



The World Bank

Sustainable Procurement, Environmental and Social Standards Enhancement Project (SPESSE) (P169405)

Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 02-Oct-2019 | Report No: PIDA27639



BASIC INFORMATION

A. Basic Project Data

Country Nigeria	Project ID P169405	Project Name Sustainable Procurement, Environmental and Social Standards Enhancement Project (SPESSE)	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 17-Sep-2019	Estimated Board Date 17-Dec-2019	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Federal Ministry of Finance	Implementing Agency National University Commission, Bureau of Public Procurement, Minstry of Environment, Federal Ministry of Women Affairs & Social Development	

Proposed Development Objective(s)

The objective of the project is to develop sustainable capacity in managing procurement, environment and social standards in the public and private sectors

Components

Component I: Technical assistance and Support to implementing agencies
Component II: Establishment and operating the Centers of Excellence (SPESSE)
Unallocated

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

Moderate

Decision

The review did authorize the team to appraise and negotiate

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 percent of West Africa's population) and a GDP of approximately US\$375.7 billion in 2017, which represents 23 percent 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 percent 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.

2. **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.

3. **Fiscal revenues at all levels of government were severely hit by the decline in oil revenues.** The



government's ability to invest in physical and human capital to make up the infrastructure deficit and improve human capital outcomes sustainably is severely constrained by extremely low fiscal revenues (total 6.7% GDP in 2017; among the lowest globally) that are still highly dependent on oil. The revenues are constrained by lack of significant reforms in both oil and non-oil tax policies. Oil revenue growth would be helped by the passing of the petroleum industry legislations. The non-oil taxes (both rates and collections) are very low in Nigeria, and the political will for tax policy reforms is limited, further undermined by a weak social contract. Federal tax administration reforms are ongoing, but slowly and with limited yields. The rising fiscal burden of petroleum and power sector subsidies obscures fiscal policy and reduces the fiscal space even further. Due to the constrained fiscal space, Nigeria has among the lowest government spending globally (12.3 percent of GDP in 2018, split between federal and subnational governments), which is heavily skewed towards recurrent spending.

4. Nigeria has a relatively low debt-to-GDP ratio (just over 20 percent), but high interest payments-to-revenue ratios create fiscal sustainability risks. Whilst the federal government has made efforts since 2017 to rebalance its debt portfolio towards external debt, still largely domestically-financed fiscal deficits, combined with CBN liquidity management operations, continue to crowd out private sector borrowing. Increasing federal and subnational level non-oil revenues - currently less than 4% of GDP - and reducing the fiscal burden of petroleum and power subsidies is therefore critical for Nigeria's fiscal sustainability. However, while working on strengthening domestic revenue mobilization to finance physical and human capital, priority also needs to be placed on improving the business environment (including unlocking regulatory impediments and minimizing risks) to attract private capital—mobilizing private finance for development—to complement public investment.

5. The government launched the 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 has the 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 revenues 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, rose, reaching 23.1 percent as of September 2018. 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.

6. To increase growth above the baseline of 2 percent will require effective implementation of the structural reforms in the ERGP and a strengthened macroeconomic and fiscal framework. This in turn requires strong policy coordination between the federal and subnational governments (states and local governments). The ERGP acknowledged clearly that the success of the priorities will depend upon good



governance and effective delivery. It also recognized that the 36 states (and their local governments) have a critical—and often leading—role to play in many of the strategies outlined in the plan. The ERGP therefore indicated that it will encourage states to develop economic recovery plans, which will outline the costed initiatives states intend to undertake in line with the thematic areas' policy objectives laid out in ERGP.

7. The poverty level in Nigeria has been increasing due to the mismanagement and misuse of available resources, corruption, and weak control and oversight systems. One of the main channels of corruption is procurement through which the cost of public contracts is inflated leading to financial losses to the country. Considering that large percentage 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. One of the key impediments 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 in addition to the lack of reliance on digital technologies and capitalizing on the digital economy.

8. **Nigeria has the largest information and communications technology (ICT) sector in Africa with a mobile subscriber base of over 174 million by the beginning of 2019 in terms of active lines¹.** The Nigeria ICT sector expanded from 0.6 percent of GDP in 2001 to 9.8 percent in 2014 and was a key driver for economic recovery. The sector, which has attracted over US\$30 billion in total investment, laid the foundation for the digital economy. This sector which was dubbed as the “infrastructure of infrastructures” enables and facilitates the proper functioning of many other key sectors of the economy and government, including Agriculture, Commerce, Banking and Finance, Health, and Transportation. The ICT sector offers new opportunities for unemployed or underemployed youth in Nigeria especially women as Nigeria ranks 118 on the Gender Equality index which has adverse impact on their women's endowment, access to more and better jobs, voice and agency as well as access rights.

