

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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March 24, 2017

Mrs. Kemi Adeosun
Honorable Minister of Finance
Finance Headquarters
Federal Ministry of Finance (FMoF)
Central Business District
Abuja

Dear Honorable Minister,

***FY17 Country Portfolio Performance Review
of World Bank Assisted Projects in Nigeria (February – March 2017)***

In collaboration with the Department for International Economic Relations Department - FMoF, we have successfully completed the FY17 Country Portfolio Performance Review (CPPR). We wish to express our deepest gratitude to the Federal and State Governments of Nigeria for ensuring a successful and fruitful review.

The FY17 CPPR reviewed 8 federal projects (\$2bln undisbursed) and 22 state projects (\$1.8bln undisbursed). The CPPR's objectives were to assess results, resolve implementation bottlenecks and accelerate the pace of implementation, and hence, disbursement. I am pleased to note the endorsement by the State Governors of the Performance Report of all World Bank assisted projects in their respective states. A summary of the outcomes of the CPPR review is attached. Following are the key recommendations of the review for your consideration and kind follow up.

As you know, improving implementation performance, and hence disbursement would clearly help provide the fiscal space needed to boost the economy, create jobs, and provide solutions to difficult development challenges that the World Bank assisted portfolio in Nigeria is designed to accomplish. This goal aligns well with the Federal and State Governments' development efforts aimed at improving the living conditions of the population, thereby reducing poverty and boosting shared prosperity.

The review highlighted a number of cross-cutting issues, incl. ownership and awareness, coordination mechanism at the state level, counterpart-funding, beneficiary contribution, and peer learning among states. States have begun to take actions in this regard, which will impact portfolio performance in the medium to long-term. There are, however, immediate actions to be taken in the next three months (April-June 2017) to improve disbursement performance, which as of to date is abysmal at 6% (or 8% on annualized basis), after almost 9 months into the 2017 fiscal year. This is clearly well below the 25% target, which you had set for the Nigeria Portfolio at the World Bank/IMF Annual Meetings last October 2016. While the projected cumulative disbursement by the implementing entities stands at about \$746mln (of \$503mln in 8 federal projects and \$480mln in 22 state projects), there is a high risk that these projections may not materialize during April-June 2017. Joint and focused follow-up will be required on both sides to accelerate the pace of implementation. Therefore, we

advise to focus our joint effort over the next three months on 4 federal projects and 8 state portfolios, with a potential disbursement of around \$595 mln, as follows:

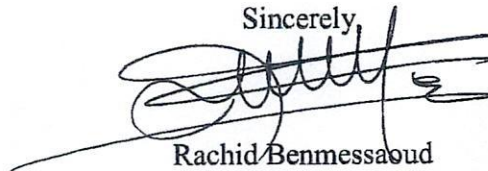
Projects with High Disbursement Potential (over \$70 mln)	Projected Disbursement (Jan-June 2017) (\$mln)	States with High Disbursement Potential (over \$20 mln)	Projected Disbursement (Jan-June 2017) (\$mln)
Development Finance Project	120.0	Enugu	50.6
Saving One Million Life	126.0	Lagos	41.6
Transforming Irrigation Management in Nigeria	77.7	Adamawa	36.6
Housing Finance Development Project	70.0	Ondo	26.0
		Kano	25.3
		Rivers	22.0
TOTAL	393.7	TOTAL	202.1

The effort on the five state portfolio would need to be complemented with a parallel effort on two national projects, i.e. Nigeria Erosion and Watershed Management Project (NEWMAP) and Third National Fadama Development Project (FADAMA 3), with a projected cumulative disbursement of \$168 mln. In addition, obtaining the Legal Opinion for the Social Safety Net Project before end April 2017 will help us declare the credit effective and unlock scarce resources to a national program to benefit the poorest and most vulnerable at this critical time of need.

We would greatly appreciate if you could review our assessment as presented above, and kindly follow up with the concerned Line Ministries and State Governments accordingly. On our side, we plan to proactively follow up with the four federal projects and five states, and we stand ready to brief the Executive Governors at their next Governors' Forum and/or National Executive Council, should the opportunity be availed.

