Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 05-Feb-2020 | Report No: PIDC208727

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Parent Project ID (if any)	Program Name
Nigeria	P172891		Nigeria Distribution Sector Recovery Program
Region	Estimated Appraisal Date	Estimated Board Date	Does this operation have an IPF component?
AFRICA	28-Oct-2020	17-Dec-2020	Yes
Financing Instrument	Borrower(s)	Implementing Agency	Practice Area (Lead)
Program-for-Results Financing	Federal Ministry of Finance, Budget and Planning	Bureau of Public Enterprises	Energy & Extractives

Proposed Program Development Objective(s)

The Program Development Objective is to improve financial and technical performance of the electricity distribution companies.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	1,860.00
Total Operation Cost	1,030.00
Total Program Cost	950.00
IPF Component	80.00
Total Financing	1,030.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	500.00
World Bank Lending	500.00
Total Government Contribution	330.00

Total Non-World Bank Group and Non-Client Government Financing	200.00
Multilateral and Bilateral Financing (Concessional)	200.00

Concept Review Decision
The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **Nigeria continues its recovery from the 2016 recession, sustaining an estimated 2 percent growth rate in 2019.** The collapse of global oil prices during 2014–16, combined with lower domestic oil production, led to a sudden slowdown in economic activity. Nigeria's annual real GDP growth rate, which averaged 7 percent from 2000 to 2014, fell to 2.7 percent in 2015 and to -1.6 percent in 2016. Growth slowly rebounded in 2017, levelling about 2 percent in 2018-2019, driven initially by the oil sector and more recently by the services sector, with positive contributions from agriculture. The oil sector however remains the key source of export earnings and government revenues. In the absence of significant structural reforms, economic growth is expected to hover just above 2 percent over the medium-term, vulnerable to oil sector shocks.

2. **With population growth (estimated at 2.6 percent) outpacing economic growth in a context of weak job creation, per capita incomes are falling**. Today, an estimated 100 million Nigerians live on less than US$1.90 per day.[1] Close to 80 percent of poor households are in northern Nigeria, while employment creation and income gains have been concentrated in central and southern Nigeria. Unemployment is high (23 percent), with a further 20 percent of the labor force under-employed. Nigeria's economic and demographic outlook makes job creation an urgent task.

3. **The federal Government has been implementing an Economic Recovery and Growth Plan (ERGP) from 2017 and is expected to continue into 2020.** The ERGP set 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. It had an ambitious target of achieving 7 percent real annual GDP growth by 2020.[2] So far, progress on implementation of the plan has been mixed with outcomes stronger in some areas than in others. Increasing growth above the baseline of 2 percent will require more effective implementation of the structural reforms laid out in the ERGP. Bolder and more accelerated reforms in areas like power, revenue mobilization, quality of spending, access to finance, and human capital would help accelerate growth, create jobs, and help build the necessary fiscal and external buffers to be prepared for difficult times.

4. **Among other economic challenges, lack of reliable electricity supply has serious repercussions to Nigeria's economy and citizens**. The annual economic losses caused by Nigeria's unreliable power supply were estimated at NGN 10.1 trillion (~USD 28 billion) or about 2 percent of GDP[3]. The average annual per capita electricity consumption of Nigeria is 147 kWh, which is a fifth of the average low middle-income country consumption. Unreliable electricity supply forces

[1] Source: World Poverty Clock (Projection for 2019).
[2] Following missed ERGP growth targets in 2017 and 2018, the growth target for 2020 in the Government's medium-term expenditure framework was moderated to 2.9 percent.
[3] Power Sector recovery Plan, Federal Government of Nigeria (2017)

firms and households to use alternative, carbon-intensive energy sources such as diesel/petrol-based generators, kerosene, or firewood, which are costly and detrimental to health and the environment. Nigeria ranks 131st with respect to the overall ease of doing business in the World Bank's (WB) Doing Business 2019, with getting access to electricity ranked as one of the major constraints. With respect to getting electricity, Nigeria ranks 171st globally, out of the 190 countries surveyed, and 33rd in Sub-Saharan Africa.

