



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 21-Mar-2019 | Report No: PIDC26420



BASIC INFORMATION

A. Basic Project Data

Country Nigeria	Project ID P169405	Parent Project ID (if any)	Project Name Sustainable Procurement, Environmental and Social Standards Enhancement Project (SPESSE) (P169405)
Region AFRICA	Estimated Appraisal Date Jun 10, 2019	Estimated Board Date Jul 25, 2019	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Federal Ministry of Finance	Implementing Agency National University Commission	

Proposed Development Objective(s)

The objective of the project is to develop sustainable capacity in managing procurement, environment and social safeguards in the public sector

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	80.00
Total Financing	80.00
of which IBRD/IDA	80.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	80.00
IDA Credit	80.00



Environmental and Social Risk Classification

Low

Concept Review Decision

Track I-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. Nigeria is a Federal Republic comprising 36 States and the Federal Capital Territory of Abuja, and 774 Local Governments. It is the largest country in the West Africa Region, with a population of approximately 190.9 million (51% of West Africa’s population) and a GDP of approximately US\$375.7 billion in 2017, which represents 23% of Sub-Saharan Africa’s GDP of \$1.7 trillion during the same period. Nigeria has the potential to become an economic giant in Africa by virtue of its size, human talent, rich resource endowment, and economic capacity. However, a large proportion of Nigeria’s population is still poor. According to the World Bank, 49.2% of Nigeria’s population falls within the poverty headcount ratio of \$1.9 per day, leading the world as the country with the largest poor people. Youth unemployment is high and on the increase; and maternal and child mortality are high.

2. Nigeria experienced sustained economic growth of about 5 to 8 % in the last decade prior to 2015, driven by expansion of domestic demand concentrated primarily in trade, agriculture, and services. However, major economic transitions have had a significant negative impact on the Nigerian economy. Consequently, GDP growth fell from 6.3% in 2014 to 2.7% in 2015, and to negative 1.6% in 2016, bringing Nigeria’s first full-year of recession in 25 years. In 2017, the Nigerian economy emerged from recession with GDP growth of 0.8%. Crude prices averaged \$54.8/bbl in 2017, 21.2% higher than the previous year¹. The recovery was largely driven by higher oil price and production and steady growth in agriculture. Inflation rate remained high at 16.5% in 2017 but declined to 12.1% in 2018. The Central Bank maintains the official exchange rate in the range of N305 - 307/US\$, which is only applicable to some federal government transactions. In April 2017, the CBN introduced a special foreign exchange window for investors and exporters (Investors and Exporters’ Foreign Exchange Window, IEFX) to boost foreign exchange liquidity in the market and ensure timely execution and settlement of eligible transactions. The exchange rate in this window, at N360-365/US\$, is more aligned with the parallel market rate.

Table 1: Selected Economic Indicators, 2014-2018

	2014	2015	2016	2017e	2018f
Real GDP growth, at constant market prices (%)	6.3	2.7	-1.6	0.8	2.1
Private consumption (%)	0.6	1.5	-5.7	-0.8	0.6
Government consumption (%)	-7.0	-11.9	-15.1	1.9	19.5
Gross fixed capital investment (%)	13.4	-1.3	-5.0	0.9	1.2

¹ In 2016, global oil prices reached a 13-year low and oil production was severely constrained by vandalism and militant attacks in the Niger Delta.



Exports, goods, and services (%)	24.1	0.1	11.5	1.0	6.0
Imports, goods, and services (%)	6.0	-25.7	-10.4	-11.6	14.8
Real GDP growth, at constant factor prices (%)	6.2	2.8	-1.6	0.8	2.1
Agriculture (%)	4.3	3.7	4.1	3.4	3.5
Industry (including oil) (%)	6.8	-2.2	-8.9	2.2	3.8
Services (%)	6.8	4.8	-0.8	-0.9	0.8
Inflation (Average, %) (Consumer Price Index)	8.1	9.0	15.7	16.5	12.1
Official Exchange Rate (N/US\$)	164.9	195.5	253.5	305.8	306.1
Fiscal Balance (% of GDP)	-1.2	-3.2	-3.9	-4.4	-4.0
International poverty rate (\$1.9 in 2011 PPP)	46.8	46.8	48.4	49.2	49.3

Source: NBS and World Bank staff projections. Notes: 2017 estimated and 2018 forecast

3. On March 7, 2017 the Government of Nigeria (GoN) launched the National **Economic Recovery and Growth Plan (ERGP)** for the period 2017-2020. The ERGP sets out a plan to restore macroeconomic stability in the short-term, as well as structural reforms, infrastructure investments and social sector programs to diversify the economy and set it on a path of sustained inclusive growth over the medium- to long-term. To achieve the objectives of the ERGP, the key execution priorities are: 1) stabilizing the macroeconomic environment; 2) achieving agriculture and food security; 3) ensuring energy sufficiency (power and petroleum products); 4) improving transportation infrastructure; and 5) driving industrialization focusing on Small and Medium Scale Enterprises. The ERGP sets the ambitious target of 7 % real GDP growth by 2020, initially driven by the oil sector and then increasingly by strong non-oil sector growth.

