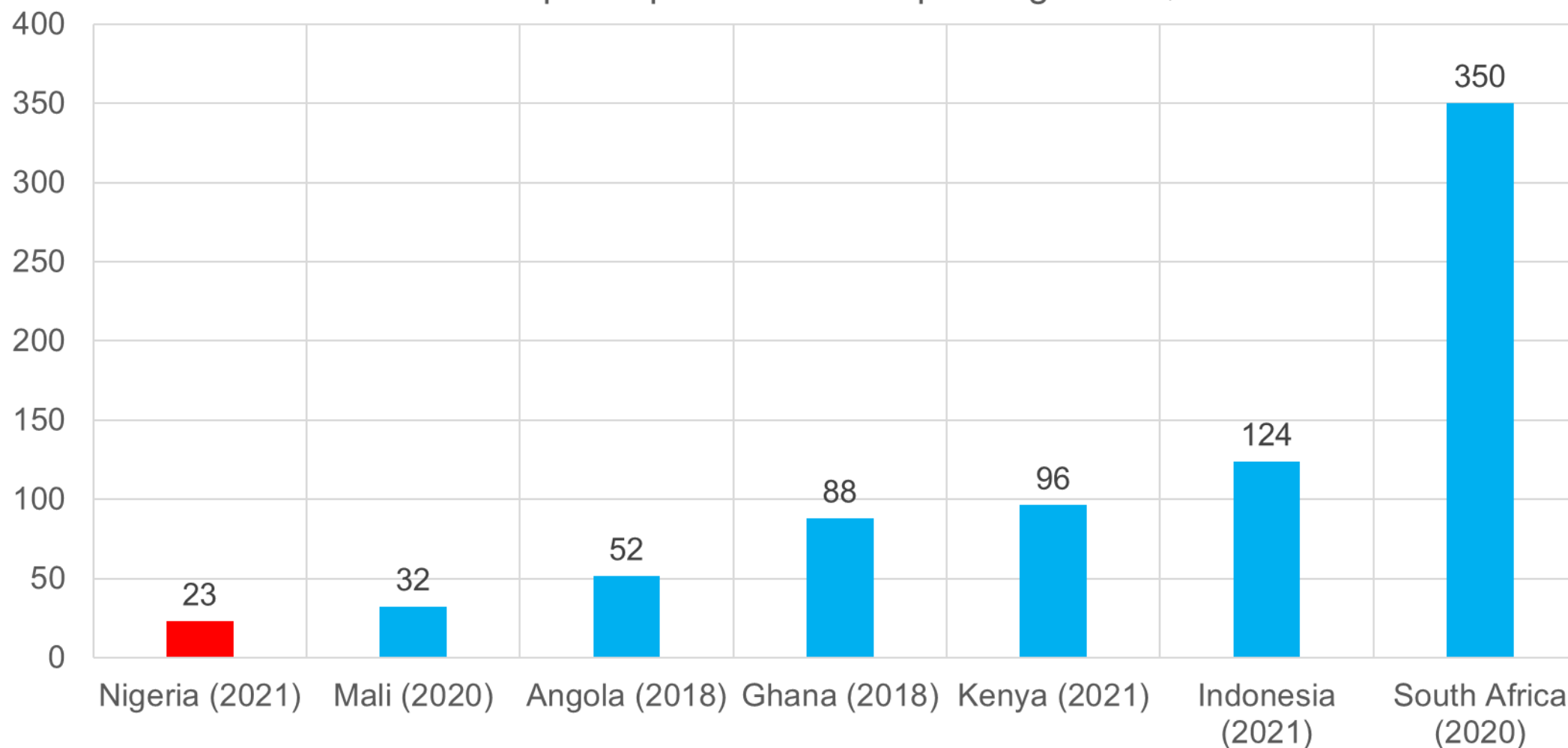




# ...RELATIVE TO COMPARATOR COUNTRIES

Nigeria's per capita spending on education is half of the SSA average of US\$52 per capita

Annual per capita education spending in US\$



Another example – healthcare:

Nigeria spends **US\$15** per person per year on public healthcare, much lower than Indonesia's spending of **US\$55** per person

Source: World Bank staff calculations World Development Indicators and data from OAGF and BOF

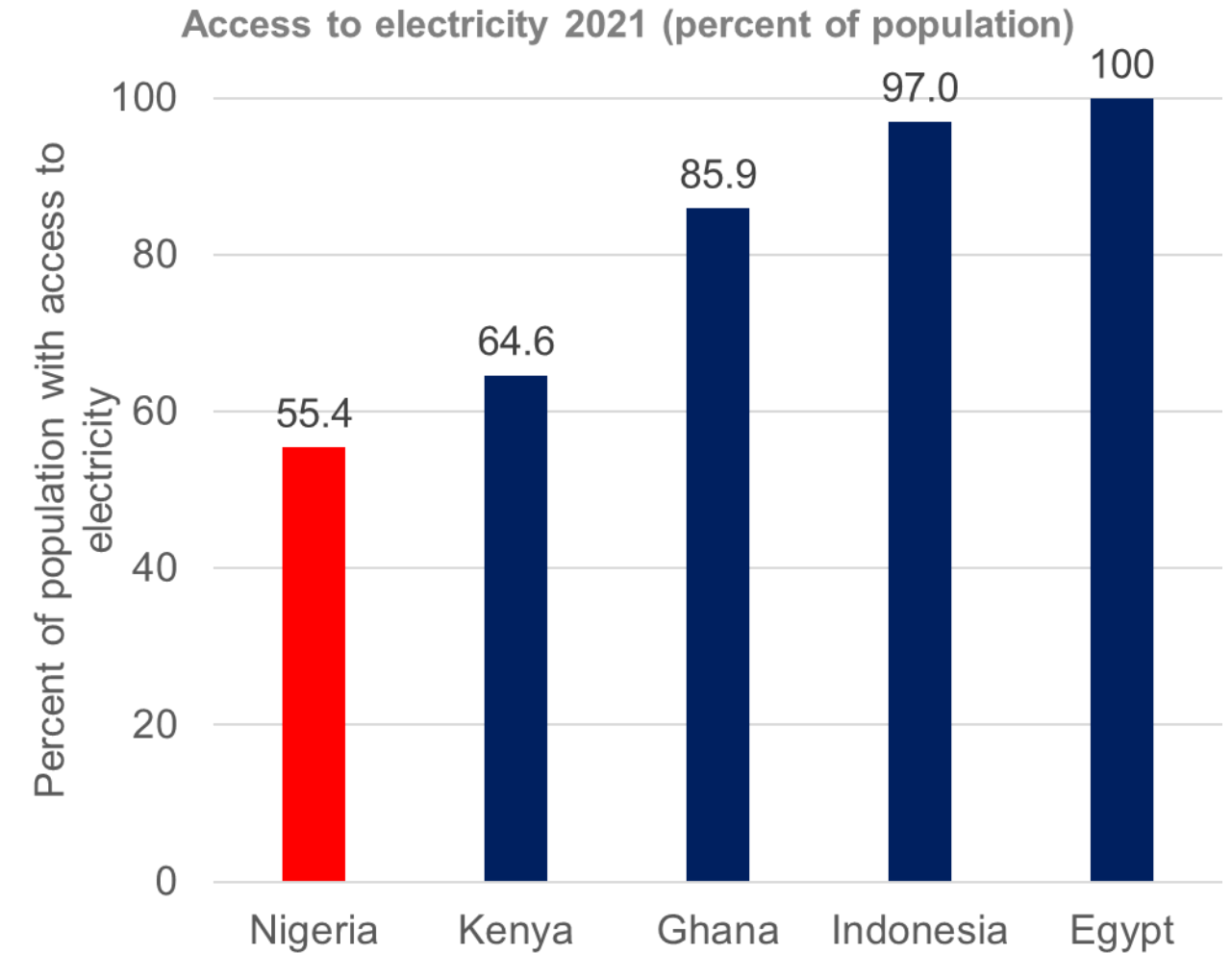
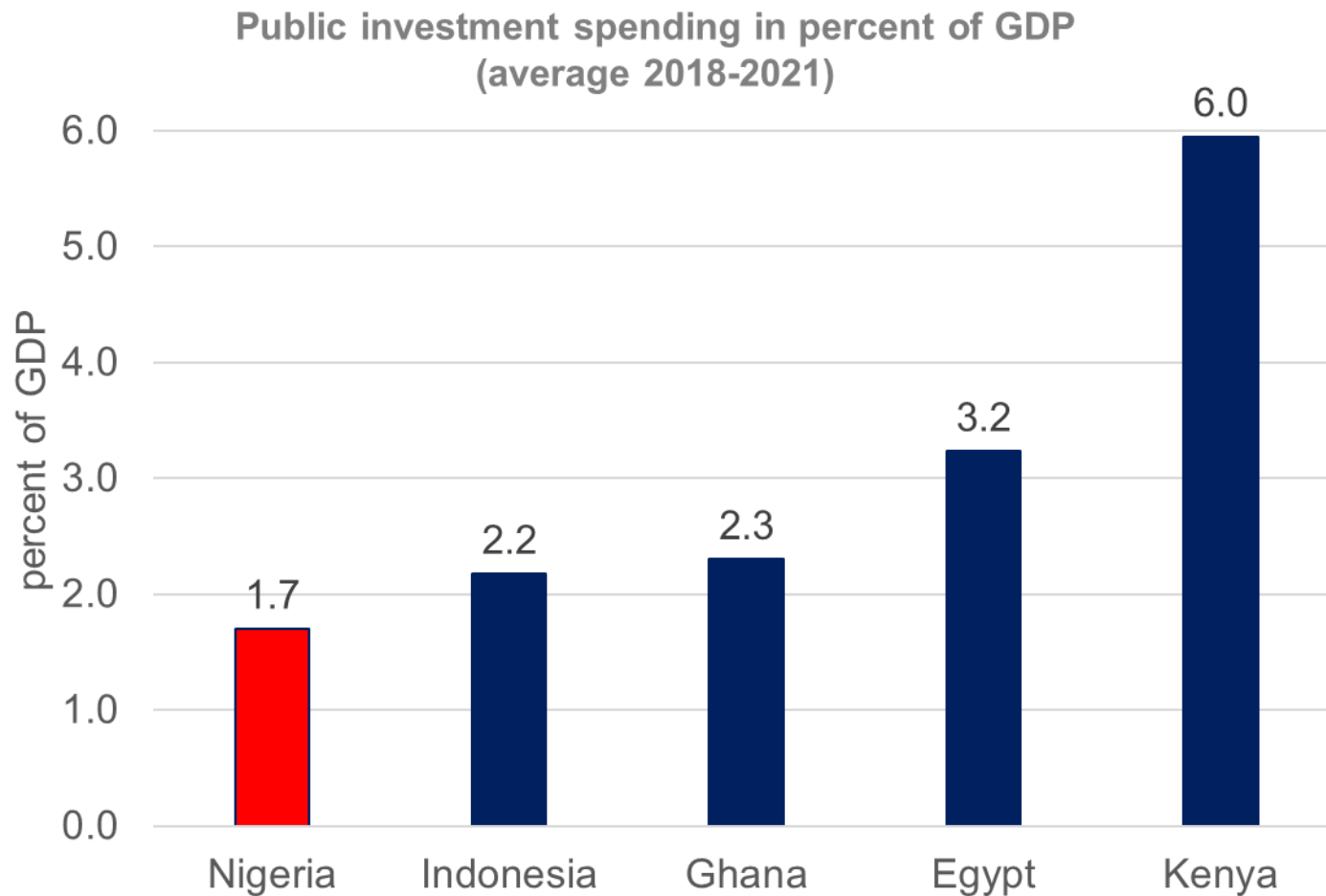
# SPENDING IS ALSO INSUFFICIENT TO CLOSE THE INFRASTRUCTURE GAP



At the current rate of capital spending, it would take 300 years to close Nigeria's infrastructure gap

Public investment spending in Nigeria lags those in other countries...

