



# Program Information Document (PID)

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**BASIC INFORMATION****A. Basic Program Data**

Country Nigeria	Project ID P169921	Parent Project ID (if any)	Program Name Edo Economic Transformation Program for Results
Region AFRICA	Estimated Appraisal Date 13-Jan-2020	Estimated Board Date 06-Apr-2020	Does this operation have an IPF component? No
Financing Instrument Program-for-Results Financing	Borrower(s) Federal Republic of Nigeria	Implementing Agency Edo State Government	Practice Area (Lead) Education

**Proposed Program Development Objective(s)**

To create an enabling environment for mobilizing private investment in Edo State.

**COST & FINANCING****SUMMARY (USD Millions)**

<b>Government program Cost</b>	376.00
<b>Total Operation Cost</b>	75.00
Total Program Cost	75.00
<b>Total Financing</b>	75.00
<b>Financing Gap</b>	0.00

**FINANCING (USD Millions)**

<b>Total World Bank Group Financing</b>	75.00
World Bank Lending	75.00



## **B. Introduction and Context**

### **Country Context**

The Nigerian economy has experienced a tepid recovery from the oil price and production shocks of 2014-2016 and subsequent recession. 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. While the oil sector represents only 8.3 percent of total GDP, it provides the largest share of foreign exchange earnings and accounted for three-quarters of government revenues before the shocks. Gross domestic product (GDP) growth fell from 6.3 percent in 2014 to 2.7 percent in 2015, and to negative 1.6 percent in 2016, bringing Nigeria's first full-year of recession in 25 years. The economy emerged from the recession with GDP growth of 0.8 percent in 2017 which was oil sector-driven. Growth in 2018 was stronger at 1.9 percent, driven more by non-oil industry and services. However, this level of growth still lags the population growth rate (implying negative per capita GDP growth), government projections and pre-recession levels. The recovery is expected to remain slow due to continued weak economic diversification; with real GDP growth expected to hover just above 2 percent over the medium-term.

The Federal Government launched a national Economic Recovery and Growth Plan (ERGP) for the period 2017-2020 in March 2017. The ERGP sets out to restore macroeconomic stability in the short-term and to undertake 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. The ERGP set an ambitious target of 7 percent real GDP growth by 2020, initially driven by the oil sector and then increasingly by strong non-oil sector growth, including in agriculture and agro-allied industries. However, progress on implementation of the plan has been mixed, with outcomes stronger in some areas than in others. There has been some progress in terms of improving the environment for business, partial convergence of the multiple foreign exchange windows, stability of the exchange rates. Other key reforms under the plan – including, non-oil revenue mobilization for prioritized public spending targeting capital expenditure; accelerated power sector reform; improved banking sector resilience with better access to finance, amongst others – have not been very advanced. The average 3.75 million new jobs expected to be created annually under the plan have not materialized and the unemployment rate, expected to fall from 13.9 percent to 11.2 percent by 2020, is in fact rising reaching 23.1 percent as of September 2018, with another 20 percent underemployed. Furthermore, GDP growth – projected to average about 4.6 percent per annum (2017 to 2020) and peak at 7 percent by 2020 – is well below this target. In addition, inflation, while reducing, is still high at 11.2 percent.

Edo state is one of Nigeria's 36 states that has demonstrated practical commitment to economic reform and service delivery; and it possesses comparative advantages that amplify its economic potential. The state launched multiple economic and structural reforms since 2010, including reforms supported by two World Bank Development Policy Operations. It is located in the south-south geopolitical region of the country, and like the more typical Nigerian state, it has a population of about 4 million people. Agriculture is the mainstay of its economy; with a large proportion of the state's citizens depending on agricultural activities for their income. The state, with a landmass of about 17,974 square kilometers, is located in a vegetation zone that is very congenial for agricultural activities of various dimensions. It also has deposits of a wide array of solid mineral resources and a rich cultural history.

Despite the reform-orientation and economic potential of the state, the economy of Edo state is currently plagued with several inadequacies. Prominent among these are significant public revenue shortfalls (i.e. relative to expenditure requirements), a still-weak private sector and high unemployment and underemployment (25.1 percent and 18.4 percent, respectively as at September 2018). Worse still, many of Edo's youths have embraced illegal out-migration as a coping mechanism, with several migrating illegally to countries in Europe through North African routes (notably Libya) in search of better economic opportunities, while others have fallen victim to human trafficking under the guise of getting them



employed in lucrative jobs abroad.

The current State Government, which took office in November 2016 is building on earlier reforms and development programs and has also initiated new ones to boost economic and social opportunities for its citizens. The Government's expressed vision is to "develop a modern and progressive Edo State where every citizen is empowered with the opportunity to live life in its fullness". The key overarching goals of the its development strategy are to significantly grow the Edo State economy, create at least 200,000 jobs in 4 years (2017 – 2020), and reduce irregular migration. This proposed Program for Results (P4R) operation seeks to support Edo State on its path to accomplishing these goals.