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

5. **Access to electricity is low in Nigeria**. With approximately 39 percent of population lacking access to grid electricity, Nigeria has the largest electricity access deficit in Sub-Saharan Africa and the second-largest in the world, after India[4]. The national electrification rate is 61 percent and the rural electrification rate is only 44 percent, however these figures vary significantly by state. Nationwide, the average annual per capita electricity consumption of 147 kWh which is around one fifth of the average low middle-income country consumption. For the Nigerians with access to electricity, 22 percent rely on non-grid sources such as a generator, solar home system, solar lantern/lighting system, rechargeable battery, etc. Insufficient energy impacts all Nigerians, however the burden of ensuring access to energy (through electricity or traditional fuels) often falls predominantly on women.

6. **Following sector reform, Nigeria's power sector is unbundled and largely privately-owned.** The Electric Power Sector Reform Act (the Act) was passed in 2005 to improve the performance of the electricity sector. The enactment of the Act created the legal basis for the establishment of the Nigerian Electricity Regulatory Commission (NERC) and subsequently, the Nigerian Bulk Electricity Trading Company (NBET) in 2010. Following the passage of the Act, the sector was unbundled into six generation companies (GENCOs), eleven distribution companies (DISCOs) and the Transmission Company of Nigeria (TCN). The privatization of the DISCOs and GENCOs was largely completed in 2013 (with the exception of Yola DISCO, which services the northeastern part of the country, whose initial privatization was reverted).

7. **The transition from a publicly-owned to a largely privately-owned power sector did not bring the expected outcomes and the sector is under severe stress.** High losses (both technical and non-technical) and low collections, coupled with average tariffs below cost reflective level, have resulted in an annual financial deficit in the sector in 2019 of approximately NGN 592 billion (~USD 1.65 billion[5]), of which NGN 524 billion (~USD 1.46 billion) is due to the tariff shortfall. In total, the accumulated tariff shortfall was NGN 1,678 billion (~USD 4.69 billion) between 2015 and 2019. The poor financial viability of the eleven DISCOs, which to a certain extent is caused by the inability of the sector regulator to provide regular tariff adjustments since 2015, has resulted in low remittances to NBET under the Vesting Contracts (the estimated average remittance was about 29 percent for 2018).

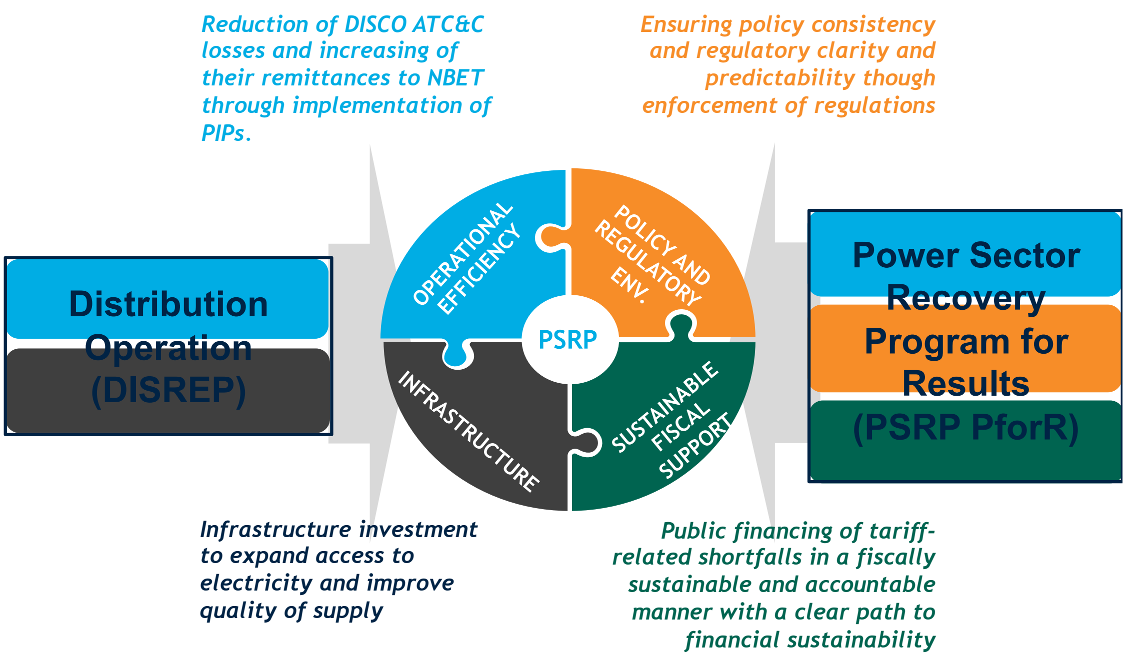
8. **Turn-around of the Nigerian power sector requires an integrated approach and coordinated effort from all stakeholders to put the sector on the recovery and performance improvement path**. The Power Sector Recovery Program (PSRP) of the FGN adopted in March 2017 is a comprehensive framework for addressing power sector situation through four key pillars - policy and regulatory environment; network infrastructure; operational efficiency; and financial sustainability (Figure **Error! Reference source not found.**). After a period of stalled implementation PSRP has strong ownership and commitment of the new Government. PSRP implementation is overseen by the Presidential Administration and led by the Minister of Finance, Budget and National Planning. Such high-level leadership and oversight ensures concerted effort of key ministries and agencies.