4. The ERGP priorities are to be underpinned by a focus on governance and delivery, which have been identified as crucial to the successful implementation of the Plan. One of the focal areas under Governance is reduction in the cost of governance, **notably through the public procurement system and sustainable infrastructure development (including environmental and social standards)**. Poverty level in Nigeria has been increasing not because the country is intrinsically poor but because the available resources have been mismanaged and misused largely due to corruption **and lack of appropriate control and oversight systems. One of the main channels of corruption is procurement** through which public contracts are usually inflated leading to financial losses to the country. Considering that approximately 60 to 70 % of budget expenditure passes through the procurement process, these losses can be massive. There is therefore a dire need to strengthen procurement institutions and systems to improve transparency and accountability in procurement. **A key impediment in achieving efficiency and effectiveness of public investments is the lack of adequate Procurement, Environment and Social (PES) systems capacity in the country** which are major factors in improving governance and delivery.

Sectoral and Institutional Context

Procurement

5. The Federal Government, with the support of Development Partners, particularly the World Bank, has been implementing public procurement reforms based on the recommendations of the Country Procurement Assessment Report (CPAR) 2000. Considering Nigeria’s federal structure and constitution, the reforms being implemented at the Federal level are not adopted automatically by the



State and Local Government Authorities (both of which are big spenders of public funds). Therefore, in 2011, a Programmatic Integrated Fiduciary Assessments of Nigeria States (PIFANS) was conducted for Edo, Delta, Rivers, Bayelsa, Ondo and Lagos States to understand the procurement systems at the sub-national level. The PIFANS drew lessons from the CPAR and recommended close interface of the States' legal and regulatory fiduciary frameworks with the ongoing reforms at the Federal level.

6. The reforms have resulted in notable accomplishments in all the four pillars of the procurement system. At the federal level and in some states, procurement laws have been enacted, 27 regulatory agencies have been established in the States (see paragraph 17), procurement tools have been developed and deployed, respective procurement cadre have been created and ad hoc procurement trainings are being delivered. As a result, there has been improvement in the number of competing bids for procurement opportunities arising from noticeable increase in private sector confidence in public procurement, though not reaching the aspired levels.

7. Notwithstanding, eighteen years after the CPAR, there is still wide consensus that many challenges persist at both Federal and State levels. Some of these challenges have been captured in the Nigerian Procurement Value Chain Analysis (NPVCA) report of 2013. The NPVCA was a de facto update of the CPAR and its recommendations are the basis for the ongoing reforms in the procurement sector. One of the main challenges identified in the report is the lack of professionalization of the procurement function, including absence of sustainable procurement training. The NPVCA reported inadequate competence of public procurement officials to perform optimally in their operational responsibilities and identified inadequate knowledge of procurement by both public and private sector practitioners as a major cause of slow capital budget implementation. Furthermore, **procurement audits conducted by the Bureau of Public Procurement have also identified inadequate procurement capacity as a major constraint to effective and efficient public expenditure.**

8. **The lack of adequate procurement capacity has been due mainly to absence of capacity development policy and strategy.** Public Procurement Officials frequently receive ad hoc trainings that do not produce the required build-up or capacity enhancements. Presently, there is no alignment of procurement training, no certification program, and no sustainable procurement capacity development in the country. Migrated through lateral transfer after a two-week ad-hoc training at the federal level and without such training at the sub-national level, the procurement cadre in Nigeria requires a holistic and long-term investment in capacity building. The regulatory agency that controls public procurement operations at the federal level, the Bureau of Public Procurement (BPP), has the mandate to build the capacity of public procurement practitioners but **this goal has not been achieved due to limited funding.** Some polytechnics² offer only Purchasing and Supplies courses at Ordinary and/or Higher National Diploma levels. The Lagos Business School organized short courses in procurement in the past and the Ibadan Business School has also tried to offer short courses in procurement; both sets of courses are neither well defined and structured nor sustainable. Presently, no university in Nigeria offers a degree program in procurement. The Chartered Institute of Purchasing

