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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 181.3 MILLION
(US\$250 MILLION EQUIVALENT)

TO THE

FEDERAL REPUBLIC OF NIGERIA

FOR THE

OGUN STATE ECONOMIC TRANSFORMATION PROJECT

January 22, 2020

Agriculture and Food Global Practice
Finance, Competitiveness and Innovation Global Practice
Africa Region

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CURRENCY EQUIVALENTS

Exchange Rate Effective October 31, 2019

Currency Unit = Nigerian Naira (NGN)

NGN 305 = US\$1

SDR 0.72497213 = US\$1

FISCAL YEAR

January 1 - December 31

Regional Vice President: Hafez M.H. Ghanem

Country Director: Shubham Chaudhuri

Regional Director: Simeon Kacou Ehui, Elisabeth Huybens

Practice Managers: Marianne Grosclaude, Rashmi Shankar

Task Team Leaders: Kofi Nouve, Feyifolu Boroffice, Elliot Wamboka Mghenyi,

ABBREVIATIONS AND ACRONYMS

ABEOCCIMA	Abeokuta Chamber of Commerce, Industry, Mines and Agriculture
AFD	<i>Agence Française de Développement</i> (French Development Agency)
ALAC	Agricultural Land Allocation Committee
APP	Agriculture Promotion Policy
APPEALS	Agro-Processing, Productivity Enhancement and Livelihood Improvement Support Project
BEE	Business-enabling Environment
CADP	Commercial Agriculture Development Project
CCA	Continuous Classroom Assessment
CofO	Certificates of Occupancy
CPAR	Country Procurement Assessment Review
CPD	Continuing Professional Development
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CRF	Consolidated Revenue Fund
CSA	Climate Smart Agriculture
DA	Designated Account
DB	Doing Business
DHC	Department of Highway Construction
DLI	Disbursement Linked Indicator
DPO	Development Policy Operation
DVT	Dual Vocational Training
EEP	Eligible Expenditure Program
EFA	Economic and Financial Analysis
EIB	European Investment Bank
EIRR	Economic Internal Rate of Return
EMIS	Education Management Information System
ERGP	Economic Recovery and Growth Plan
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESSC	Environmental and Social Screening Checklist
ESSP	Education Sector Strategic Plan
FAO	Food Agricultural Organization
FDI	Foreign Direct Investment
FGN	Federal Government of Nigeria
FM	Financial Management
FMIS	Financial Management Information System
FRB	Fiscal Responsibility Bill
FRILIA	Framework for Responsible and Inclusive Land-Intensive Agriculture Investments
FSP	Fiscal Sustainability Plan
FY	Fiscal Year
GAC	Governance and Anti-corruption
GBV	Gender-based Violence
GDP	Gross Domestic Product
GHG	Greenhouse Gas

GIS	Geographical Information System
GIZ	German Agency for International Cooperation
GRC	Grievance Resolution Committee
GRM	Grievance Redress Mechanism
ICR	Implementation Completion and Results Report
IEI	Innovation Enterprise Institution
IA	Implementing Agency
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDEAS	Innovation Development and Effectiveness in the Acquisition of Skills Project
IDP	Institutional Development Plan
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IGR	Internally Generated Revenue
IPA	Investment Promotion Agency
IPF	Investment Project Financing
IRR	Internal Rate of Return
IVA	Independent Verification Agent
KPI	Key Performance Indicator
LAMS	Land Administration Management System
LGA	Local Government Area
M&E	Monitoring and Evaluation
MDA	Ministries, Departments, and Agencies
MFD	Maximizing Finance for Development
MIS	Management Information System
MoBP	Ministry of Budget and Planning
MTC	Model Technical College
MTSS	Medium Term Sector Strategy
NGN	Nigerian Naira
NGO	Non-Governmental Organization
NPV	Net Present Value
OGIS	Ogun Geographic Information System
OGMoA	Ogun State Ministry of Agriculture
OGMoBP	Ogun State Ministry of Budget and Planning
OGMoCI	Ogun State Ministry of Commerce and Industry
OGMoE	Ogun State Ministry of Education, Science and Technology
OGMoEn	Ogun State Ministry of Environment
OGBol	Ogun State Bureau of Lands and Survey
OGUNCCIMA	Ogun State Chamber of Commerce, Industry, Mines and Agriculture
OgunInvest	Ogun State Investment Promotion and Facilitation Agency
OGMUPP	Ogun State Ministry of Urban and Physical Planning
OGWASD	Ogun State Ministry of Women Affairs and Social Development
OIRS	Ogun Internal Revenue Service
OPIC	Ogun State Property and Investment Corporation
OSHC	Ogun State Housing Corporation
OSIC	Ogun State One-Stop-Shop Investment Centre
PDO	Project Development Objective
PFMU	Project Financial Management Unit