9. **The country has recently held national elections in 2019, for the sixth consecutive time since its return to democracy in 1999.** The incumbent president, Muhammadu Buhari, won the presidential elections and has been sworn in for a second term on May 29, 2019. The renewed administration has clear opportunities for accelerating structural reforms outlined in the Economic Recovery and Growth Plan (ERGP) to reduce increasing poverty and inequality: by bringing consistency to the monetary and fiscal policy, spurring job-creation through policies consistent with private sector development, and creating sustainable fiscal space for desperately needed investments in human and physical capital.

¹ NCC: <https://www.ncc.gov.ng/stakeholder/statistics-reports/subscriber-data>



Table 1 - Selected economic indicators, 2015-2019

	2015	2016	2017	2018	2019 ²
Real GDP growth, at constant market prices (percent)	2.7	-1.6	0.8	1.9	2.1
Private consumption (percent)	1.5	-5.7	-1.0	0.6	0.6
Government consumption (percent)	-11.9	-15.1	-8.0	9.5	4.1
Gross fixed capital investment (percent)	-1.3	-4.8	-3.0	23.0	-1.2
Exports, goods, and services (percent)	0.1	11.5	8.7	0.5	6.7
Imports, goods, and services (percent)	-25.7	-10.4	4.8	28.8	1.7
Real GDP growth, at constant factor prices (percent)	2.8	-1.6	0.8	1.9	2.1
Agriculture (percent)	3.7	4.1	3.4	2.1	2.4
Industry (including oil) (percent)	-2.2	-8.9	2.1	1.9	4.0
Services (percent)	4.8	-0.8	-0.9	1.8	1.2
Inflation (Consumer Price Index, 12-month average) (percent)	9.0	15.7	16.5	12.1	11.9
Fiscal balance (consolidated government, percent of GDP)	-3.2	-3.8	-3.9	-4.3	4.3
Government Revenue	7.5	5.9	6.7	7.8	8.2
Government Expenditure	10.7	9.7	10.6	12.2	12.5
Debt (consolidated government, percent of GDP)	14.2	17.3	19.0	21.6	23.8
Poverty rate (US\$1.9/day purchasing power parity terms)	48.2	49.4	49.8	50.0	50.2
Poverty rate (US\$3.1/day purchasing power parity terms)	74.1	74.9	75.2	75.3	75.4

Source: NBS and World Bank staff projections

Sectoral and Institutional Context

10. The ERGP priorities are underpinned by a focus on governance and service 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 governing, notably through the public procurement system and sustainable infrastructure development (including environmental and social standards). This will be targeted through a streamlined capacity building initiative in the three PES sectors to complement other initiatives in those sectors.

11. The environment is an inseparable component of any business. Due to multiple ongoing trends, however, the environment is changing, as are the ways that consumers, investors and governments think about our relationship to the environment. Increasingly, environmental and social standards practices have placed emphasis on integrating sustainability and environmental elements into development efforts. This has resulted in the more explicit integration of environmental and social aspects in standard bidding documents for the procurement of goods, works and services. While commitment to sustainable procurement has increased significantly, most public and private sector operators are still managing programs from a compliance standpoint, a trap that leads to limited engagement. Therefore, the project aims to demonstrate complementarity in capacity building in the PES sectors and seeks to achieve synergy in development efforts.

² Estimate.



C. Proposed Development Objective(s)

12. The objective of this project is to enhance sustainable capacity in the management of procurement, environmental and social standards in the public and private sectors.

Key Results

D. Project Description

A. Project Development Objective

PDO Statement

13. **The objective of this project is to enhance sustainable capacity in the management of procurement, environmental and social standards in the public and private sectors.**

PDO Level Indicators

14. **This capacity building project in procurement, environmental and social standards promises results across the whole of the Nigerian economy, society and environment.** Below is a stock of key output and outcome indicators:

- a. Key Results Indicators (Outcome):
 - (i) Percent of central agencies³ using online platforms to develop capacities to inform and manage PES activities;
 - (ii) Proportion of PES-certified persons employed (disaggregated by: (i) public/private; (ii) new/existing staff; and (iii) male/female);
 - (iii) Number of accredited degree programs meeting best practices in PES launched by SPESSE (disaggregated by: (i)procurement; (ii) environmental; and (iii) social); and
 - (iv) Percent of students who complete exchange programs and receive certifications.
- b. Intermediate Results Indicators (Outputs)
 - (i) Numbers of Centers of Excellence in Federal Universities established and operational with internet connectivity;
 - (ii) Curricula on Procurement, Environmental and Social Standards developed and launched by the NUC, based on international standards⁴ (disaggregated by: (i)procurement; (ii) environmental; and (iii) social; and disaggregated by Track);
 - (iii) Number of persons certified in PES programs (disaggregated by: (i) public/private /unemployed; (ii) male/female);
 - (iv) Number of participants successfully completing PES Tracks (disaggregated by: (i) PES field; (ii) Track; (iii) public/private/unemployed; (iv) male/female);

³ BPP, EA Department, and FMWASD.