² Federal Polytechnic, Mubi; Federal Polytechnic, Nekede; Federal Polytechnic, Ado-Ekiti; and Ramat Polytechnic, Maiduguri



and Supplies Management of Nigeria (CIPSMN) was created for the advancement of the purchasing and supplies cadre; however, the course of study and qualifications for certification are not consistent with those required from a procurement professional. Assessing **infrastructure procurement deficiencies** in Nigeria, a 2018 research identified the need to develop the capacities of procurement practitioners in **38 out of 45 public procurement (PP) skill and technical areas**.³

Environment and Social Standards

9. Nigeria remains a country at a crossroads on sustainable development; and as the country pushes forward on economic development, **given the weak technical and operational capacities for environmental and social due diligence in all sectors, addressing key issues in these sectors are priority areas of government to guarantee development** that (i) are sustainable and protective of people; (ii) integrates institutional strengthening on impact and risk assessments into the national capacity building strategy; and (iii) operationalizes environmental and social sustainable development approach as a clear-cut strategy for delivering the ERGP objectives of economic growth and inclusive development. It is also worth noting that this project is being prepared during the period of social conflict in the North East, Niger Delta and rising demands/protest for good governance and accountability of government institutions in Nigeria.

10. In Nigeria, the Environmental Impact Assessment (EIA) Act provides the legal and operational framework for ensuring that Nigeria's development process is environmentally sound and inclusive. While legal provisions for certain aspect of social impact might be available in different legislation, there isn't a single Act that pulls it together similar to the EIA. There is no single point ministry dealing with social impacts and risk management in Nigeria. The provisions of the new World Bank Environmental and Social Framework (ESF) that relate to social aspects such as labor, protection of vulnerable groups, social inclusion, community health & safety and land and livelihoods are under the purview of different ministries, department and agencies (MDAs) like Ministry of Women Affairs & Social Development, Department of Lands, Ministry of Labor etc. Typically these MDAs do not have policies and regulatory provisions that address the ESF requirements holistically. One of the key objectives of the project is the institutional strengthening and capacity building of such MDAs. Therefore the current capacity for enforcement and implementation of the social standards of the ESF within these MDAs is considered low and will be enhanced through the project.

11. Despite the existence of the Nigeria's EIA Act and the World Banks Operational Policies (OPs) for investment project lending, there is a growing concern over the scarcity of personnel with appropriate Environment and Social (E&S) skills, knowledge and institutional mandate to anchor and drive environmental and social standards' functions in a coherent and coordinated manner. The application of the new Environmental and Social Framework (ESF) for all development partner's

³ Abdul-Majeed Mahamadu, Patrick Manu, Colin Booth, Paul Olomolaiye, Akinwale Coker, Ahmed Ibrahim, Jessica Lamond, (2018) "Infrastructure procurement skills gap amongst procurement personnel in Nigeria's public sector", Journal of Engineering, Design and Technology, Vol. 16 Issue: 1, pp.2-24, <https://doi.org/10.1108/JEDT-09-2017-0089>



financed investment projects further increases the demand for a cadre of personnel with appropriate E&S management skills.

12. Environmental and social development specialists and compliance professionals are generally few in Nigeria due to a lack of academic programs and curricula tailored to specifically address the interdisciplinary nature of E&S standards. A significant number of people in the E&S sector lack the inter-disciplinary orientation, skills and training required to carry out sound E&S assessment and due diligence. Due to the lack of local capacity, most development partners often bring E&S standards experts from other regions. For many local projects, E&S impact assessments are conducted using a stand-alone multi-disciplinary approach which is less focused and less robust than the interdisciplinary approach. Furthermore, due to the scarcity in skills and competencies, and institutional fragmentation, project implementation in Nigeria face several challenges including (i) delays in E&S management instruments implementation; (ii) non-compliance with the Environmental and Social Management Plans (ESMPs) and other E&S instruments; (iii) insufficient supervision and monitoring; and (iv) inadequate capacity among client institutions. Many E&S management measures in the plans are poorly implemented, pointing to a need for improving the technical capacity of clients to identify, monitor, and regularly report on implementation. The above gaps and weaknesses that are both systemic and institutional contribute to weak and poor management of procurement processes and E&S impacts in infrastructure investments. Thus, availability of technically proficient Procurement Professionals and Environmental and Social Development Specialists are critical to supporting the ERGP targets for effective and efficient service delivery.