...resulting in poor quality of and access to infrastructure



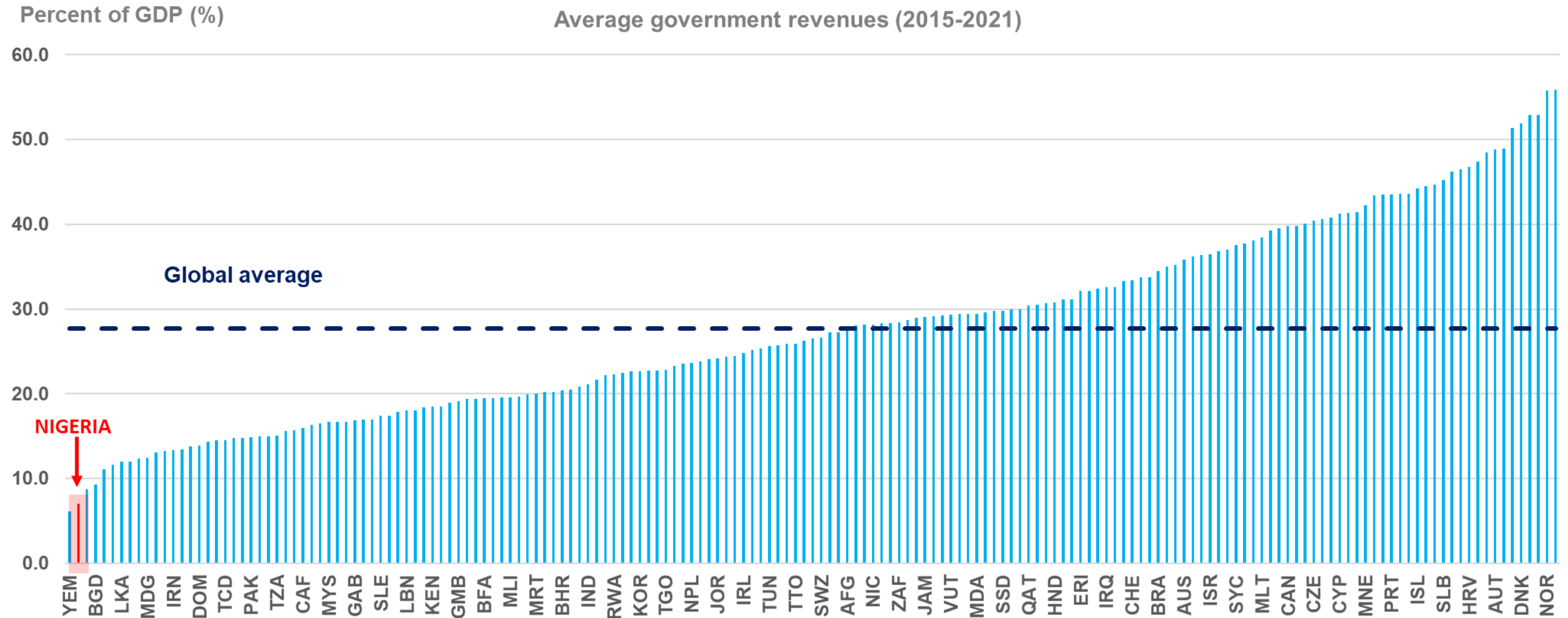
Source: MFMod and World Development Indicators

# NIGERIA: TAKING STOCK

## GOVERNMENT REVENUES ARE ONE OF THE LOWEST IN THE WORLD...



Low revenues are the key risk to fiscal and debt sustainability

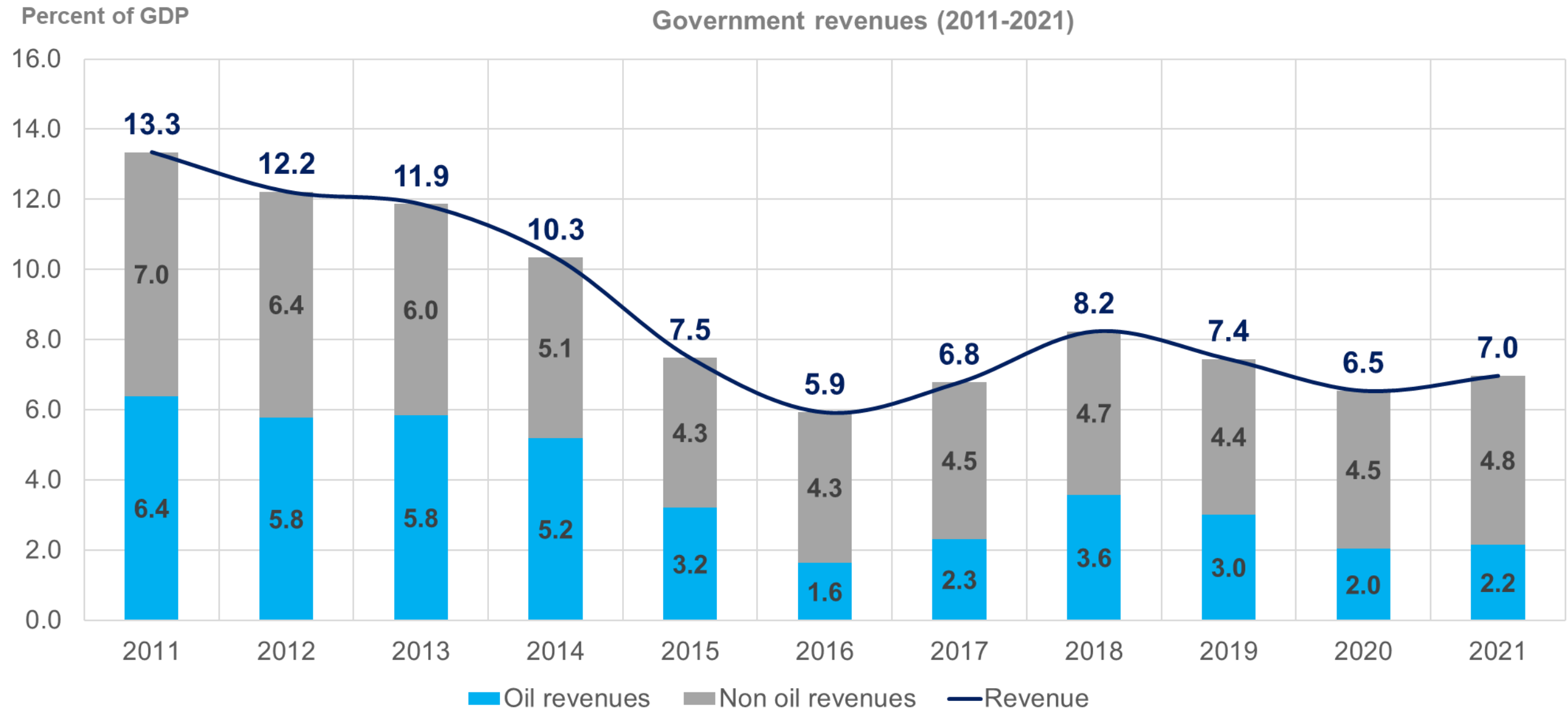


Source: World Bank MFM0d

# ...AND HAVE DECLINED OVER THE LAST DECADE



Both oil and non-oil revenues have declined over the last decade



Source: World Bank staff calculations based on data from OAGF and BOF



# A COMPLEX POLITICAL AND INSTITUTIONAL LANDSCAPE

- A **federation** consisting of the **federal government** and **36 states plus the Federal Capital Territory of Abuja**, Nigeria is a **relatively young democracy**, just two decades from an extended period of military rule, with **electoral politics that while robust at some level, are still noisy**, often chaotic and characterized by regional rivalries
- **States enjoy significant autonomy** and receive formula-based revenue transfers from the federation account, and this has helped forge and uphold national unity.
- Nonetheless, **multiple interests**—ex-military, regional and ethnically defined groupings, labor unions, influential business groups—**continue to have significant influence** (often behind the scenes) in politics and policy making at both the federal and the state levels.
- Civil society and the media, **though vibrant by the standards of many countries, are not immune to pressures** from these legacy interests.
- **Nigeria is an ethnically and socio-culturally diverse country**. There are more than 400 ethno-linguistic groups that embrace a variety of social norms and customs, including regarding the role of women, across the different regions.
- **Nigeria is also characterized by pronounced spatial disparities**. There are stark differences between the north and the south, and between urban growth centers and isolated rural areas, in terms of access to basic services, economic opportunity, income levels and rates of poverty, to name a few
- **Ethnic diversity and spatial disparities are among the factors that contribute to Nigeria's growing vulnerability to conflict and violence**. In 2020, Nigeria was included on the WBG's List of Fragile and Conflict-affected Situations, categorized as a situation of medium-intensity violence.