9. **World Bank has proposed a large integrated programmatic engagement to support FGN's comprehensive reform effort starting with a PSRP PforR**. The programmatic engagement will involve a series of integrated operations under two streams – PSRP PforRs and Distribution PforRs, to holistically address the sector issues (Figure 1). The PSRP PforRs will help establish policy, regulatory, contractual and financing conditions for power sector companies to improve

[4] International Energy Agency Energy Access Outlook 2017: From Poverty to Prosperity
[5] The exchange rate used throughout the document is NGN 358/USD

performance while the proposed DISREP and its additional financing will support improvement of DISCOs operational performance, servicer delivery and governance. The first PSRP PforR is in advanced stage of preparation (scheduled for Board consideration at the end of April 2020) and is focused on the distribution segment of the power sector's value chain since this segment represents the largest constraint to service delivery. The PSRP PforR supports three results areas of the PSRP: increased reliability of electricity supply; financial sustainability and enhanced accountability. The disbursement linked indicators of the PSRP PforR are aligned with the PAF Accountability Framework and there is good implementation progress of prior results (described in the previous paragraph).

Figure 1: DISREP and PSRP PforR complementary support Nigerian power sector recovery



10. **Insufficient revenues and high operational costs of DISCOs must be addressed for medium- to long-term sector viability.** Financial viability of the whole power sector crucially depends on ability of DISCOs to collect revenues that can cover their operational costs and costs of energy purchases from NBET and transmission services provided by TCN. For near-term improvements to address the viability of the sector, measures need to be initiated and implemented in the distribution sub-sector, with a focus on significantly reducing current extremely high ATC&C losses, improving low collection efficiency, increasing the number of customers connected to their network, and ultimately increasing revenues to be received and remitted by the DISCOs to NBET. Implementation of such measures is however severely limited by inability of the DISCOs to access commercial financing due to their poor performance and resultant lack of creditworthiness.

11. **In parallel, NERC has requested all DISCOs to prepare and submit detailed Performance Improvement Plans (PIPs), which, once approved by NERC, will provide a framework for performance improvement and monitoring in the 2020-2024 period.** In May 2019 NERC issued detailed guidelines to DISCOs for the preparation of individual PIPs in order to meet the aims outlined in the PSRP. The PIPs will define the key actions and investment requirements for each DISCO for that period with the aim of achieving sustainable improvements in the operational performance in three key business areas: electricity supply to customers, commercial operations and management of corporate resources. Successful implementation of PIP is essential for the turnaround of the Nigerian power.

12. **The proposed Distribution Sector Recovery Program (Program) aims to address the root causes of distribution sector underperformance through the support of PIP implementation.** The Program will provide concessional lending to DISCOs, via share-holder loans from the BPE, to support the implementation of specific components of NERC approved PIPs in order to improve technical and commercial performance of the DISCOs. Meeting the Program objectives will improve access to and reliability of electricity service in Nigeria, which has been shown to reduce poverty and be of particular benefit to women. The Program will also strengthen the governance and operation of the power.