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

Key institutions to promote stronger private sector participation in Edo state's economy are currently weak and the economy remains largely public sector-driven. There have been some gains recorded through recent policy and institutional reform efforts, particularly in relation to improving access to land for private investments. However, Edo State has 898,084 micro enterprises, 1879 small enterprises, and 118 medium enterprises - accounting for only 2.4 percent of all MSMEs in Nigeria Furthermore, large domestic, jointly-owned or completely foreign-owned manufacturing enterprises, mining companies, and plantations are sparse. The traditional subsistence agricultural sector and small-scale commercial and service activities in the informal sector still dominate the industrial landscape and the educated unemployed do not find these sectors attractive. The Edo State Investment Promotion Office was only recently set up in 2018 and is yet to be fully functional; Edo state does not have a Doing Business secretariat, and key government agencies including the Ministry of Urban Planning and Development that focus on construction permits, remain understaffed. Consequently, Edo state fared poorly in three of four of the 2018 Subnational Doing Business indicators: of the 36 states, it ranked 30th on starting a business, 29th on registering property, 29th on dealing with construction permits and 8th on enforcing contracts. It is therefore pertinent for the Government of Edo to build the necessary institutions for private sector development and continue improving the enabling environment to increase the contribution of the industrial, large scale agricultural and modern service sectors to economic growth and employment generation.

There are critical gaps in the education system of Edo State. While the state has made significant improvements in access and improving inputs, quality remains an issue and Edo is still grappling with significant learning challenges. Approximately 1 in 4 Edo children aged 5-16 are illiterate and 1 in 5 innumerate. No single factor is as critical for learning as the quality of teachers. Alarming, many teachers do not have adequate content and pedagogy knowledge. In Edo years of underinvestment in teacher development and management has led to poor quality graduate teachers from the Colleges of Education (COEs) and when these poorly prepared teachers are employment into basic education schools they are ineffective and unable to deliver good quality teaching and learning opportunities for the students. Critical reforms and investments are thus required to boost the quality of education and thus, the quality of skills of Edo's youth.

Several development partners provide support to Edo State Government on the MMDP. The World Bank, through this P4R operation, however seeks to support Edo's longer-term goal of building an economy that attracts significantly more long-term domestic and foreign investment inflows to support economic growth and job creation. Such resultant growth and job creation would in turn support stronger internal revenue generation which is of critical importance to Edo state. Furthermore, the operation seeks to support the development of better skill sets for a private sector-driven economy (the scope of the PforR operation is discussed in more detail in the latter sections of this document).

#### Relationship to CAS/CPF



The proposed operation which focuses on support for private sector development, digital transformation and teaching quality in Edo state is aligned with pillars of the current Nigeria CPS. The proposed support to private sector development in Edo state aligns with the adjusted first pillar of the CPS which emphasizes support for private sector development and increasing private investments and job creation. The focus of the project on improving the quality of teachers and teaching is also aligned with CPS second pillar of improving the quality, effectiveness and efficiency of social service delivery at the state level.

The operation has also been informed by pillars of the forthcoming SCD which will inform the next CPF (FY 20-25). The SCD is being finalized for delivery in FY19, to provide a knowledge platform for addressing Nigeria's development challenges and opportunities. One of the key pillars of the SCD is Dynamic Enterprises. Under this pillar, the SCD posits that more and better jobs are created by a dynamic private sector that optimally combines production factors in an innovative environment to produce quality goods and services. It emphasizes the criticality of private sector dynamism to deliver on jobs, and advocates for prioritization of interventions to address constraints to private sector development in Nigeria. The digitalization of the economy is also posited as a key source of innovation if key bottleneck regulatory constraints are addressed. Another key pillar of the SCD is Productive People. Under this pillar, the SCD suggests that Nigeria's population is its most valuable productive asset, but productivity is limited by gaps in social service (health, education and social protection) provision. Regarding education in particular, the SCD submits that learning outcomes amongst Nigeria's young population are adversely affected, amongst other things by insufficient quality of teachers (as a large share of teaching staff possess low qualifications. Moreover, policies to promote teacher accountability and incentives to motivate teachers are weak). But skills development depends on education and the expansion of growth sectors in Nigeria is hampered by the lack of needed skills. Thus, the SCD proposes improvements in education delivery.