# A COMPLEX POLITICAL AND INSTITUTIONAL LANDSCAPE

- Within this context of a still contested noisy electoral democracy, where government and politics is still quite fragmented and patronage-based, **progress on reforms and development has, perhaps not surprisingly, been slow and uneven:**
  - The complex political economy context makes aligning the interests of different stakeholders difficult, impedes a cohesive drive toward reform, and ultimately creates a preference for preserving the status quo and resisting any change that might upset a delicate power balance
  - In addition, there are **mundane but surprisingly hard to overcome bureaucratic factors** such as lack of coordination between different arms and levels of government and simple bureaucratic inertia and dysfunction...
  - ...as well as **misperceptions** of the costs of existing policies and potential benefits of reform, driven in part by a **distrust of market forces**
  - ...and **rent-seeking** by vested interests
- At the same time, there are many **pockets of world-class capacity and dedicated reform-minded individuals** and leaders at the highest levels of the federal government and legislature, in many states, and outside government, in civil society, academia, the media and business communities, and amongst many traditional religious leaders.
- The lack of tangible progress on the development front over several decades has **eroded trust in the social contract between citizens and the state and contributed to increasing fragility and insecurity**



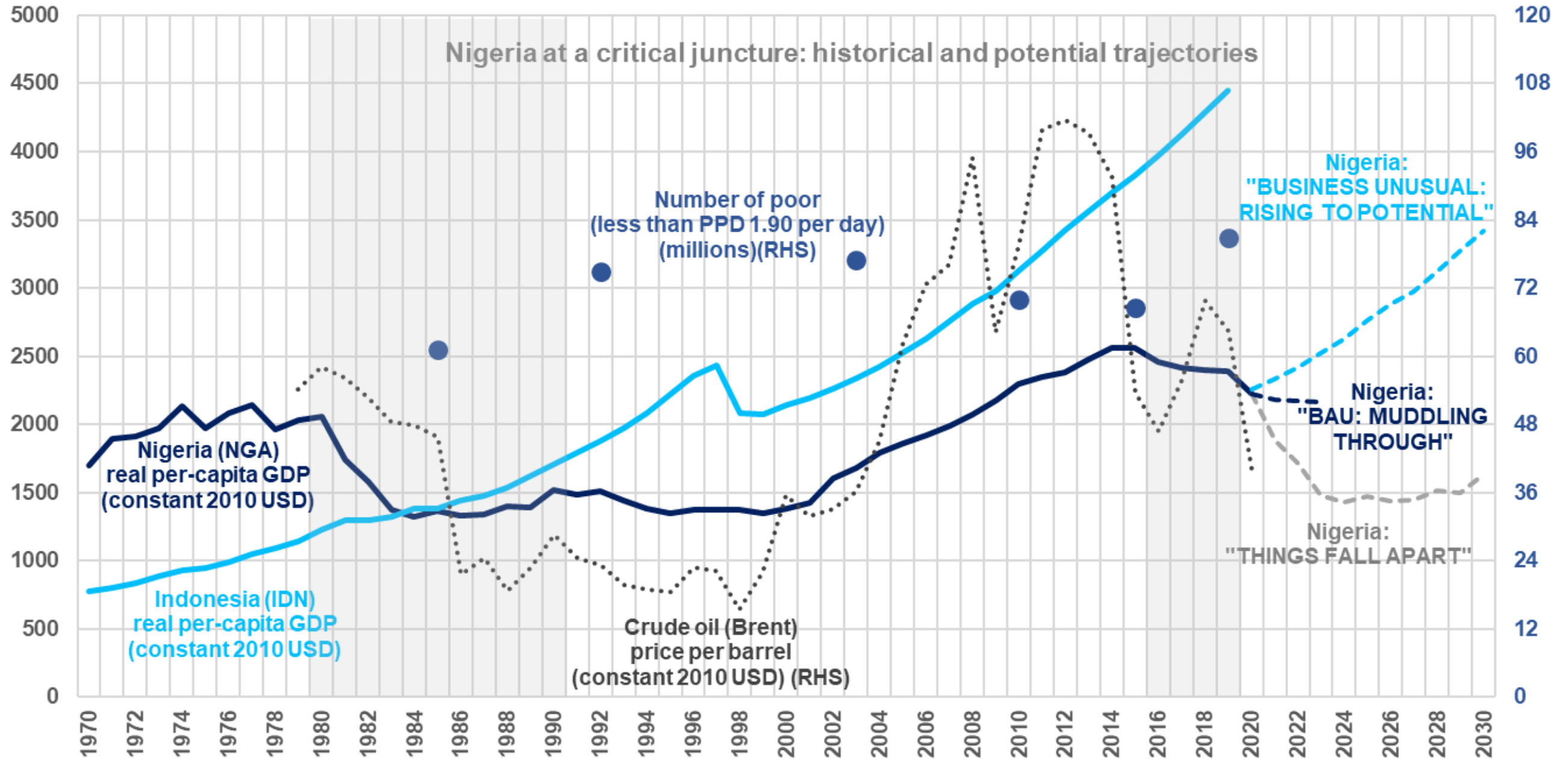
Nigeria: looking ahead

**NIGERIA IS AT A CRITICAL JUNCTURE WITH  
AN URGENT CHOICE TO MAKE**

# NIGERIA IS AT A CRITICAL JUNCTURE, WITH A CHOICE TO MAKE



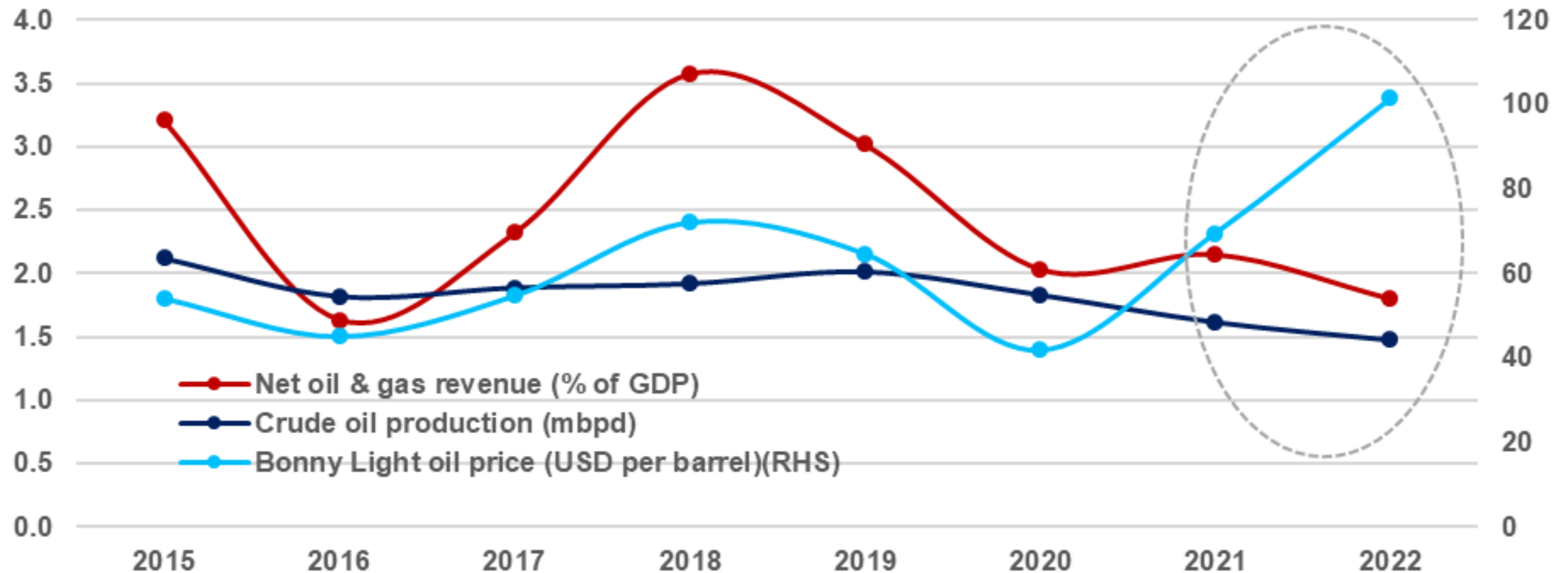
BAU: floating (muddling) along, buffeted by the swells of global oil price movements or BUSINESS UNUSUAL: rising to potential



# NIGERIA AT A CRITICAL JUNCTURE: OIL & GAS REVENUES FALLING DESPITE HIGHER OIL PRICES...



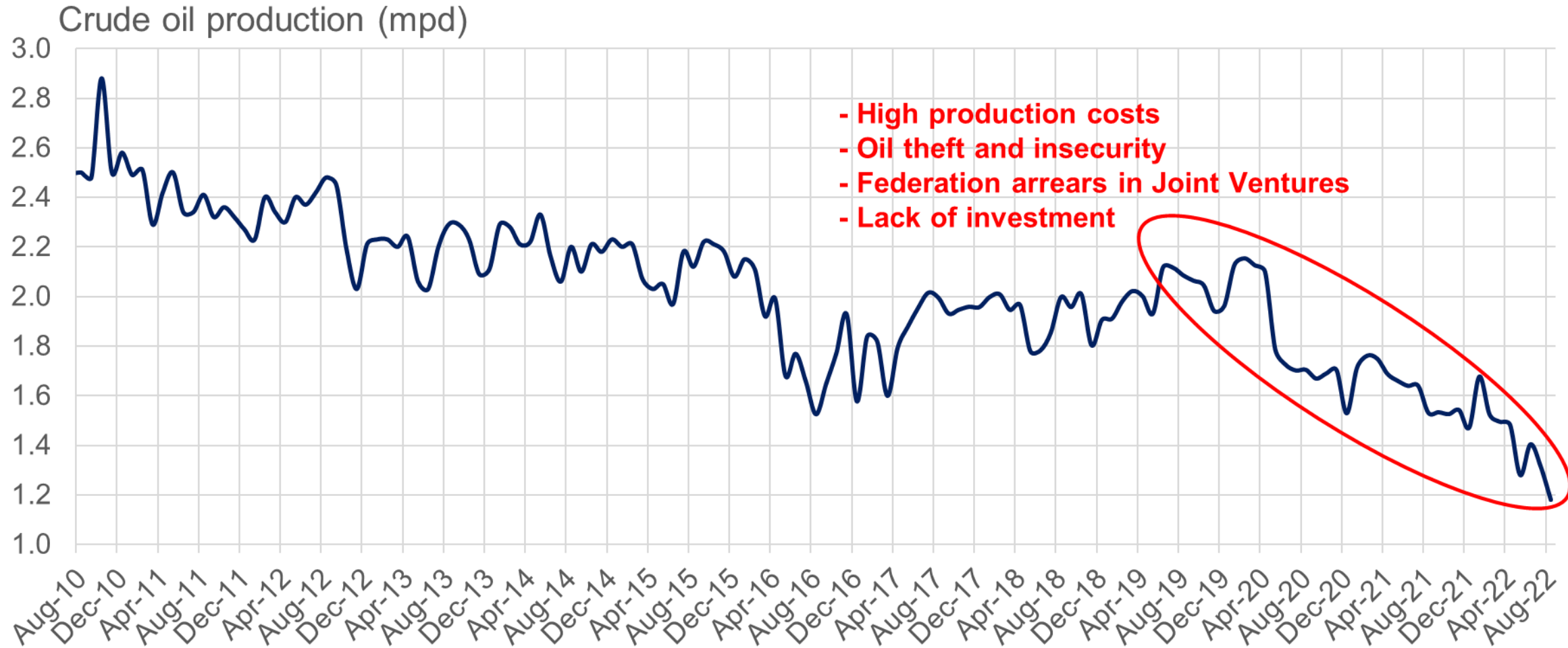
...for the first time in Nigeria's history, and alone amongst major oil exporters