Relationship to CAS/CPF

13. **The proposed Program is fully aligned with the Nigeria FY14-17 Country Partnership Strategy (CPS)[6].** By strengthening the governance of the power sector and improving the reliability of electricity supply, the Program will support the focus area of "improving the efficiency and governance of electricity delivery" under the CPS cluster I ("The federally-led structural reform agendas for growth and jobs"). Aligned with the outcome indicator set out in the CPS, the Program aims to reduce the losses of privatized DISCOs**.** A more reliable electricity sector will in turn provide a strong enabling environment for poverty reduction and promotion of shared prosperity. **The project is also in line with the CPF covering 2020-2024 that is currently under preparation and will be presented to the Board in May 2020.**

14. **The Program is also aligned with the FGN's strategic priorities.** It is consistent with the national ERGP for the period 2017-2020, which sets out the medium-term structural reforms to diversify Nigeria's economy, including expanding power sector infrastructure as one of the top priorities. The PSRP was designed on this basis. The Program is part of the broader PSRP with a specific focus on implementation of the PSRP Components II (Improve DISCO performance) and III (Restore proper sector governance; and improve sector transparency).

15. **By improving availability and reliability of electricity, the Program contributes to the World Bank's twin objectives of reducing poverty and boosting shared prosperity.** Of the households connected to grid electricity, most experience blackouts on a daily basis, as well as frequent voltage fluctuations. High income households often revert to diesel generators, which are costly compared to grid electricity. Low-income households resort to candles and flashlights for lighting and firewood for cooking, which are inefficient and potentially harmful to their health and the environment. The lack of reliable electricity also undermines small home-based businesses, impacting women more so than men: in 2013, 58 percent of non-farm enterprise owners were women, and over 40 percent of these businesses were based in homes[7]. At the same time, low security of supply negatively affects economic activities more generally: with two-thirds of firms experiencing power outages and having to rely on generators as their back-up source, electricity is more expensive than it would be from the grid, resulting in an average loss of 11 percent of annual sales.[8]

16. **The proposed DISREP aims to address the binding constraints for attracting private financing in the sector and is consistent with the "Maximizing Finance for Development" approach.** The program supports achieving financial sustainability in the power sector, strengthening sector governance and transparency, and improving the environment for private investment. The DISREP also aims to significantly improve the financial position of DISCOs and mitigate the on-going lack of liquidity in the sector through increased DISCO remittances to NBET, while also contributing to improving the financial viability of the whole sector. These measures should help to improve the creditworthiness of sector companies and establish a track record of sustainable operation, thus restoring eroded investor confidence and unlocking much-needed financing.

17. **The proposed program is also aligned with the broader IDA 2018-19 African Regional Energy Strategy**, including Maximizing Finance for Development (MFD) to create enabling environment for private sector participation in the

[6] Report No. 82501-NG. The Nigeria CPS FY14-17 is the most up to date version for the country. The CPF is in the process of being updated.

[7] World Bank (2016). Federal Republic of Nigeria Poverty Work Program: Poverty Reduction in Nigeria in the Last Decade. Washington, DC: World Bank.

[8] The Enterprise Survey, 2014.

economy, but also increasing access, reliability, and affordability of energy to drive macroeconomic improvement and to enable human capital development.

By addressing the security of supply, the proposed Program supports key priorities of Nigeria's Intended Nationally Determined Contribution (INDC) to mitigate greenhouse gas (GHG) emissions. Specifically, by improving service delivery, the Program will help displace diesel-based self-generation with grid-connected gas-based thermal power and hydropower generation. The Program will also reduce GHG emissions by reducing losses in the distribution network.