PforR	Program-for-Results
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PLR	Performance and Learning Review
PMI	Progressive Mathematics Initiative
PMP	Pest Management Plan
PPP	Public Private Partnership
PSC	Project Steering Committee
PSGRDP	Public Sector Government Reforms and Development Project
PSI	Progressive Science Initiative
PTC	Project Technical Committee
QCBS	Quality Cost Based Selection
RAAMP	Rural Access and Agricultural Marketing Project
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SCD	Systematic Country Diagnostic
SDP	State Development Program
SDR	Special Drawing Rights
SEA	Sexual Exploitation and Abuse
SESP	State Education Sector Plan
SME	Small and Medium Enterprises
SoE	Statement of Expenditure
SORT	Systematic Operations Risk Rating Tool
SPC	Shadow Price of Carbon
SPIU	State Project Implementation Unit
SPV	Special Purpose Vehicle
SSA	Sub-Saharan Africa
STEM	Science, Technology, Engineering and Mathematics
STTS	Sector Technical Team
SUBEB	State Universal Basic Education Board
TA	Technical Assistance
TCs	Technical Colleges
TVET	Technical and Vocational Education and Training
TWG	Technical Working Group
US\$/USD	United States Dollar
VCDF	Value Chain Development Firm
VCDP	Value Chain Development Project
VEI	Vocational Enterprise Institution
WAEC	West African Examinations Council
WB	World Bank

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Nigeria	Ogun State Economic Transformation Project	
Project ID	Financing Instrument	Environmental Assessment Category
P164031	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input checked="" type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
18-Feb-2020	30-Jun-2025
Bank/IFC Collaboration	Joint Level
Yes	Complementary or Interdependent project requiring active coordination

Proposed Development Objective(s)

The Project Development Objective (PDO) is to increase the participation of the private sector in the economy of Ogun State with a focus on improving the business-enabling environment, strengthening agri-food value-chains and upgrading skills.

**Components**

Component Name	Cost (US\$, millions)
Results based financing to improve the business-enabling environment and foster private sector participation in the agri-food and skills sectors	200.00
Strengthening the capacity of the government to implement the State's economic transformation agenda	50.00

Organizations

Borrower:	Federal Republic of Nigeria
Implementing Agency:	Ogun State Government

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	250.00
Total Financing	250.00
of which IBRD/IDA	250.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	250.00
IDA Credit	250.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Nigeria	250.00	0.00	0.00	250.00
National PBA	250.00	0.00	0.00	250.00
Total	250.00	0.00	0.00	250.00

**Expected Disbursements (in US\$, Millions)**

WB Fiscal Year	2020	2021	2022	2023	2024	2025
Annual	5.00	20.00	45.00	50.00	60.00	70.00
Cumulative	5.00	25.00	70.00	120.00	180.00	250.00

INSTITUTIONAL DATA**Practice Area (Lead)**

Agriculture and Food

Contributing Practice AreasEducation, Finance, Competitiveness and Innovation,
Governance**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
9. Other	
10. Overall	● Substantial



COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No

Safeguard Policies Triggered by the Project

	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04	✓	
Forests OP/BP 4.36		✓
Pest Management OP 4.09	✓	
Physical Cultural Resources OP/BP 4.11	✓	
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50	✓	
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Sections and Description

Section 1..E (1): Schedule 2: No later than ninety (90) days after the Effective Date, the Recipient, through Ogun State, shall recruit one or more organizations with experience, independence, and capacity and under terms of reference acceptable to the Association (“Independent Verification Agent(s)” or “IVA”) to verify the data and other evidence supporting the achievement of one or more Disbursement Linked Indicators (“DLIs”) as set forth in the DLI Verification Protocol and recommend corresponding payments to be made.