#### Rationale for Bank Engagement and Choice of Financing Instrument

The proposed operation is a key element of current and envisaged World Bank Group support to the competitiveness and job creation potential of Nigeria, as well as its support to improving human capital development and social service delivery. Through the private sector development pillar, the operation will support Edo's critical need to build an economic environment that supports decent livelihoods and provides the citizens with meaningful economic opportunities. Given Edo's unique challenge with the scourge of irregular migration and human trafficking, the government faces the longer-term challenge of fostering long-term social and economic prosperity that would contribute to curbing the scourge. While many other development partners already provide support Edo state's short-term programs to rehabilitate and re-integrate migrant returnees, this operation will contribute to the more critical task of building a private sector-driven economy that can generate more and better jobs and contribute to taking its young people out of poverty and vulnerability. It also aims to support improvements in Edo's human capital which is critical for shaping job skills. Through the Education pillar, Edo state will also be supported to implement a part of the Nigerian Government's National Call for Action on Human Capital – the call to pursue state-led solutions to Nigeria's human capital challenge; in particular, empowering states to identify and implement programs that will allow their citizens to access the health, education, and other services required to live productive lives; while also holding them accountable to deliver results at scale. The Bank has ample expertise and experience with projects having these elements and can bring these to bear in supporting Edo state. Even in other parts of Nigeria, the Bank has supported projects with these elements.

The Program-for-Results (PforR) instrument has been identified as an appropriate instrument to support the efforts of Edo state to increase private investments for economic development, expand economic opportunities through the digital economy and improve the quality of human capital, in line with the Edo state Development Plan 2017-2020. This is due to the following reasons:

- Edo State developed its State Development Plan for 2017-2020 with target results and measures to gauge



achievement of these results. The state also developed a rolling Medium-Term Expenditure Framework to support the implementation of the Plan. It has also established an institutional framework to support the implementation of the Plan, with in particular, the establishment of a Program Management Office (PMO) within the Governor's office, which works in close coordination with the Monitoring and Evaluation Department of the Ministry of Budget and Planning. The proposed PforR will support aspects under three pillars of the Plan, focusing on establishing Edo State as a viable destination for business investment, promoting the digital economy and improving service delivery in Education.

- The strong focus on results of the PforR instrument is fully aligned with the commitment for visible results and impact of the leadership of Edo State Government. Over the last couple of years, Edo State has made significant progress in strengthening its policy framework and institutional capacity. A lot of this has been accomplished under the Bank-supported Development Policy Financing (DPF) series as well as Investment Project Financing (IPF) operations like the State Employment & Expenditure for Results (SEEFOR) project, the Nigeria Erosion and Watershed Management Project (NEWMAP) and the Community and Social Development Project (CSDP). The proposed PforR will further support Edo State institutional capacity building; but in addition, the use of the PforR instrument would help Edo State focus more on achieving results (i.e. outcomes).

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

#### **Program Development Objective(s)**

To improve the business environment for private investments, expand the digital economy and improve the quality of education in Edo state.

#### **PDO Level Results Indicators**

Progress towards achieving the PDO will be measured through the following results indicators:

- i. Volume of private investments facilitated by Edo State Investment Promotion agency
- ii. Reduction in the time required to start a business, deal with construction permits, register property, and enforce contracts in Edo State
- iii. Number of digital training participants who found employment within three months of program completion
- iv. Percentage of schools with teachers using new technology and practices for effective teaching.

### **D. Program Description**

#### **PforR Program Boundary**

The P4R Program proposes to focus on a sub-set of Edo State Government's development plan, selected on the basis of the key overarching goals of the State Government and other key considerations. The key overarching goals of the Edo State development plan are to promote investments, grow internal GDP by 10 percent, create 200,000 jobs and reduce irregular migration during 2017-2020. To achieve these, Edo state necessarily needs to stimulate private investments to enhance economic growth and generate jobs (demand for labor); as well as improve the quality of its labor supply through stronger education delivery and outcomes. The development plan is structured across six main pillars: (i) Institutional Reform; (ii) Infrastructural Development; (iii) Economic Revolution; (iv) Culture and Tourism; (v) Environmental Sustainability; and (vi) Social Welfare Development. The P4R Program would therefore support key aspects of three of the pillars: The Infrastructural Development Pillar, the Economic Revolution Pillar and the Social Welfare Development pillar.



The Infrastructural Development Pillar aims to reduce the cost of service delivery and improve productivity; focusing on eight key areas. The P4R Program will focus on two of these areas: improving land use and management and increasing the adoption of ICT and broadband technology across the state. Specifically, the P4R Program will support the setup of a socially responsible Systematic Land Titling and Registration regime. It will also support the building of digital skills for working age youths within Edo state through development of a digital skills training program, business innovation and the expansion of innovation centers across Edo State, as well as the deployment of digital infrastructure; in particular, a broadband-for-development program.