# ...PARTLY DUE TO LOWER CRUDE OIL PRODUCTION...



In H1 2022, oil production was the lowest it has been in three decades



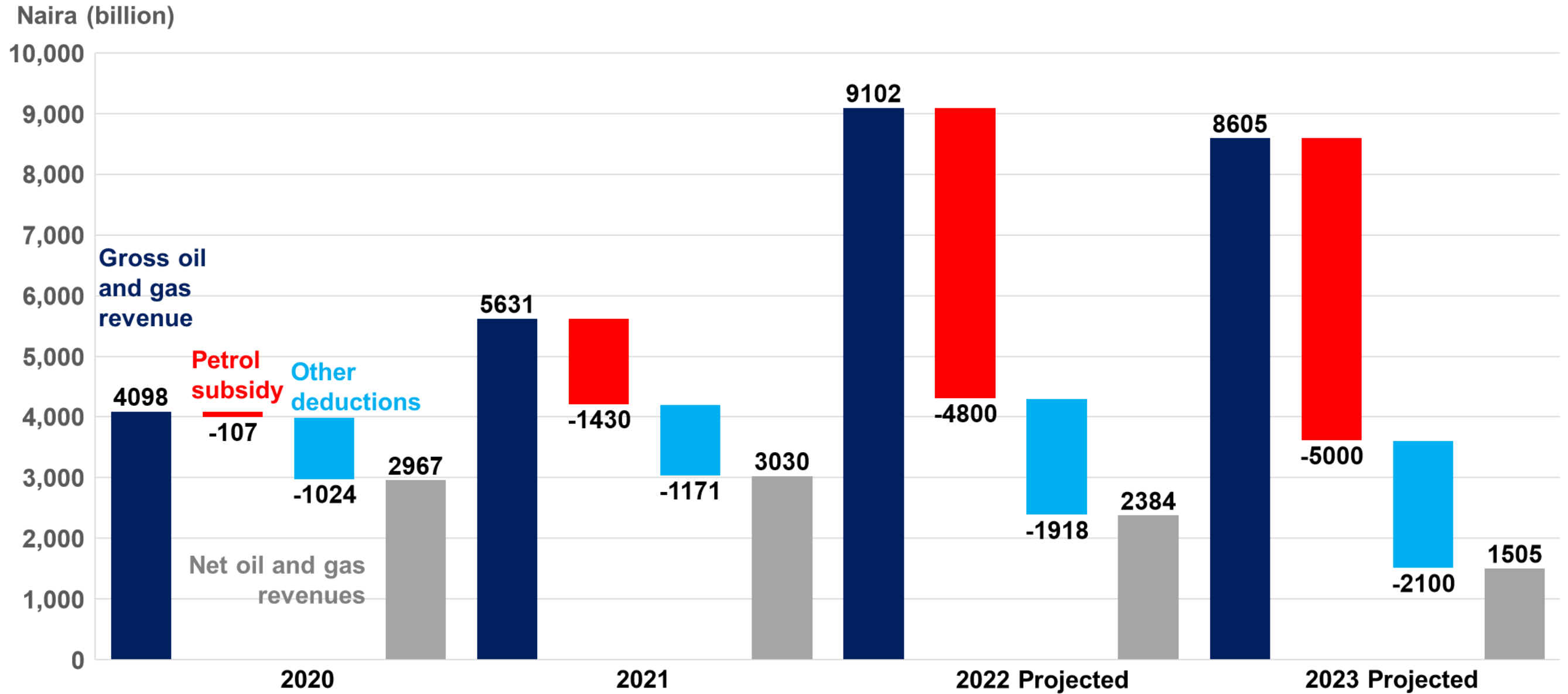
Source: OAGF, World Bank calculations based off NNPC annual statistical bulletins for oil production from 2015 to 2019, government oil production reports for 2020 and 2021, and World Bank commodity annual prices for Brent crude oil.



# ...BUT MAINLY DUE TO THE VERY COSTLY PMS SUBSIDY...



...which primarily benefits richer Nigerians and those able to take advantage of arbitrage opportunities



Source: OAGF, NETI, and World Bank estimates.

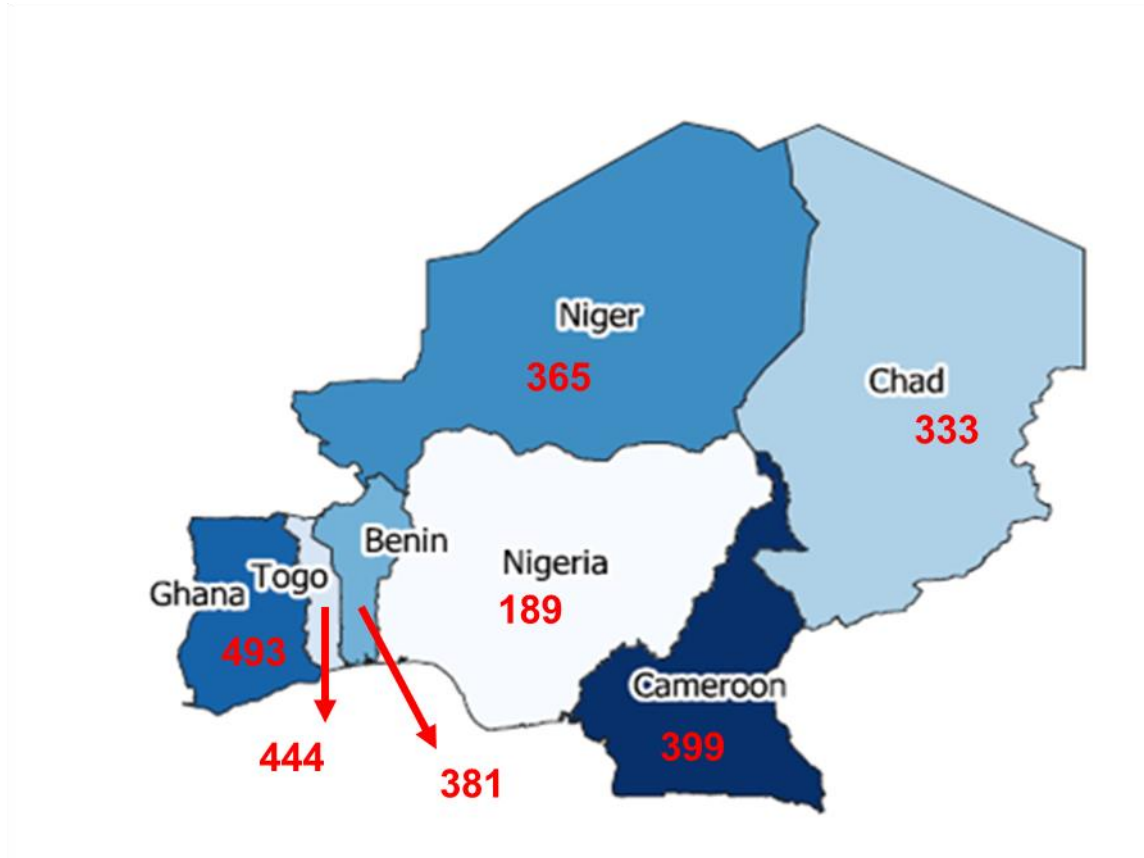
# PMS SUBSIDIES DISPROPORTIONATELY BENEFIT RICHER HOUSEHOLDS AND ALMOST CERTAINLY LEAK TO NEIGHBOURING COUNTRIES



Nigeria's low petrol prices create incentives for smuggling petrol to neighboring countries and benefit mainly the rich

Nigeria's petrol prices are by the lowest in the region, creating strong incentives for smuggling

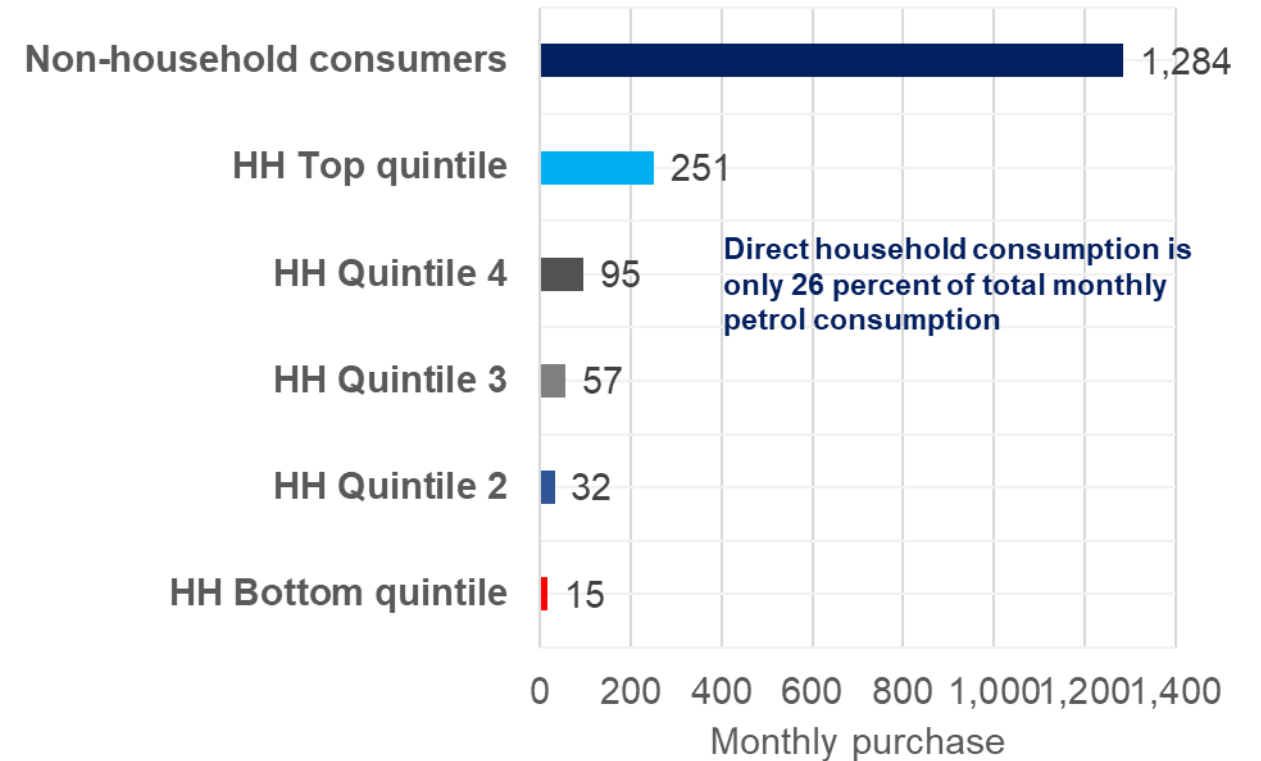
Petrol prices in Nigeria and neighboring countries in September 2022 (naira)