Sections and Description

Section 1.D.(1) & D (2) Schedule 2: Each year the Recipient shall prepare a draft annual work plan and budget for the Project for each subsequent year of Project implementation, of such scope and detail as the Association shall



have reasonably requested; Obligation to furnish/submit to Association, as soon as available, but in any case not later than November 30 the annual work plan and budget for all eligible expenditures for review and approval except for the annual work plan and budget for the Project for the first year of project implementation which shall be furnished no later than one (1) month after the Effective Date.

Sections and Description

No later than ninety (90) days after the Effective Date, Ogun Invest has recruited, on a competitive basis, its Managing Director and Deputy Head of the Agency, Chief Financial Officer and Head of Investment Promotion, on terms and conditions acceptable to the Association.

Sections and Description

The Recipient shall ensure that no new investments in small scale irrigation schemes financed under Parts 1(b) and 2(b) of the Project utilize water from Cross Border Rivers, other than from the Ogun and Oshun Rivers and their respective tributaries.

Conditions

Type	Description
Effectiveness	The Subsidiary Agreement has been executed on behalf of the Recipient and Ogun State and the Subsidiary Agreement has been duly authorized or ratified by the Recipient and Ogun State and is legally binding upon the Recipient and Ogun State in accordance with its terms.
Disbursement	No withdrawal shall be made for any DLI under Category 1, unless the Recipient has furnished all required verification documents and information acceptable to the Bank showing the achievement of said DLI, including verification reports from the Independent Verification Agent, all in accordance with the Verification Protocol.



I. STRATEGIC CONTEXT

A. 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. **Ogun State, like other states in Nigeria, was significantly impacted by the national recession.** Fiscal revenues at all levels of government were severely hit by the decline in oil revenues and Ogun State was no exception due to its heavy reliance on fiscal allocations from the federal government. Fiscal allocations represented 60 percent of the state's aggregate revenues in 2013 and so it was negatively impacted by the decline in fiscal allocation during the period from 2013 to 2017 from about 2.9 percent of State GDP in 2013 to 1.4 percent in 2017.
3. **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. 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. While the poverty rate in the South-West is the lowest in the country at 10 percent of the population, rural poverty persists and remains high, including in Ogun State where rural poverty incidence is estimated to exceed 50 percent.
4. **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. 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, business-enabling environment (BEE), 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. This in turn requires strong policy coordination between the federal and subnational governments.



B. Sectoral and Institutional Context

5. **Ogun State is known as the Gateway State in Nigeria primarily due to its strategic location between Lagos, the other major cities in the South West and the rest of the country.** A significant portion of the Lagos-Ibadan corridor passes through Ogun and the state is also linked to the trans-national highway to the Republic of Benin and the West African sub-region and as such, is one of the major gateways to regional integration in West Africa. Ogun State's population in 2017 was estimated at 5.2 million, but the actual population when adjusted for migration from neighboring states is 7.2 million. The majority of Ogun population, about 55 percent, is rural, but the share of the urban population (currently at 45 percent) is increasing rapidly.
6. **Ogun State has benefited enormously from the spillover of firms from neighboring Lagos State, the commercial center of Nigeria.** Ogun State's proximity to the largest market and the busiest ports in the country has contributed to it becoming a fast-growing industrial hub. The State has profited from the spillover of firms escaping congestion and high real estate costs in Lagos. Its local natural endowments (e.g. limestone) and access to energy (e.g. piped natural gas) have also added to its attractiveness as an investment destination. As a result, the State has successfully attracted significant foreign and domestic investment in several sectors including agribusiness, manufacturing (such as paper products, apparel, chemicals, furniture, consumer goods, pharmaceuticals) and renewable energy. The State is home to several industrial centers, including one of the largest industrial zones in sub-Saharan Africa – the 8,000 hectares state-owned Agbara Industrial Estate, which includes the Federal Ogun-Guandong Free Trade zone.
7. **Nevertheless, the State like the rest of the country, remains a difficult place to conduct business.** Nigeria has an unconducive BEE, with a burdensome operating environment for local businesses (especially small and medium-size enterprises - SMEs), and a weak policy and institutional framework for the attraction of domestic and foreign investment. Nigeria ranks 131th out of 190 countries in the 2020 Doing Business (DB) report (at 56.9 percent of the global frontier) and is classified among the top ten economies with the most notable improvement in DB 2020. Although the Ogun State Government has enacted several reforms to improve the business environment, Ogun State still has a long way to go (see Annex 2). Improving the BEE remains crucial to successful private sector development in the State, particularly for SMEs which are the primary sources of job creation. An improved business environment will lead to an increase in private sector activity which will in turn increase opportunities for the financial sector in the State.