Rationale for Bank Engagement and Choice of Financing Instrument

18. **The proposed DISREP is part of the holistic, integrated WB Programmatic Approach to address the sector problems.** The proposed Bank operations, the PSRP Program for Results (PSRP PforR), in parallel with DISREP, represent a holistic approach to support the recovery of the Nigerian power sector (See Figure), and together support the implementation of elements of the FGN's PSRP. The PSRP PforR focuses on improving the policy and regulatory environment, enforcing regulation and addressing tariff-related shortfalls and on enforcing the NERC regulatory measures and orders. In doing so, the PSRP PforR addresses the PSRP key pillars of regulatory environment, operational efficiency and financial sustainability. The proposed DISREP then complements the activities of the PSRP PforR by addressing the remaining two PSRP pillars – network infrastructure; and operational efficiency. The proposed DISREP addresses these by improving DISCO operational performance and providing resources for infrastructure investment to improve operational efficiency and achieve financial sustainability of the sector. Both the DISREP and PSRP PforR support the PSRP actions of strengthening governance and transparency, with DISREP focusing on DISCOs corporate while the PSRP PforR focusing on the NERC enforced regulatory measures and orders.

19. **Program-for-Results financing (PforR) is identified as the most relevant instrument for the proposed DISREP.** The proposed DISREP involves financing and supporting the key elements of the FGN's PSRP program of activities through the on-lending by BPE to a selected number of majority private DISCOs that pass through the required fiduciary and safeguards assessments to be conducted during the project preparation phase. The financing will be for implementation of a wide variety of DISCO-led activities and expenditures across the distribution sector. Support for majority private DISCOs is considered necessary given the underperformance of the DISCOs is having country-wide implications on all part of the Nigerian economy and population, and without public sector/WB support the DISCOs, in their current financial state, will be unable to turn-around their performance and the sever impacts on the economy will continue.

20. The potential for strengthening the institutional capacity of national systems is a key feature of the PforR instrument. The PforR focuses on the behavioral and institutional changes that are required to achieve results and manage associated risks. Therefore, strengthening the capacity of relevant Nigeria's institutions and private companies to implement the program is expected to be a priority for both preparation and implementation support. The use of the PforR instrument is expected to strengthen the DISCOS' systems for the financial management, procurement, environmental and social safeguards, and internal Monitoring and Evaluation (M&E) of the supported program to be carried out by the BPE and NERC. The PforR instrument has a greater focus than other Bank instruments on reviewing progress on achievement of results through M&E. This follows from the requirement to base PforR disbursements on the achievement of monitorable indicators, rather than inputs, confirmed through specific and transparent verification protocols. Building a strong M&E system in BPE and NERC is important in enabling the proposed PforR to adhere over time to the theory of change underpinning this instrument (as presented below) and continuing effective monitoring the sector performance beyond the completion of the proposed program. The PforR instrument allows for disbursement based on the achievement of specified indicators, based on the aggregated results of all sub-projects within each DISCO, rather than financing specific sub-projects individually.

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

Program Development Objective(s)

21. The Program Development Objective (PDO) is to improve financial and technical performance of the electricity distribution companies.

PDO Level Results Indicators

22. The Program supports results in three areas: (1) improved DISCO operational performance; (2) enabling commercial diversification of electricity market; and (3) strengthened corporate governance and transparency. The following outcome indicators will be used to measure achievement of the PDO:

- PDO Indicator 1: Percentage of metered distribution transformers and customers increases;
- PDO Indicator 2: Increase in annual electricity billed;
- PDO Indicator 3: Annual collection of billed electricity increases;
- PDO Indicator 4: DISCOs compliance with Corporate Code of Governance.

D. Program Description

PforR Program Boundary

23. The PSRP involves a comprehensive package of interventions to improve power sector performance across the supply chain and bring it to a sustainable state. The PSRP includes the following components: (i) financial interventions to fully fund historical and future financial deficits of the sector; (ii) operational/technical interventions; (iii) governance interventions, and (iv) policy interventions.

24. **The Government Program** supports implementation of two of the PSRP components – Component II (Operational and Technical Intervention) and Component III (Restore proper sector governance; and improve sector transparency). The Government Program covers interventions across all distribution utilities and TCN investments required to strengthen the transmission-distribution network interface to enable delivery of power to distribution networks.