While I look forward to an improved portfolio performance, please accept the assurances of my highest regards.

Sincerely



Rachid Benmessaoud
Country Director for Nigeria
Africa Region

Mrs. Kemi Adeosun

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March 24, 2017

CC:

- Mr. Aliyu Ahmed, Director, IERD
- Mr. Benson Odaman, Deputy Director IERD

***FY17 Country Portfolio Performance Review
Of the World Bank Assisted Projects in Nigeria
(February-March 2017)***

Outcome Summary

1. The World Bank in collaboration with the Department for International Economic Relations Department of the Federal Ministry of Finance (FMoF) conducted a Country Portfolio Performance (CPPR) of World Bank Assisted Projects in Nigeria during the period February – March 2017. The review involved the participation of FMoF, high representation of the Government as well as the attendance of some Governors to the review sessions.

2. All 36 State Governors responded positively to the CPPR call for increased attention on the monies committed to development work in states through improved implementation. The Review recorded a renewed determination on the part of State Governors to change; each delegated between 3 – 5 Senior Government Officials to represent the state as well as present their state portfolio reports. The importance of the initiative was further heightened by the physical endorsement of state governors on the performance report of all Bank Assisted projects in their respective states. Overall, there were about 820 participants including Secretaries to various State Governments, Commissioners of Finance, Permanent Secretaries, Governors' Chief of Staff, Project staff, National Project Coordinators, FMoF representatives, Bank staff, etc, in attendance over the 10day period of the review which was split by three (3) geographical zones.

3. The FY17 CPPR was in two phases; the first focused on 9 projects implemented at the federal level (\$2bln undisbursed) and was completed in December 2016 while the second phase which ended March 3rd, 2017 focused on 22 projects implemented at state level (\$1.8bln undisbursed). The exercise focused on assessing implementation results, resolving implementation bottlenecks and accelerating the pace of implementation, and hence, disbursement. Overall, this annual exercise offered us the opportunity to achieve several goals, which would have medium to long term positive impact on the overall portfolio performance. Specifically, the portfolio review was able to:

- a) Extensively sensitize about 60 Senior State Government Officials, including governors regarding the poor performance of the portfolio and the need to improve its performance at the state level through accelerated implementation;
- b) Receive the endorsement of state governors at this instance on the performance report of all Bank Assisted projects in their respective states;
- c) Successfully assess the demand for effective portfolio coordination at the state level as a first step towards supporting states to set up and/or strengthen coordinating mechanism for WB Assisted Projects;
- d) Facilitate intra as well as interstate Knowledge exchange on innovative state-driven initiatives which have successfully been applied in addressing implementation challenges;
- e) Motivate top state government officials to institutionalize the portfolio review model for improved state wide and region wide performance, and
- f) Effectively respond to 4 state government requests for deepened partnership through interactive sessions as against the 2 state visits envisaged.

4. About 50% of Nigeria portfolio's total undisbursed balance of about \$4bn is at the state level, and under the recently closed HIV/AIDs Program Development Project, the states lost about \$21mln i.e. N7bn due to slow implementation. Fortunately, across all 36 states plus the Federal Capital Territory, the review confirmed the following 5 most critical issues, which had impacted negatively on all projects implemented at the state level, manifesting in the overall slow rate of implementation:

- a) Lack of awareness amongst the governors of the modalities of Bank Operations and the availability of IDA funds to support their development efforts;
- b) Lack of Ownership by the state actors;
- c) Counterpart Fund/Government Contribution Challenges;
- d) Lack of / Poor Coordination Mechanism; and
- e) Unsatisfactory response time on both sides (World Bank & Client) on implementation processes.

5. The FY17 CPPR shows that the actual disbursed amount as of March 22, 2017 is \$243mln (6%, equivalent to 8% on annualized basis). With only three months remaining before the end of the World Bank's fiscal year (June 30 2017), this is clearly well below the 25% (\$1bln) target, which you set for the Nigeria Portfolio at the Annual Meetings. While the total projected value for disbursement as indicated by all the implementing entities stands at about \$746mln (of \$503mln in 8 federal projects and \$480.4 mln in 22 projects at the State level), there is a high risk that these projections may not materialize within the next three months (April-June 2017). Detailed projection tables are attached.