13. One of the channels for capacity development that the World Bank has utilized to partner with government is the establishment of Africa Centers of Excellence (ACEs) at tertiary education level. ACE centers aim to recruit a high-quality regional student body and work towards (a) producing a highly trained workforce with skills tailored to the needs of the sector(s) they serve; (b) partnering with industry and sector stakeholders to identify regional needs; and (c) disseminating research results both in international publications and through appropriate regional channels. ACEs that are already established in Nigeria are for sectors with long history of developing professional capacity. These sectors have had their fields as part of university curricula for a long time with the universities offering certificate, undergraduate, postgraduate and Master's degree courses. For instance, many universities in Nigeria have been teaching oil and gas, quantity surveying, architecture, engineering, accountancy, etc. These sectors have also got established professional bodies that are responsible for professional advancement of their members. On the other hand, PES Management are new sectors in Nigeria. For example, public procurement was recognized by the government only in June 4, 2007, after the promulgation of the Public Procurement Act. While the Environmental Impact Assessment (EIA) Act and the National Environmental Standards and Regulation Enforcement Agency (NESREA) were recognized on December 10, 1992 and July 30, 2007 respectively. Social Development is also recognized by government as a professional practice. However, a bill to establish a professional regulatory bode for the social development is being finalized at the National Assembly. As a result, procurement and E&S management lag behind the other sectors in the development of their professional practitioners at all the three levels of professional development: academic, statutory and civil association.



14. **The proposed project is the first attempt to develop and implement curricula for procurement and E&S standards certification in Nigeria by offering professionalization and academic tracks in a custom-made, fit-for-purpose and sustainable manner as a follow-on to the ACE programmes.** However, while ACE's focus is on regional collaboration within Sub-Saharan Africa, this project will focus on international collaboration with Nigerian public, private, academic and sector partners.

Relationship to CPF

15. The FY14-FY17 Country Partnership Strategy (CPS) has been extended to FY2019. This extension will allow the alignment of the new Country Partnership Framework (CPF) with the electoral cycle (the next elections will take place in February 2019). The strategic thrust of the CPS over the FY18-FY19 period will not change. The continuing support to structural reforms, combined with the focus on revenue diversification and mobilization, attracting private financing, and improving social services delivery, amplify the determination to address some key medium to long-term development challenges. The Foundational Cross Cutting Cluster 3 of the CPS seeks to **strengthen governance and public-sector management, with public procurement as an essential element.**

16. **Public procurement is identified as a special area of focus in the CPS.** Important progress was made around procurement in the last CPS. At the beginning of the CPS the legislative framework was in place at federal level and in 24 states, while the remaining 12 states were at various stages of this reform engagement. Under the current CPS, important subjects such as the use of disruptive technology and use of framework contracts, deployment of improved procurement tools, **capacity development and adoption of south-south learning activities focusing on lessons from other countries, are being supported.** The use of independent or third-party monitoring of procurement processes in various MDAs at both the Federal and in targeted state levels is being pursued. Procurement is contributing to Outcome 17 of the CPS covering **Enhanced transparency on budget execution in targeted states and at Federal level.** Outcome Indicators for public procurement were set at the beginning of the program as shown in **Table 1** below.

17. **The CPS has also identified *Environmental and Social Risks* as substantial** mainly based on capacity weaknesses, especially at state and local government levels. While the CMU has done a lot to strengthen capacity development, including facilitating recruitment of project staff at federal and state levels, the overall capacity development in the country remains a critical area for attention to achieve the CPS objectives. While government agencies have certain capacity to prepare and implement projects, there is room for enhancing the capacity on the timeliness and quality of environmental and social practices.

C. Proposed Development Objective(s)

The objective of the project is to develop sustainable capacity in managing procurement, environment and social safeguards in the public sector



Key Results (From PCN)

D. Concept Description

18. Although the World Bank and other Development Partners have been supporting implementation of procurement, environmental and social reforms in Nigeria over the last eighteen years there is still lack of capacity at all levels. This lack of capacity has been highlighted over the years but there has neither been sufficient budgetary resources nor adequate government commitment to finance the high demand for professional procurement staff and environmental and social specialists in the public and private sectors. This is the first time that an appreciable amount of financial resources is being made available to procurement, environmental and social sectors in Nigeria. Therefore, every opportunity will be taken to establish the necessary capacity development systems and institutions that are necessary for long-term development and sustainability. This project will address all the identified capacity gaps through a strategic program that maps out the requirements, identifies the training/academic institutions, prepares appropriate curricula, carries out the capacity building programs and establishes the necessary monitoring and evaluation mechanism to assure impact and sustainability.