Table 1: Doing Business in Ogun State

Activity	2018* Ogun State Rank	2014 Ogun State Rank	2018 Ogun State Distance-To-Frontier Score	2020 Nigeria Distance-To-Frontier Score
Overall	12	n/a	58.0	56.9
Starting a business	4	5	81.7	86.2
Dealing with construction permits	11	16	73.1	73.6
Registering property	28	28	21.2	29.5
Enforcing contracts	20	14	55.9	61.5

Source: World Bank DB in Nigeria 2018, World Bank Global DB 2020 Report.

*Latest data available for Ogun State is 2018.

8. **The BEE is also an important contributor to the success of female entrepreneurs.** While women represent 45 percent of the labor force in Nigeria, they are substantially under-represented in the formal private sector and tend to cluster in lower value-added sectors. Only 16.2 percent of formal firms in Nigeria have female participation in ownership according to the enterprise survey, compared with an average of 30.8 percent in Sub-Saharan Africa (SSA). According to a recent study¹ on female entrepreneurship in Africa, while gender-specific regulatory barriers are a rarity, social norms and time constraints such as family responsibilities serve as additional constraints impeding women entrepreneurs. The study shows that business registration of female owned firms in Nigeria contributed significantly and positively to the reduction of gender gap in the returns of the companies. Making it easier to do business will go a long way to increasing and improving female entrepreneurship.

9. **Land administration is one of the biggest impediments to doing business in Ogun State as is the case for the rest of Nigeria.** Nigeria ranks 183rd out of 190 countries according to DB 2020 (its worst performing DB indicator) in Registering Property and Ogun state ranks 28th out of the 36 states in Nigeria. It takes 98 days in Ogun state to transfer a Certificate of Occupancy (CoFo)² from one private party to another and it takes up to a year to get a new CoFo. The Ogun State judiciary confirmed that land related disputes are the most frequent court cases. Information related to land is scattered and fragmented. Land records management needs improvement and greater integration to support more secure tenure and efficient property transactions. The process of transferring deeds suffers from lack of predictability and transparency (e.g. the title transfer process is opaque involving multiple agencies – Bureau of Lands and Survey, Ogun Internal Revenue Service (OIRS), Attorney General's office). In 2012, Ogun State started its Land Administration Management System (LAMS) and the Ogun Geographic Information System (OGIS) project but, it is still facing inter-operability issues. There is an urgent need for the development of a systematic land titling program to help secure property rights in an inclusive manner.

¹ Profiting from Parity, Unlocking the potential of women's businesses in Africa, World Bank Group, 2019.

² The Certificate of Occupancy is a key instrument for security of tenure. Land owners who intend to build legally (estimated between 30-40 percent of construction activity in Ogun state), typically seek to obtain the Certificate of Occupancy to secure their land rights and investment.