25. **The PforR Boundary** will be limited to only the distribution sector elements of the PSRP and within the parameters of the NERC approved Performance Improvement Plans (PIP) for each DISCO. The program will focus on the improvements of the distribution sector necessary to absorb a total of 7 GW of available generation (up from current levels of around 4 GW). The boundary of the proposed DISREP will be further defined, based on the results of the fiduciary and environmental/social safeguards assessments.

26. **It is estimated that the implementation of planned investments to increase distribution capacity to absorb a total of 7 GW** of available generation **would require investment of US$ 1.86 billion for all DISCOs (based on the NERC minor review scenario) over five years**. This estimate is based on the aggregate investment for ten DISCOs under the allowable capital expenditures (CapEx) regulated by NERC through the Multi-Year Tariff Order (MYTO), which defines revenue requirements for the distribution utilities. The DISREP investment would therefore represent only a portion of the total investment requirement (including the FGN led interventions) to improve the performance of the distribution sector and needs to be supported by additional investment from public private sectors and international developmental sources.

27. **Key Results Areas and Disbursement Linked Indicators (DLIs).** The proposed Key Results Areas and DLIs for the program are as follows:

- Result Area 1: Improved DISCO operational performance
  - DLI#1: Number of distribution transformer-level meters installed by DISCOs
  - DLI#2: Number of new connections by DISCOs
  - DLI#3: Kilometers of distribution lines rehabilitated by DISCOs

- Results Area 2: Enabling diversification of commercial options for DISCOs to supply their demands
  - DLI#4: Increased collection efficiency by DISCOs
  - DLI#5: Meeting the demand supply gap projected in DISCOs PIPs[9]
- Result Area 3: Strengthened governance and transparency
  - DLI#6: Compliance with NERC Corporate Code of Governance by DISCOs
  - DLI#7: Implementation of Management Information Systems (MIS) by DISCOs

28. **In addition to the core PforR instrument, the proposed DISREP will include two Investment Project Financing (IPF) components (USD 170 million) and two Technical Assistance (TA) components (30 million):**

(a) **IPF Component: NERC Data Aggregation Platform (USD 50 million).** To support NERC in addressing problems of inadequate data availability, inconsistent data quality, and irregular reporting of the sector operators, compromising the NERC mandate on performance monitoring and oversight of DISCOs, the IPF1 project will support the scoping and implementation of a comprehensive Data Aggregation Platform (DAP) within NERC.

(b) **TA Component 1 (TA1): DISREP Implementation Support (USD 15 million)**. To support Program implementation, the TA1 would include the establishment of a Project Management Unit (PMU) in BPE (USD 10 million) to assist with the functions of the PforR Implementing Agency. In addition, the TA1 would include capacity building for implementation of measures identified in the Program Action Plan (e.g. strengthening of Safeguards, financial management, procurement capacity).

(c) **TA Component 2 (TA2) : (USD 15 million)**.

(i) **Pillar I: Capacity Building (USD 12 million)**. The Pillar I will support capacity building in the MoP as well as DISCOs. This would include development of the policy for the Roadmap on electricity sector market evolution along with sector policies and regulation with the aim of developing a guideline/framework for investment in the distribution. In addition, Pillar I would support DISCOs capacity building and change management programs regarding the application of new business models and commercial operations in DISCO services (e.g. sub-franchising, premium customers, revenue protection schemes, etc.)

(ii) **Pillar II: Design of a Consumer Assistance Fund (USD 3 million).** Improvements in DISCOs, and overall sector performance, are expected to support NERC efforts to review the power sector tariffs in order to reach a cost-reflective level. Whilst necessary for the stable financial performance of the power sector in the long-term, in the near/medium-term increased tariffs may negatively impact on some of the most vulnerable consumers. In order to limit to the largest extent possible these negative impacts, Pillar II will support the analysis of a Social Safety Net called the “Consumer Assistance Fund”.