19. There is a dearth of procurement professionals of distinct categories within the Nigerian economy. While Nigeria's educational sector is rich in the diversity and numbers of educational institutions with many university graduates released into the economy on an annual basis, very few, if at all, possess the required procurement qualifications and skills. Many public, private and donor institutions undertaking investment project financing (IPF) have serious supply challenges in recruiting human resources to guide their organizations in their procurement management processes. **The shortage of supply of procurement professionals has dire direct impacts on the economy in general and the implementation of government and donor budgets in particular.** The resultant effects of such capacity gaps include, but are not limited to the following:

- a. Failure in strategic and annual planning of procurement activities and dissociation between those activities and the sought strategic benefits;
- b. In-efficiency in conducting procurement operations leading to delays, failures, and cancellations;
- c. Reduction in the achievement of competition and value-for-money; and
- d. Failure to abide by the principles of procurement set in the Act and Regulations leading to mis-procurement, higher incidence of corruption, reduction in output quality, etc.

The above, in short, cause failure of public service delivery and inability to support the attainment of the SDGs.

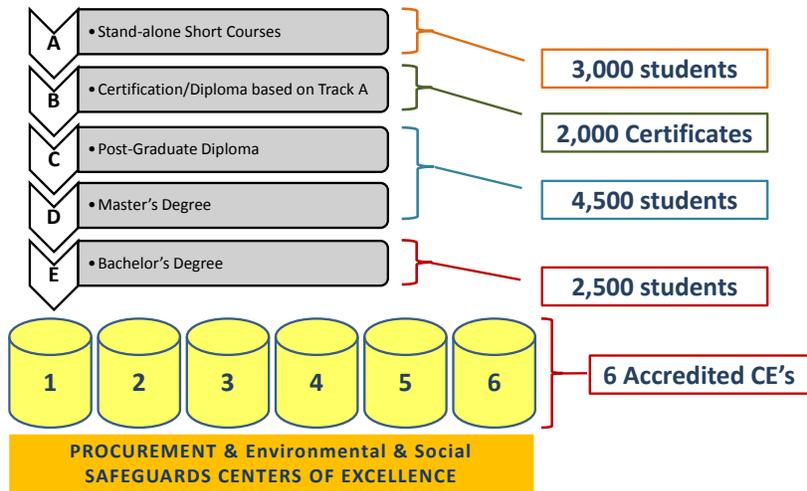
20. On Environmental and social management, there has been a systematic lack of qualified E&S specialists within implementing agencies. **Clients commonly outsource preparation of E&S management instruments to consultants, with little institutional ownership or oversight coupled with ineffective or low-quality reports and assessments.** Accordingly, the following areas of intervention have been identified:

- a. Improving the quality of E&S management instruments;
- b. Enhancing implementation capacity and effectiveness of social development institutions;



- c. Improving the monitoring and reporting of E&S management;
- d. Strengthening client’s capacity to understand the key objectives and provisions of the ESF; adapt to the changes in improving the ESIA which entails the inclusion of Labor influx, Gender Based Violence (GBV), Sexual Exploitation Assessment (SEA) and Environmental, Social Health and Safety assessments; and
- e. Developing human resources and capacities in managing E&S risks and impacts, including public and private sector institutions, consulting communities as well as education facilities where long-term academic E&S curriculum would be developed and delivered.

21. There are five broad categories of training capacity gaps to be filled in the critical areas of procurement and E&S standards. Track A is the short executive courses for workers; Track B is the certificate and diploma training for school leavers; Track C is the one-year post-graduate diploma for graduates of diverse fields of study who already possess bachelor’s degree or higher national diploma and are willing to pursue careers in Procurement or E&S management; Track D is the master’s degree program for university graduates to focus on in-depth research of chronic procurement or E&S management problems; and Track E is the four-year undergraduate training at bachelor’s degree level in the university in procurement and E&S management. An alternative delivery platform of some of the above training is the on-line version to enable distance learning over a wider region or those whose schedule does not allow regular classroom attendance. The above categories and the expected output are presented below in figure 1 and a basic design of Centers of Excellence is presented in Annex 3:



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



Summary of Screening of Environmental and Social Risks and Impacts

The expected environmental and social impacts of the project will be generally positive by enhancing quantity, quality and relevance of PES skills development in Nigeria. Environmental risks are expected to be low and their mitigation will be guided by national and local laws and procedures and construction or civil works are not envisaged at this point.

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.

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