10. **The Government has taken several steps in the right direction in terms of trying to attract investment to the State.** The Ogun State One-Stop-Shop Investment Center (OSIC) was set up in 2012 to work with existing and potential investors and support their establishment and operations in the State. The State also hosts a bi-annual Investors Forum in the capital city Abeokuta, to showcase the opportunities in the State to potential investors across various sectors and thus encourage investments. Recognizing the importance of having a central agency to coordinate investor services, the Governor passed an executive order establishing the transition of OSIC into a full-fledged agency - Ogun state Investment Promotion and Facilitation Agency (OgunInvest) on July 5, 2018. The mandate of OgunInvest is to: (i) facilitate inter-government cooperation and the streamlining of investor-facing services in the State; (ii) develop and implement a comprehensive investment promotion and facilitation strategy and implementation plan; (iii) attract domestic and international investment and foster economic growth; and (iv) improve the State's image and promote the State as an investment destination.
11. **Agriculture plays a major economic role in Ogun state, providing income and employment for about 70 percent of the labor force.** With a contribution of 30 percent of the state GDP over the 2013-2017 period, agriculture is relatively more important in Ogun State compared to the national average 21 percent of GDP. Ogun State is also endowed with extensive arable land and a climate that supports agriculture. With only 30 percent of the State's total land mass under cultivation compared to the 74 percent suitable for agriculture, Ogun State is well situated to benefit from the accelerated development of the agri-food sector (including agriculture and agribusiness industries and services). The State grows a variety of food crops such as rice, cassava, maize, plantain, melon, groundnut, vegetables and spices, as well as cash crops like oil palm, cocoa, cotton, cashew, and kola nut. The State also produces rubber on a large scale, as well as timber of various species. A growing number of agribusinesses, including renowned multinationals, have set up major processing facilities in the State.
12. **Multiple consultations with the private sector have confirmed the private sector's high interest in investing in the agri-food sector.** There are diverse sources of potential growth in the Ogun agri-food sector. Facing a huge supply gap for agri-food products in the State, agribusinesses have called for a significant increase in production volume and product quality to meet the growing domestic and industrial demand. Significant potential exists in the State to increase productivity and improve competitiveness of the agri-food sector, a pre-condition for domestic producers to competitively meet the growing demand of the agri-food industry. For this to materialize, the private sector has called on the State to address some of the significant challenges that limit the performance of Ogun's agri-food sector. Key challenges include the difficult access to land; difficult access to quality and affordable farming inputs, such as seeds, fertilizers and pest control products, low levels of mechanization, limited access to advisory services, lack of access to finance, limited aggregation, poor infrastructure and logistics, and increasing vulnerability to climate change.
13. **Climate change poses serious threats to Nigeria, with agriculture among the sectors most sensitive to its effects.** Nigeria is characterized by low adaptive capacity, due to weak institutional and technical capacity, lack of infrastructure, inadequate public awareness, a weak legal and regulatory framework, and



the non-implementation of environmental policies.³ The country's vulnerability to climate change is exacerbated by its location along the Gulf of Guinea with a coastline of about 853 kilometre (km). A significant number of Nigeria's population lives along the coast and vital economic activities take place in the coastal region, including oil-production in the Niger Delta and Lagos. Nigeria's coast is low lying and dynamic, making it vulnerable to the effects of climate change, such as erosion, flooding, tsunamis, storm surges and sea level rise. Reports have predicted that a 0.2 m rise in sea level would inundate 3,400 km² of the Nigerian coast-land and a 1.0 m rise in sea level would inundate 18,000 km², which is projected by the end of the century. Projected climate change impacts on agricultural production in Ogun State are similar to the rest of Southwest Nigeria. Temperature increases upwards of 2.5°C by 2081-2100 and up to 15 cm additional rainfall in the south by 2046-2065, as opposed to 7.5 cm less in the northern regions⁴, will change the makeup of agricultural production and cause significant long-term reductions in crop yields for cereals and root crops (Cervigni et al., 2013)⁵: the average yield loss by 2050 is estimated at 20-25 percent, which is significant, but only half of what is expected in the northern regions where the climate is drier and warmer. Additionally, climate change will result in declining productivity of livestock with adverse consequences on livelihoods, and worsening prospects for food security, particularly in the north and south-west.⁶ Historical estimates from the southwest – in Oyo State which neighbors Ogun State – already suggest crops yields have drastically decreased between 1985 and 2015 due to erratic rainfall, increase in sunshine hours, increase in temperature and pest infestation (Ogallah et al, 2017)⁷. Increased temperature and erratic rainfall patterns have been linked to climate change and variability and are believed to be among the top factors driving the long-term decline in agricultural productivity in the study area.