E. Initial Environmental and Social Screening

29. **Environmental**: The DISREP is a hybrid operation comprising (i) PforR Program, IPF and TA component which are de facto Investment Project Financing (IPF). The Environmental and social risks and impacts of the PforR program are adjudged to be moderate and consistent with Bank Policy of Program-for-Results Financing. The envisaged potential environmental and social risks and impacts of the IPF component are Low as no civil works, land acquisition, restrictions on land use and involuntary resettlement are envisaged. Specifically, the IPF project will support the scoping and

[9] This may require a minimum percentage achievement for reward; reward above the minimum will be pro-rated or based on an agreed index for improvement

implementation of a comprehensive DAP within NERC, with acquisition and installation of software to align with the parallel improvements in data management and reporting by DISCOs, as supported by the PforR elements of the proposed DISREP. Therefore, minimal or negligible risks to and impacts on human population and/or the environment, including few or no minor adverse risks and impacts are expected to result from the implementation of the IPF section of the project. Accordingly, no further assessment after screening may be required.

30. **Program for Results Program**: The program is proposed for a PforR operation with a program boundary limited to the distribution sector of the PSRP component II and III. More specifically, the focus will be on support for improve DISCO performance which is component II and restoration of proper sector governance; and improve sector transparency which are component III respectively. The support will focus on the improvements of the power distribution network through the DISCOs including support measures to reduce technical losses in distribution infrastructure, such as construction of infrastructure and refurbishment or replacement of existing infrastructure (e.g. feeders, transformers, sub-stations, distribution transformer meters, lines, etc.) to enable absorption of the currently available power generation. The rehabilitation works are expected to be limited to existing lines and network. This implies that activities to be supported under this program will be typical of category B risk profile; no category A kinds of activities that could have adverse environmental and social impacts extending beyond immediate project activities area will be included in this program. The program will also support NERC using IPF in scoping and implementation of a comprehensive DAP within NERC to address inconsistent data quality, non-availability of information and irregular reporting of the DISCO performance within the Nigeria Electricity Supply Industry. The potential environmental risks and impacts are envisaged to be moderate because the project is not complex or large in scale and does not involve activities that have a high potential for harming people or the environment. An Environmental and Social Systems Assessment (ESSA) will be prepared to assess environmental and social systems and capacities of the DISCOS, NEMSA, BPE, TCN, and NERC to manage the potential environmental and social risks and impacts of the PforR program. The ESSA will also identify measures to fill any identified gaps, and those measures will become part of the Program Action Plan that will be factored into the PforR Program that will be monitored and reported upon during program implementation.

31. The environmental risks and potential impacts of the proposed distribution activities are expected to be moderate, temporary, site specific, and amenable to mitigation by standard good practices and other well-understood mitigation measures and technologies. The rehabilitation of substations and replacement of obsolete transformers will generate wastes that may include PCB-bearing transformer oil. The quantity of PCB oil is expected to be small and the client will be required to conduct an inventory, label and safely handle and store the oil and contaminated equipment. The proponent is not expected to be responsible for final disposal of PCB bearing oil. In particular, attention will also be given to other environmental risk issues such as workplace and community safety related to electrocution risk when installing meters, replacing equipment at substations, improving networks, and connecting new distribution lines to the networks.

32. With respect to social risk, the construction or rehabilitation, replacement of distribution infrastructures such as feeders, transformers; sub-stations; distribution transformer meters; lines; etc will be limited to existing infrastructures but could potentially require the acquisition of additional parcels of land, displacement where there are encroachments and risk to community health and safety. This will be further assessed during the ESSA preparation. In the event that the assessment reveals land acquisition, this will need to conform to the PforR core principle on land acquisition. For the installation of poles, it is envisaged that this will maintain the existing right of way without creation of any new buffer zone requiring additional land or acquisition of new wayleaves. Considering the project is likely to be implemented in rural and peri-urban area with low absorption capacity, the program will be assessed for Gender-Based Violence (GBV) risk, and appropriate mitigation measures will be developed and implemented to mitigate any potential GBV or SEA risk and impact.