6. Therefore, within these next three months, the World Bank and FMoF would need to joint their effort to reverse this poor disbursement trajectory and concentrate on four federal projects and 8 state portfolios, with a potential disbursement of around \$595 mln, as follows:

Projects with High Disbursement Potential (over \$70 mln)	Projected Disbursement (Jan-June 2017) (\$mln)	States with High Disbursement Potential (over \$20 mln)	Projected Disbursement (Jan-June 2017) (\$mln)
Development Finance Project	120.0	Enugu	50.6
Saving One Million Life	126.0	Lagos	41.6
Transforming Irrigation Management in Nigeria	77.7	Adamawa	36.6
Housing Finance Development Project	70.0	Ondo	26.0
		Kano	25.3
		Rivers	22.0
TOTAL	393.7	TOTAL	202.1

7. In addition to the focus on the five state portfolio, a parallel effort may also be required on two national projects, i.e. Nigeria Erosion and Watershed Management Project (NEWMAP) and

Third National Fadama Development Project (FADAMA 3), for which the projected disbursement accounts for \$168 mln. Obtaining the legal opinion for the effectiveness of the National Safety Net Project will be an added advantage for disbursement, if received in the World Bank on or before the end of 30 April 2017.

8. On the World Bank side, following are other actions that will be taken in the coming months:

- a) Follow up with the states on their commitment to integrate the World Bank assisted projects into the state development plans, payment of outstanding counterpart funds, amongst others.
- b) Visit of the World Bank teams to the five states to follow up on implementation issues raised at the CPPR and assist in their resolution.
- c) Organizing a workshop for the state representatives to help the states establish effective state portfolio coordination mechanism, which would facilitate information flow and decision-making required for improved implementation at the state level.

Disbursement Projection by Project (Project Summary)

S/N	Project Name	Undisbured (\$m)	Projected Disb(\$m)	Ratio (Relative to Projected Disb.)
1	NEWMAP	269.1	87.0	18.1%
2	FADAMA	232.2	81.5	17.0%
3	CADP	46.3	39.7	8.3%
4	SEEFOR	136.4	37.1	7.7%
5	NSHIP	164.6	35.0	7.3%
6	SEPIP	138.0	30.6	6.4%
7	RAMP II	244.1	27.4	5.7%
8	CSDP	143.1	26.9	5.6%
9	NUWSRP	218.9	20.8	4.3%
10	LUTP II	20.7	20.7	4.3%
11	NIPEP	64.4	19.8	4.1%
12	PSGRDP	41.4	19.1	4.0%
13	YESSO	204.5	16.3	3.4%
14	SLOGOR	38.2	11.2	2.3%
15	IUFMP	187.8	5.2	1.1%
16	HPDP II	22.1	2.1	0.4%
	Total	2171.6	480.4	100%

Undisbursed Balance (\$mln)

Projects with Undisbursed Balance above \$200 mln	1,169
Projects with Undisbursed Balance between \$100 mln and \$200 mln	770
Projects with Undisbursed Balance below \$100 mln	233
Projects with projected disbursement before June 2017 higher than \$20 mln	168

8 FEDERAL PROJECTS

Projects	Disbursement in FY17 (Jul – Nov, 2016) (\$M)	Disbursement Projection in FY 17 (Dec '16–June '17) (\$M)
Development Finance Project	0.3	120.0
Saving One Million Lives	0.0	126.0
Transforming Irrigation Management in Nigeria (TRIMIN)	0.0	77.7
Housing Finance Development Project (HFDP)	0.1	70.0
Nigeria Electricity and Gas Improvement Project (NEGIP)	10.0	46.0
Growth and Employment Project (GEM)	3.7	33.0
National Safety Net Project	0.0	25.0
Federal Roads Development Project (FRDP)	10.8	6.0
Total	24.9	503.7