Source: Global petrol prices

The poorest 40 percent of the population purchase just 3 percent of all subsidized petrol

Petrol consumption by quintile (million liters)

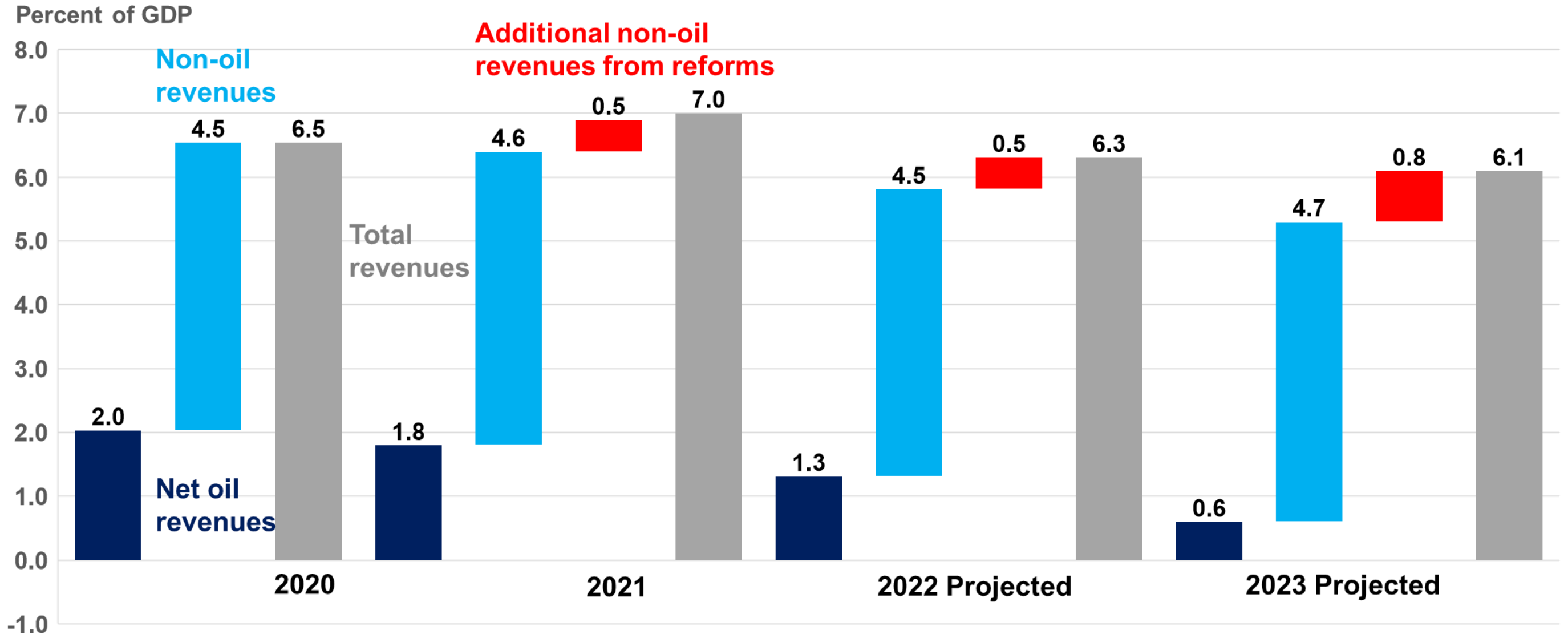


Source: NBS and NNPC

# ONLY SIGNIFICANT EFFORTS TO BOOST NON-OIL REVENUES HAVE PREVENTED AN EVEN WORSE FISCAL SITUATION

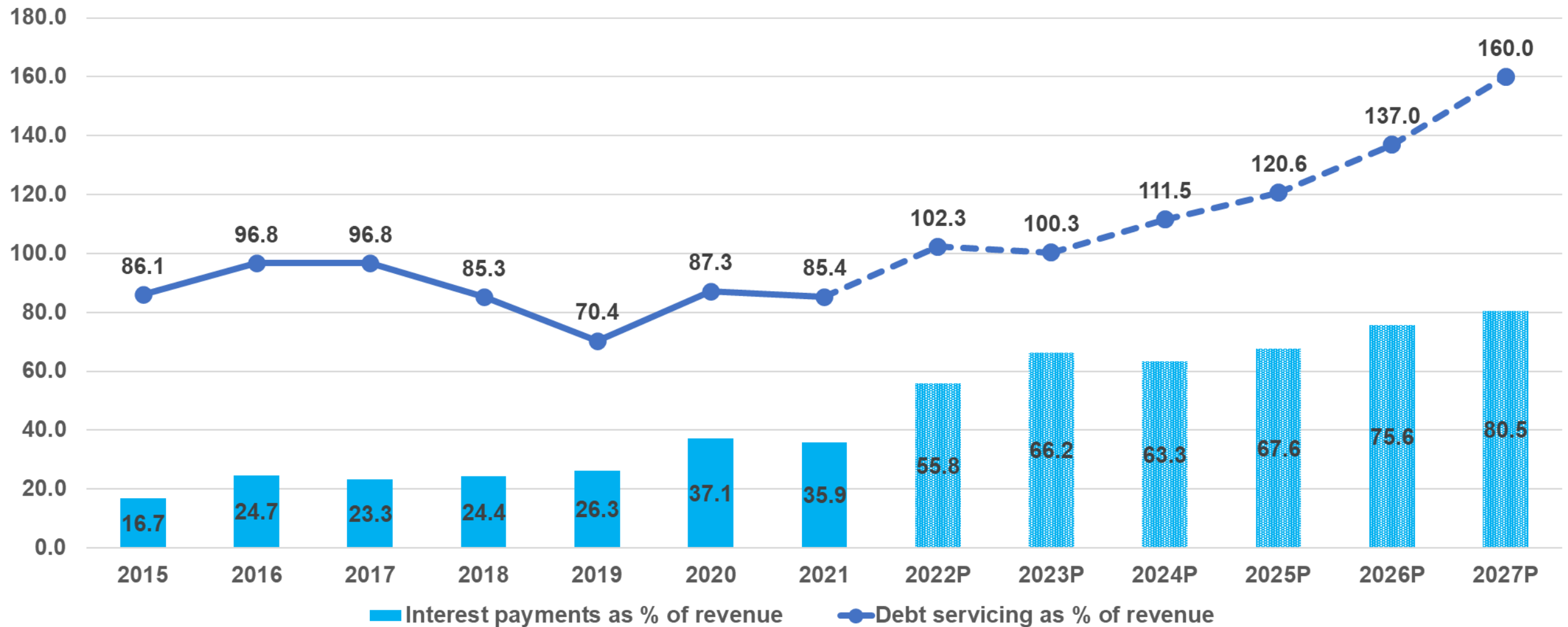


THE STRATEGIC REVENUE GROWTH INITIATIVE HAS HELPED BOOST TOTAL REVENUES (ESPECIALLY IN 2021)



Source: World Bank estimates based on data from NEITI, BOF, and OAGF

# WHAT'S DIFFERENT THIS TIME: THE COST OF DEBT SERVICE IS PROJECTED TO EXCEED REVENUES

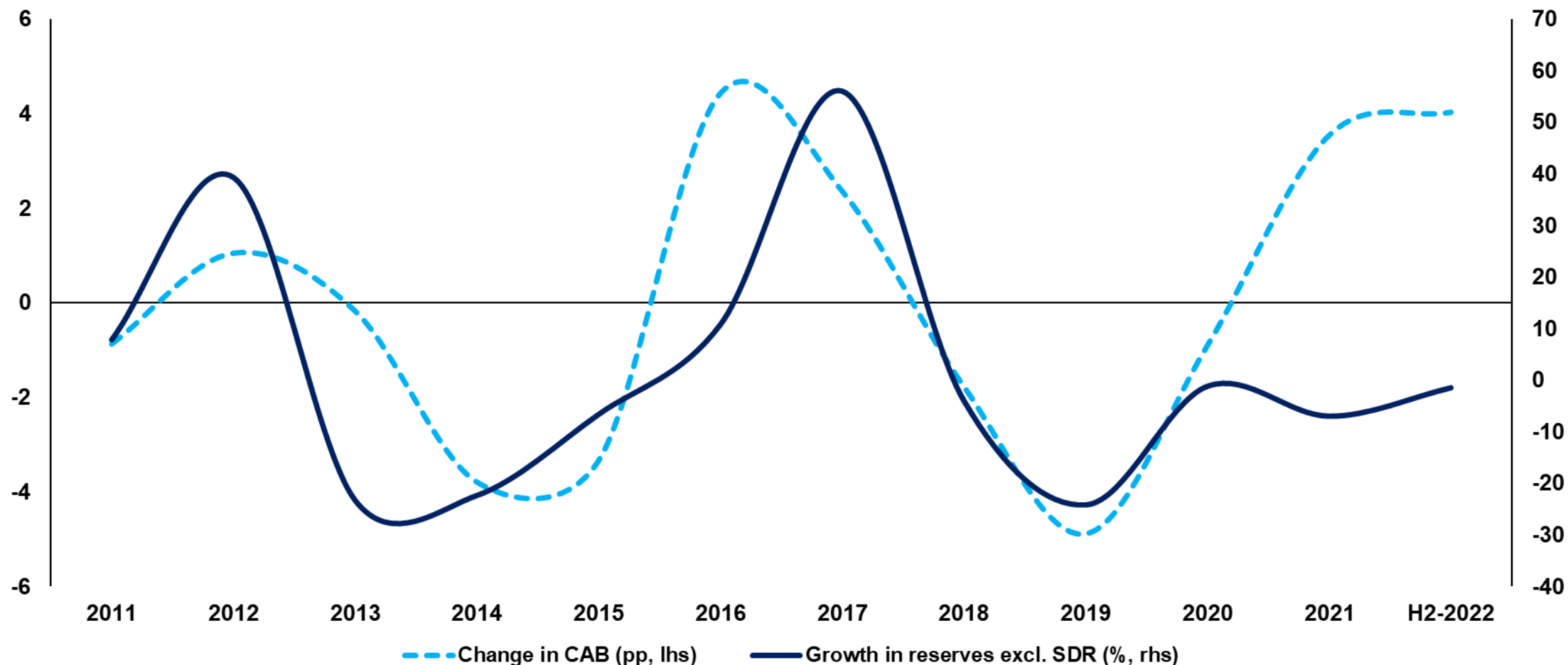


Source: OAGF, DMO and World Bank staff estimates using IMF MAC DSA template



# WHAT'S DIFFERENT THIS TIME: THE CURRENT ACCOUNT HAS MOVED INTO SURPLUS, YET FX RESERVES ARE FALLING

Despite a surge in oil export revenues, FX reserves held at the Central Bank of Nigeria have declined in 2022...