33. The purpose of the ESSA is to assess the extant environmental and social systems of the Borrower/proponents against the 6 key principles of the PforR Policy. Specifically, the ESSA will: (i) document the environmental and social management rules and procedures and institutional arrangement that will be used by the Government for the program (ii) assess implementing entities' institutional capacity including performance to date to manage the likely environmental

and social effects in accordance with Nigeria's own requirements under the program; and (iii) to recommend specific actions for improving counterpart capacity during implementation as applicable. The ESSA is a WB document that will be prepared by Bank staff and consultants through a combination of reviews of existing program materials and available technical literature, interviews with government staff, and consultations with key stakeholders and experts. Findings of the assessment will be used in the formulation of an overall Program Action Plan with key measures to improve environmental and social management outcomes of the Program. Recommendations that will be contained in the ESSA will be discussed and finalized with the Government, DISCOs, BPE, NERC, TCN, NEMSA, NGOs and other stakeholders.

34. **Capacity of the Client**: The FGN has extensive experience with the application of the WB's Safeguards Policies through numbers of investment projects that have been implemented over the last 30 years. Specifically, the power sector has implemented a number of WBG financed projects with successful outcomes, including Nigeria Electricity Development Project, Nigeria Electricity and Gas Infrastructure Project, West Africa Gas Pipeline Project and the ongoing Nigeria Electricity Transmission Project and Rural Electricity Development Project. Some of the staff of TCN/PMUs have taken the ESF roll-out training.

35. Findings from preliminary engagement and consultation with the DISCOs shows that their HSE policies, rules, and institutional arrangement are good on paper. The DISCOs continue to build their internal environmental and social (E&S) capacity in terms of staffing and staff qualifications. At this moment, most DISCOs have dedicated E&S staff at field offices and initiated the establishment of a Health, Safety, Security and Environment (HSSE) team. However, the challenge is in the areas of compliance enforcement. Specifically, a couple of the DISCOs (AEDC and Ikeja) have and operate an Environmental, Social, Health and Safety System (ESHSS) that is consistent with good international industry practice. Other DISCOs will require some measures for strengthening of their ESHSS, especially in the areas of OHSE, emergency response plans, and compliance. For this reason, the ESSA will cover the ESHSSs of all participating DISCOs to ensure their compliance with the six core principles of PforR.

36. The PforR program will be implemented by the BPE who will on lend to the DISCOs. Since it will have a new PMU, its staff will need support from consultants who are qualified in the relevant health, safety, environment, and social (HSES) aspects. The overall Environmental and Social Management System at BPE's corporate level needs strengthening in term of allocation of roles and responsibility, internal and external communication, staffing and capacity building. This aspect shall be assessed further during the project preparation. The Bank will need to provide initial safeguards training to the PMU that will be augmented by training delivered under the TA Component of the program

37. **Technical Assistance**: The proposed TA project components will neither finance nor support any physical intervention. No rehabilitation or construction of new infrastructure or other actions having an impact on the environment or people will be financed through the TAs. In this sense, the overall risks and potential adverse environmental impacts are considered not significant. The envisaged risks and impacts of the TA aspects of the project are thus expected to be low. To screen, assess and manage environment and social risks and impacts in the TA components, a simple, stand-alone Environmental and Social Review Summary (ESRS) has been prepared.

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 of the IPF Component

CONTACT POINT

World Bank

Name :	Nataliya Kulichenko		
Designation :	Lead Energy Specialist	Role :	Team Leader(ADM Responsible)
Telephone No :	5359+402 / 2	Email :	nkulichenko@worldbank.org

Name :	Muhammad Abba Wakil		
Designation :	Energy Specialist	Role :	Team Leader
Telephone No :	5359+245	Email :	mwakil@worldbank.org

Borrower/Client/Recipient

Borrower :	Federal Ministry of Finance, Budget and Planning		
Contact :	Aliyu Ahmed	Title :	Director, International Economic Relations Department
Telephone No :	23492346290	Email :	aahmed@finance.gov.ng

Implementing Agencies

Implementing Agency :	Bureau of Public Enterprises		
Contact :	Yunana Malo	Title :	Director
Telephone No :	23494464401	Email :	ymalo@bpe.gov.ng

FOR MORE INFORMATION CONTACT

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