⁴ International Standards refer to WB, EU, UN OECD e.t.c



- (v) Number of industrial partnerships⁵ established with key sectors;
- (vi) Number of interns participating in PES-related programs (private and public);
- (vii) Number of international academic partnerships⁶ established; and
- (viii) Percentage of on-line courses⁷ offered by the SPESSCEs.

Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

15. 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.

E. Implementation

Institutional and Implementation Arrangements

1. Each implementing agency has set up an implementation unit for the day-to-day management of and reporting on the project's relevant component. Organograms of such units at implementing agencies are shown in Annex 5. The Project implementation arrangements are summarized in the Figure 4 below.

2. **At each SPESSCE host university, an implementation team will be established to manage the project on a day-to-day basis.** Under the supervision of the University Vice Chancellor, the team will be led by the center director, who will be a recognized educator/researcher with expertise in the academic focus areas of the center. The center director will be supported by three deputy directors (one in each of the PES areas), three academic program coordinators (one in each of the PES areas). Faculty from all departments shall contribute to the center. Each team shall also include an industrial liaison officer, financial management coordinator and administrative team leader, etc. A model implementation organogram is presented in Figure 13.

3. BPP, EA Department and FMWASD will coordinate with the INFU regarding the technical content

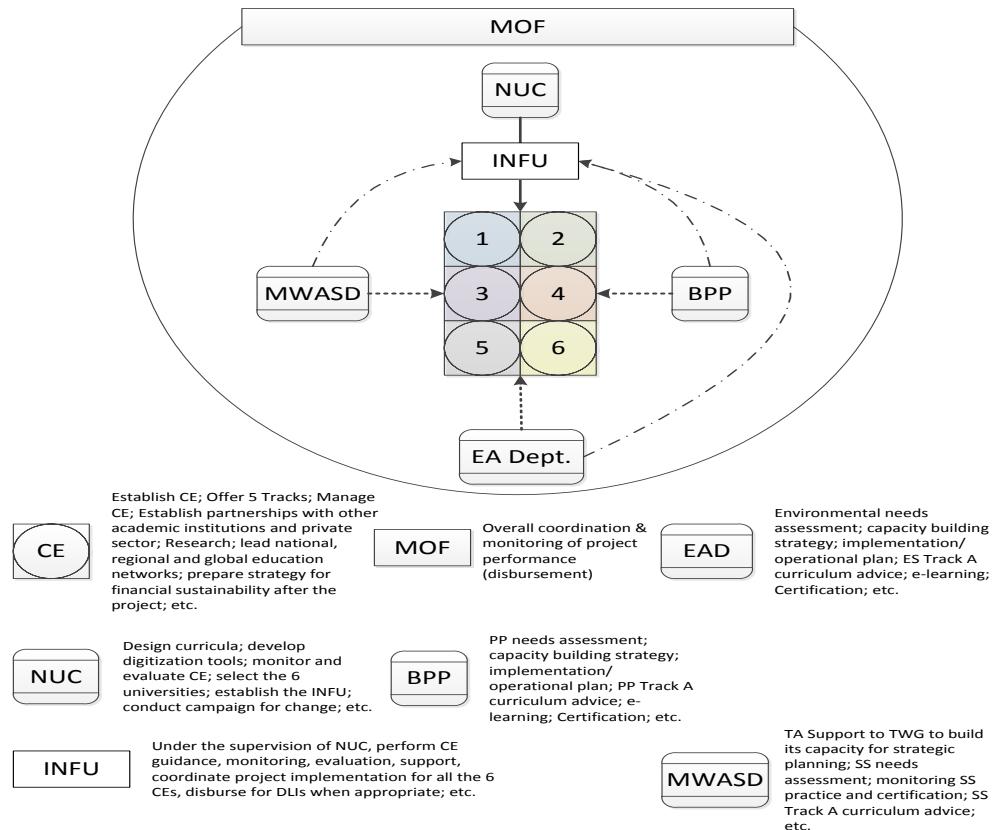
⁵ Industrial partnerships include the signing and executing of memoranda of understanding with industrial sectors concerning cooperation in curriculum design and development, research, funding, internship, and other forms of collaboration. An industrial sector may sign memoranda with more than one Center of Excellence.

⁶ Academic partnerships include the signing and executing of memoranda of understanding with foreign academic institutions, research centers, training centers and/or professional bodies for cooperation in teaching, research and/or community service in the targeted area (PES).

⁷ From all the courses offered by the Centers of Excellence as part of their programs (short courses, advanced certificate, Postgraduate diploma, master's degree and bachelor's degree).



of the curricula and especially for the short courses (Track A). These implementing agencies will supervise Track A delivery at the SPESSEs and will coordinate certification. The INFU will have a direct monitoring and supervising role on the SPESSEs.



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