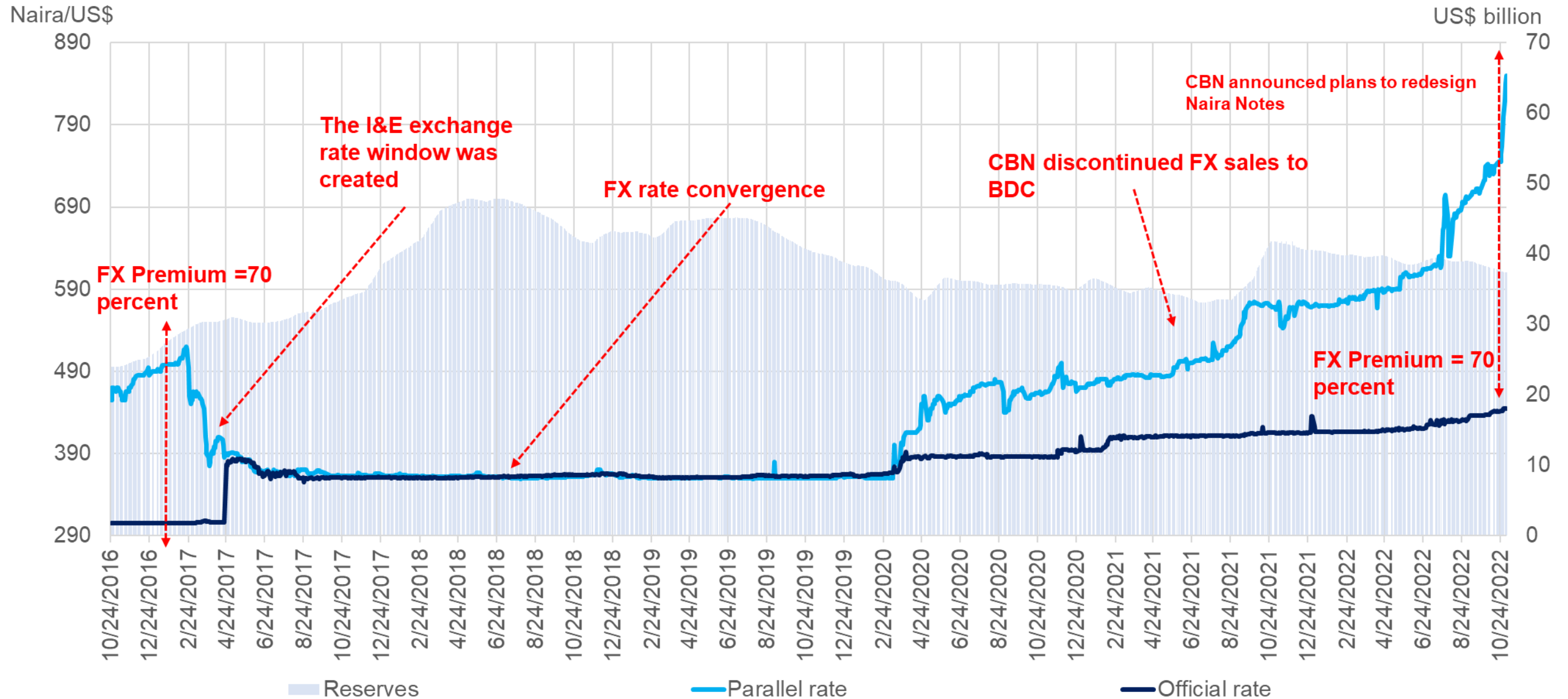


Source: CBN.

Source: CBN.



# WHAT'S DIFFERENT THIS TIME: THE EXCHANGE RATE IN THE PARALLEL MARKET HAS SURGED



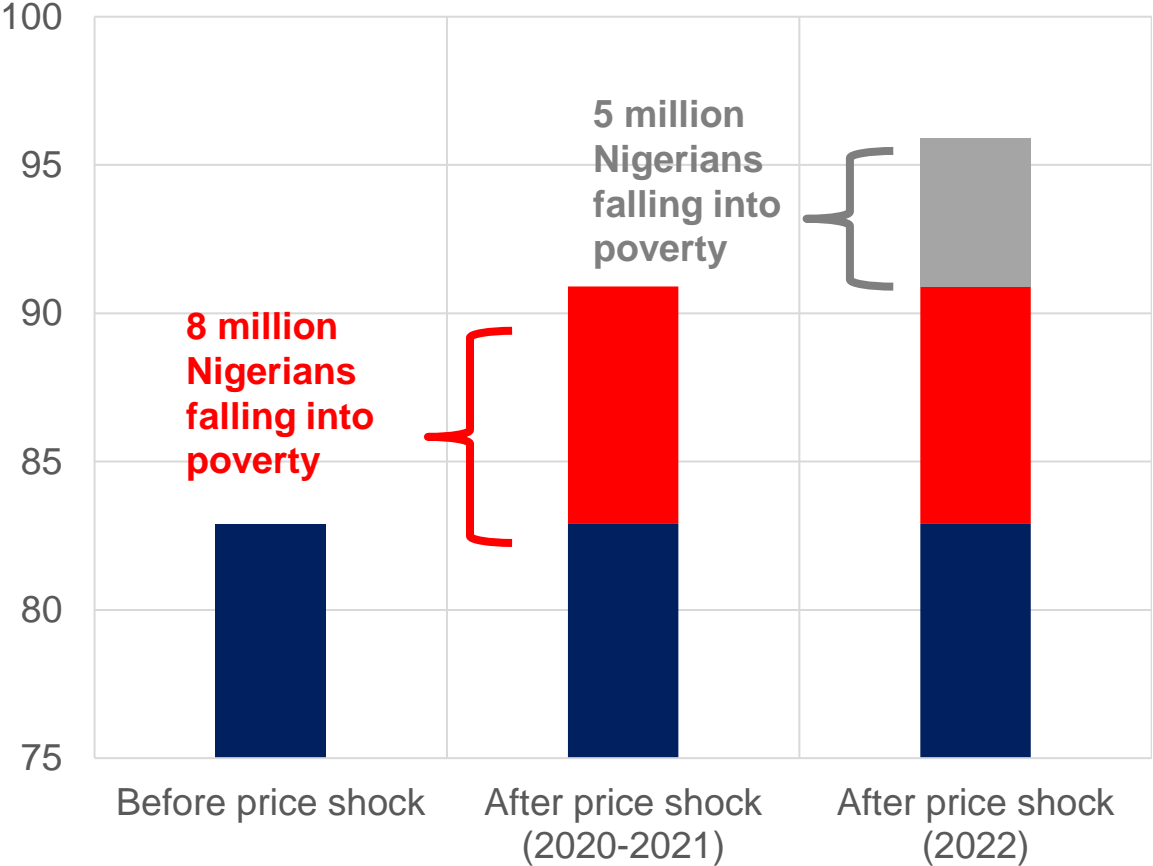
Source: CBN, Nairametrics.

# INFLATION REACHED ITS HIGHEST LEVEL IN 17 YEARS IN OCTOBER 2022, INCREASING POVERTY & FOOD SECURITY CONCERNS



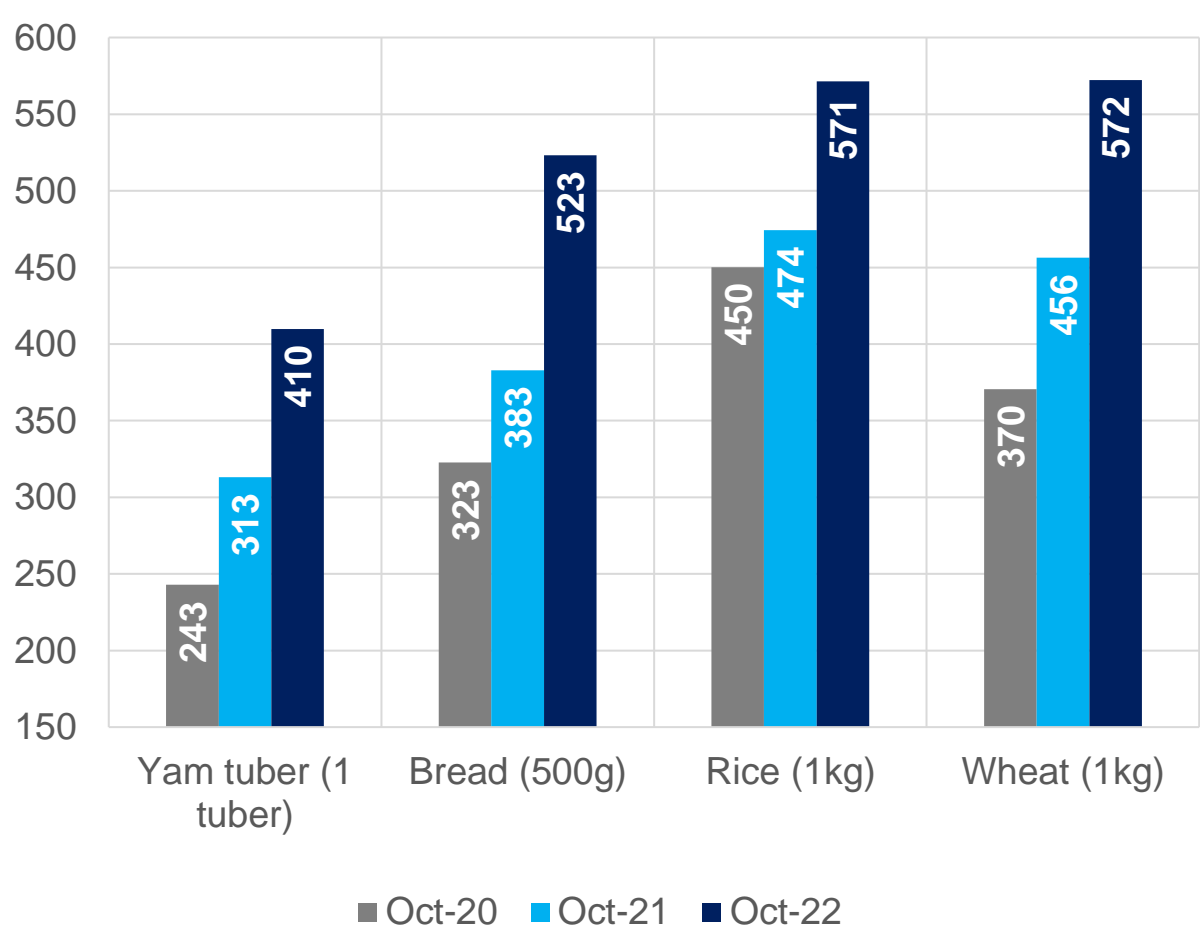
Inflation pushed an estimated 5 million more Nigerians into poverty in the first 10 months of 2022