The Economic Revolution Pillar of the government's plan aims to generate job opportunities through entrepreneurship development in Edo State, anchored on access to capital, technology, and skills development. The strategy is to promote investments into priority sectors (agribusiness, ICT) and improve the ease of doing business in the state. It focuses on five key areas. However, the P4R Program intends to focus on three of these areas: Ease of Doing Business, Promoting Private Investments (domestic and foreign), and MSME Development. In particular, the P4R Program would support transversal reforms to improve regulations affecting the entry and operations of small and medium enterprises, using the World Bank Sub-National Doing Business reform areas as an entry point. It would also support improved investment policy and promotion and the strengthening of the legal, regulatory and institutional framework for Public Private Partnerships (PPPs). Whilst the Agribusiness and Solid Minerals Development aspects of the Economic Revolution Pillar are not specified as components to be directly supported by the PforR, they might be indirectly supported after a deep-dive sector scan which will determine the key sectors on which Edo state should focus its investment promotion and investment climate improvement efforts.

Lastly, the Social Welfare Development Pillar of the government's plan aims to ensure that good healthcare, education and sports programs of global standards are available to all citizens of Edo State. It prioritizes value-for-money in delivery of these social services and achievement of improved living conditions. In education in particular, it aims to achieve an inclusive and improved educational system, with high rates of student enrolment at all levels, producing successful and employable graduates. The P4R Program will focus on strengthening teaching quality/manpower development to ensure stronger education outcomes. While it is the case that Technical and Vocational Education and Training (TVET) or rapid upskilling approaches of existing labor would provide a more direct and short-term link with the jobs market, a pipeline project - Innovation Development and Effectiveness in the Acquisition of Skills (IDEAS) - is focused on TVET, with Edo as one of the six focal states. Moreover, the quality of teaching and teachers beginning at the foundation level is a critical first step of improving education outcomes. Hence, the focus in this operation on teacher quality and basic education outcomes.

## **E. Initial Environmental and Social Screening**

In terms of environmental and social risk management, the proposed Program will be consistent with the policies and procedures defined in OP/BP 9.0. Accordingly, activities that are judged to be likely to have significant adverse impacts on the environment and/or on affected people are not eligible for financing and are excluded from the Program, to ensure the environmental and social risks and impacts of the proposed program will range from low to moderate risk rating. The capital expenditures are not envisaged to include major infrastructure investments. This will be further reviewed and assessed during the Environment and Social Systems Assessment (ESSA). If required, a negative list of investments (that cannot be financed under the Program) will be developed during the ESSA.

**Key Environment Risks.** The overall environmental impacts of the Program are not likely to be negative, as this Program is not expected to involve any major civil works that will have significant adverse environmental impacts. In terms of





environmental and social management, PforR employs a risk management approach in which process requirements are adapted to the Program context. For each proposed PforR, the Bank assesses—at the Program level—the borrower’s authority and organizational capacity to achieve environmental and social objectives against the range of environmental and social impacts that may be associated with the Program. The ESSA that will be prepared for this program shall examine Edo State’s/Nigeria’s existing legal, regulatory, and institutional framework for environmental and social management systems and their implementation, defines measures to strengthen the system, and integrates those measures into the overall Program. The ESSA will be undertaken to ensure consistency with Bank Policy: Program-for-Results Financing. The ESSA process will include extensive stakeholder consultations and disclosure of the draft ESSA report following the guidelines of the World Bank’s Access to Information Policy. The ESSA consultation process and content will be embedded in the Program’s consultation process.

In accordance with the PforR policy, no activities likely to have significant adverse impacts on the natural or human environment that are sensitive, diverse, or unprecedented will be supported. As for the TA, physical investments themselves, sound siting and design, routine mitigation measures, application of good practice, and supervision and enforcement of workplace health and safety rules (a responsibility of the Program proponent) will be sufficient to manage environmental impacts.

With specific regards to environment risks, if required, the ESSA will elaborate a negative list to ensure that the Program does not finance any investment with significant adverse environment impacts (as discussed above, the current expenditure framework does not include any infrastructure investment). While the legal, regulatory and institutional framework to manage environment risks is considered satisfactory (based on the World Bank experience with the implementation of several projects including category A projects (NEWMAP, SEEFOR, FADAMA, CSDP, CBUDP), in a range of sectors. The key risk is the capacity of the Edo State Ministry of Environment to enforce environment regulations. An Environment and Social System Assessment (ESSA) will be prepared to assess the range of environmental and social impacts that may be associated with the program as well as Edo State capacity for environment and social management. The ESSA will contain an action plan for Edo State Government containing measures to avoid, minimize or mitigate the impacts and risks. The ESSA will be based on a review of the legal, regulatory and institutional framework related to environmental and social matters, including an assessment of Edo State capacity to handle environmental and social risks and experiences with implementation of safeguards from past World Bank projects. The ESSA will include a comprehensive analysis of environmental and social risks typically associated with private investments in agribusiness and related sectors. The results of the ESSA will inform the design of the Program.

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