Number of poor people (millions)



Average prices of locally-produced staples have increased faster than average inflation

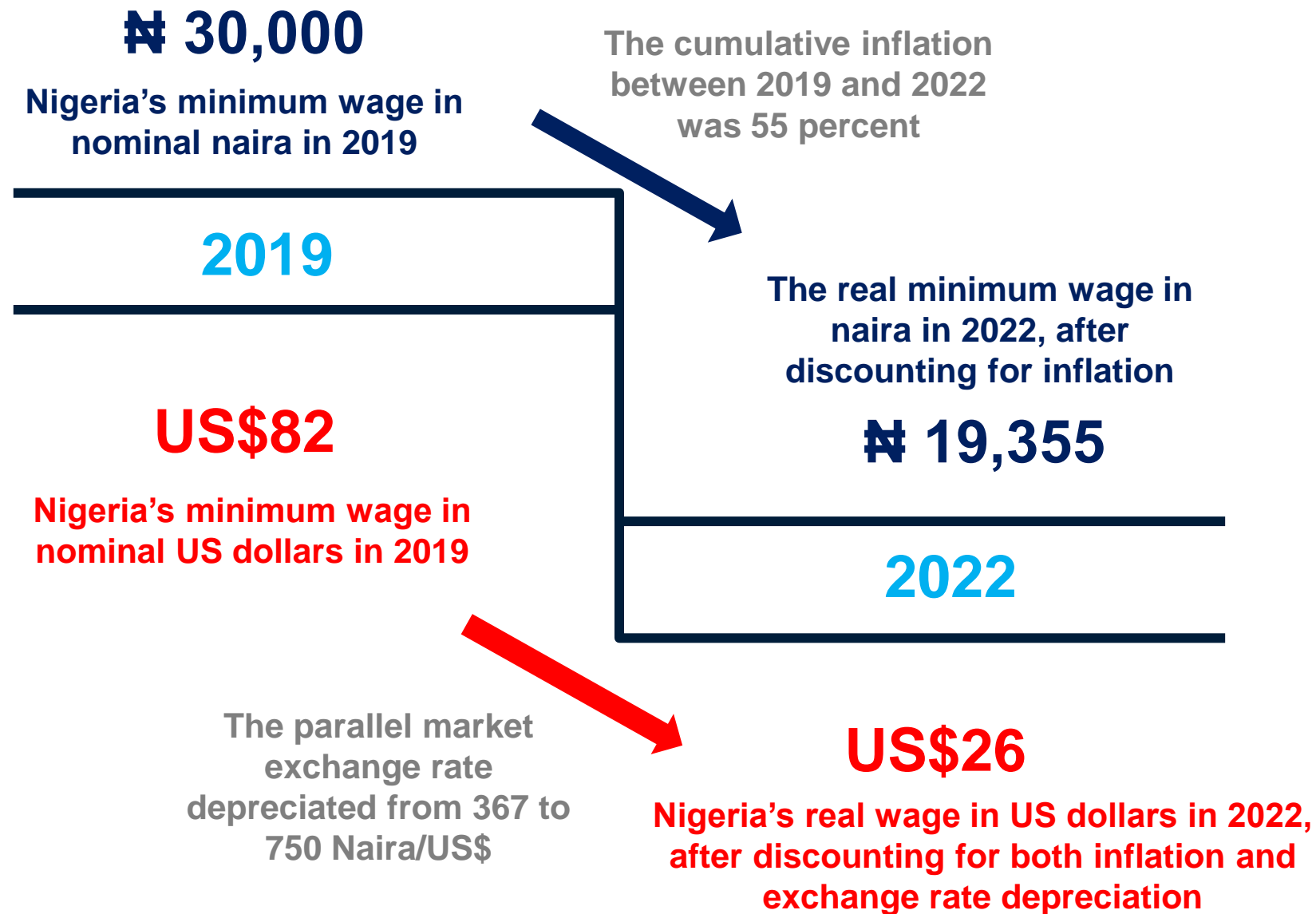
Naira



Source: World Bank estimates based on NBS data.

Source: NBS.

# GROWTH & MACROECONOMIC CHALLENGES HIT HOME: HOUSEHOLDS' PURCHASING POWER HAS SLUMPED...

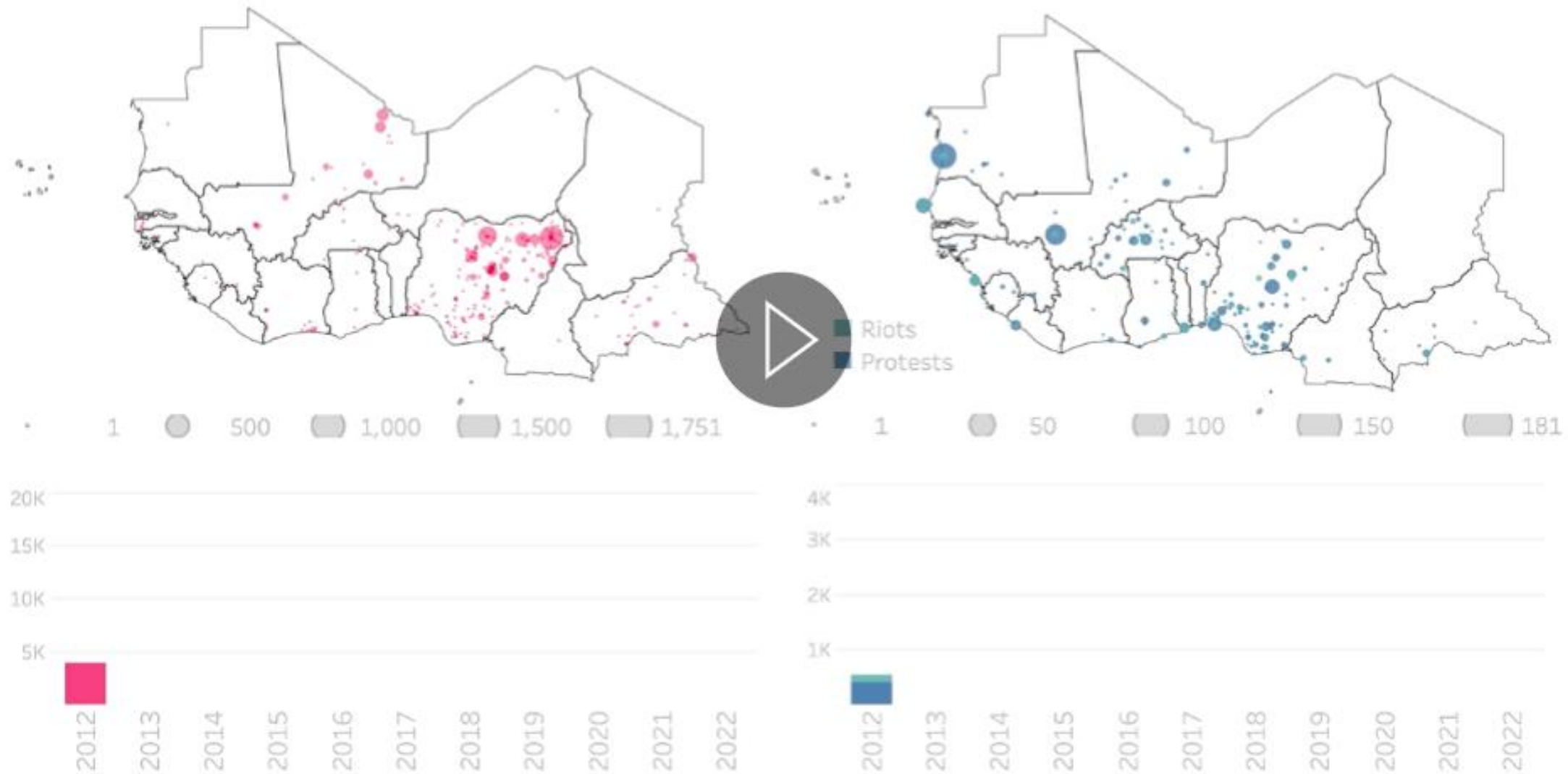


Source: NLSS, NBS, CBN, and World Bank estimates.

# WHAT'S DIFFERENT THIS TIME: INSECURITY AND CONFLICT HAVE INCREASED AND SPREAD



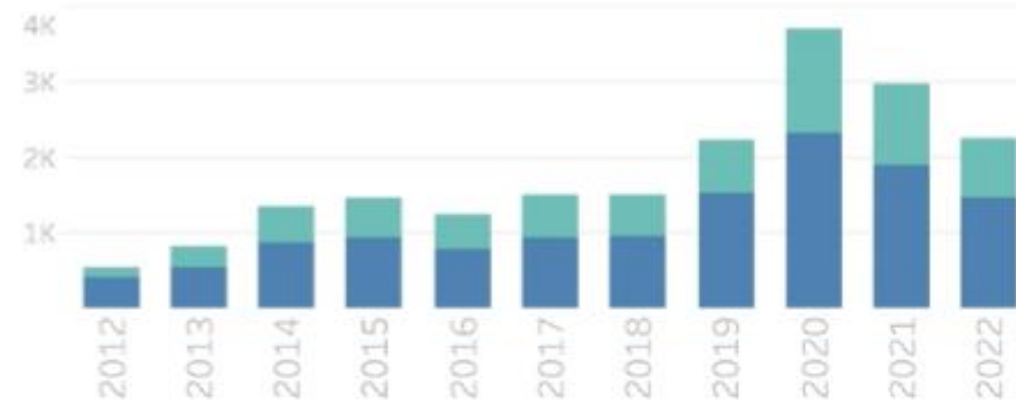
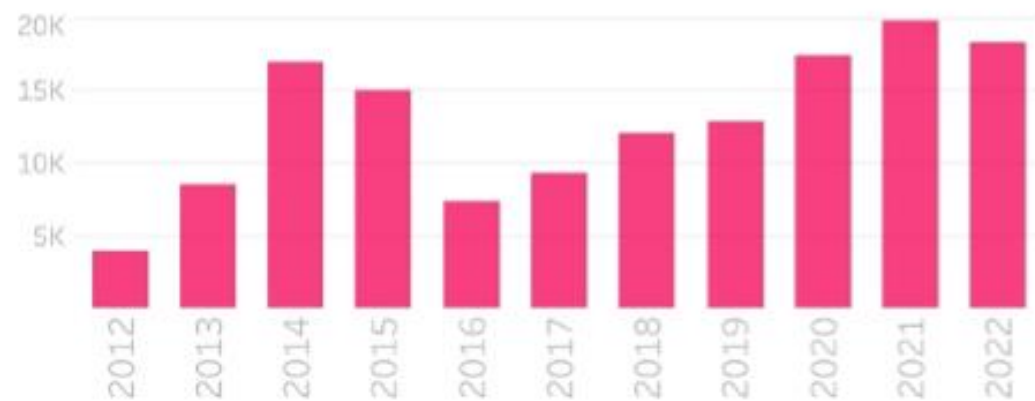
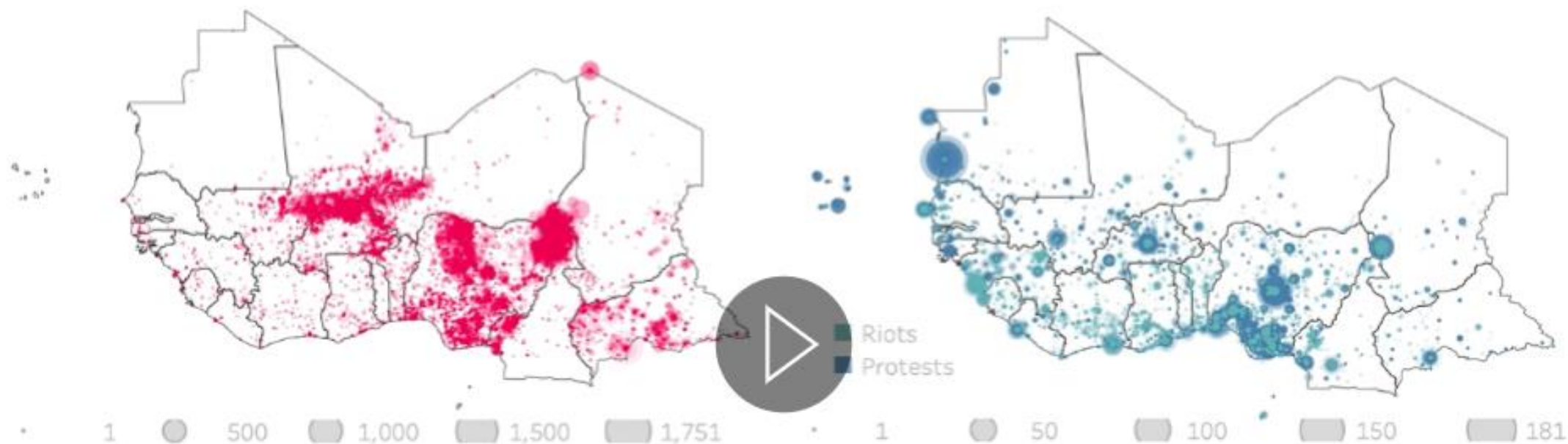
2012



# WHAT'S DIFFERENT THIS TIME: INSECURITY AND CONFLICT HAVE INCREASED AND SPREAD



2022





# NIGERIA'S CHOICE: A PRIORITIZED SET OF REFORMS FOR THE SHORT AND MEDIUM-TERM

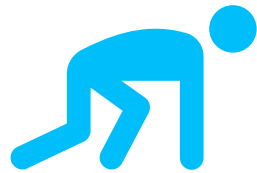


## Time horizon

## Macroeconomic and Institutional Enablers

## Investment Accelerators

### SPRINTS



Adopt a **single and market-reflective** exchange rate

Increase non-oil revenues by **raising VAT and excise rates** and strengthening tax administration

Facilitate trade and boost domestic value added by **removing import and foreign exchange restrictions**

### MEDIUM-DISTANCE RUNS



**Eliminate the petrol subsidy** by establishing a compact which also protects the poor and vulnerable

Contain inflation by **reducing the federal government's recourse to CBN financing**

Increase access to finance by **strengthening the institutional infrastructure for financial intermediation**

### MARATHONS



**Boost competition** by embedding it into policy, enhancing enforcement, and simplifying rules to lower costs

Reduce insecurity by **strengthening the rule of law**

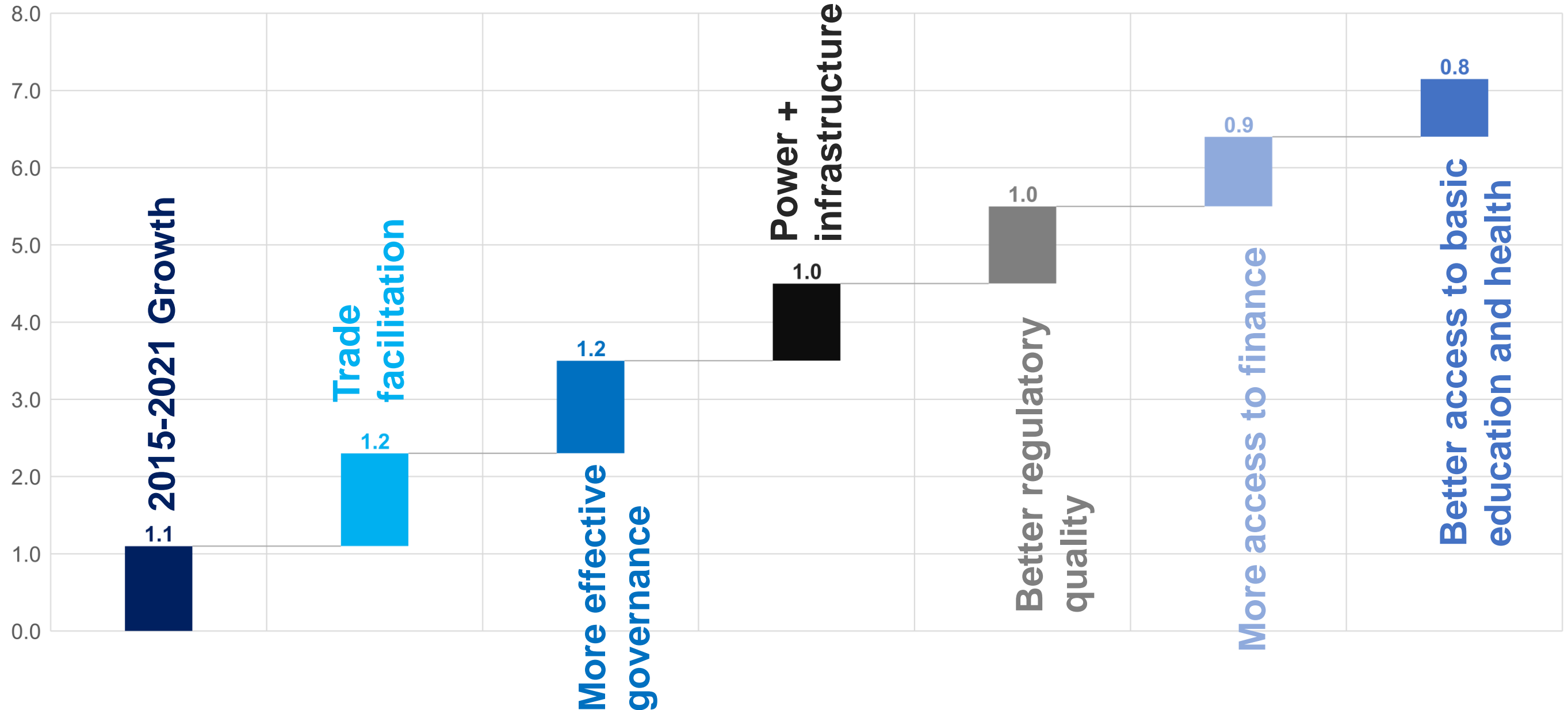
Boost **power generation** by investing in infrastructure to reduce technical and commercial losses

Facilitate transport connectivity by **reducing interstate transportation costs**

# WHAT DOES SUCCESS LOOK LIKE? TRANSFORMATIVE GAINS



Federal and state-level reforms could unlock 6.7 percentage points of additional annual growth over the next 20 years





# NIGERIA'S CHOICE: WHAT IT WILL TAKE



**A NATIONAL CONSENSUS** (particularly within the political, business and traditional elites) that Nigeria needs to **break decisively** from **BUSINESS-AS-USUAL**, to go from floating, buffeted by the swells of global oil price movements, to taking its destiny in its own hands and rising to its considerable potential

- **WHAT WOULD A DEPARTURE FROM BUSINESS-AS-USUAL LOOK LIKE**

- not only sustaining the reforms that have been taken thus far but going even further and with an even greater sense of urgency, to build on the momentum of these reforms.
- freeing up the space for the private sector and enable it to serve as the engine of growth and job creation rather than view the public sector as the main source of jobs.
- approaching Nigeria's economic interactions with the global economy with a recognition of and confidence in Nigeria's inherent competitive potential and a focus on tackling the behind-the-border barriers that hinder the competitiveness of Nigerian firms rather than erecting barriers at the border
- redirecting public spending from subsidies and incentives that disproportionately benefit the rich to direct investments in Nigeria's children, youth and women and support for Nigeria's poorest and most vulnerable



## **SUSTAINING POLICY IMPLEMENTATION**

- sustaining a focus on follow-through and timely and robust implementation of priority measures and initiatives through establishment of **strong implementation mechanisms** that promote performance and accountability