14. **Consultations with the private sector have revealed a dearth of quality Science, Technology, Engineering and Mathematics (STEM) education and relevant skills.** A lack of good education in STEM subjects is holding back private sector growth and depriving youth⁸ of career opportunities. Nigeria also exhibits wide gender gaps in education with net primary enrollment rates of 70 percent and 58 percent respectively for boys and girls persisting to higher education and vocation education as well. To meet the demands of today's tech-focused labor market and create a generation of innovators that would advance Nigeria's sustainable economic development, the country's education sector must change and adjust in order for graduates to be equipped with evolving employable skill sets, which include critical thinking, problem solving, team work and communication. In doing so, the State will also need to address the gender gap in skills development. Only 21.5 percent of all Technical Colleges (TCs) students are female, for example. Although female participation in STEM courses has risen slowly over the years, female students in Technical and Vocational Education Training (TVET) follow traditionally gendered career stereotypes; catering, computer craft, business studies and garment making are dominating the

³ USAID Nigeria Climate Vulnerability Profile 2012.

⁴ Ibid.

⁵ Cervigni, R., Riccardo, V., and Monia, S, eds. 2013. *Toward Climate-Resilient Development in Nigeria*. Directions in Development. Washington, DC: World Bank.

⁶ *Towards Climate Resilient Growth in Nigeria*, World Bank. 2013.

⁷ Ogallah, Samson Samuel, S. Wandiga, D. Olago and S. Oriaso. 2017. "Impacts of Climate Variability and Climate Change on Agricultural Productivity of Smallholder Farmers in Southwest Nigeria". *International Journal of Scientific & Engineering Research* 8(10): 128-32, October-2017.

⁸ According to the Nigeria 2009 National Youth Policy, Youth in Nigeria includes citizens aged 18-30 years.



occupational fields to which female youth subscribe.

15. **Public TVET institutions at all levels have no institutionalized cooperation with employers/companies, and generally, links to the labor market are weak.** As a result, skills development in the State is largely supply-driven. For example, the challenges of digital skills development are not yet taken up in the public TVET system. For formal TVET, which is part of the formal education system and comprises mainly technical colleges and polytechnics, a stronger private sector involvement in TVET would be instrumental to better align supply with market demand. International experience clearly shows that strong and institutionalized involvement of industry is a pre-requisite for the development of sustainable, demand-orientated TVET systems. However, in Ogun State, the involvement of the private sector in TVET is still rather weak. Some large companies are investing in in-house training schemes to fill the urgent skill gaps. Discussions with the management of companies reveal their untapped preparedness to deepen partnerships with training institutions and the public TVET system. Industry-driven pilot projects to introduce dual apprenticeship training indicate the potential for greater private sector involvement in training delivery once programs meet the needs of employers. Especially dual vocational (apprenticeship) training, which has already been introduced in Abeokuta under the leadership of the Abeokuta Chamber of Commerce, Industry, Mining and Agriculture provides an opportunity to scale up high-end industry-oriented skills development. Furthermore, modernizing and improving the quality and relevance of apprenticeships delivered in the informal sector has the potential to raise the skills level of a large number of youth, especially those with lower educational achievements and coming from poor households.
16. **Ogun State has developed a State Development Plan (SDP) 2017-2030 which emphasizes the need to crowd-in private investment to optimize the use of scarce fiscal resources (see Annex 7).** The State Government has outlined a reform agenda to accelerate strategic reforms and foster public investment to enable greater private sector participation in the State's economy. The SDP is organized around five cardinal programs covering (i) agriculture production and industrialization; (ii) infrastructure and rural development; (iii) education; (iv) health; and (v) affordable housing and urban renewal. Ogun State is also focusing on governance as a cross-cutting area to improve government efficiency in the delivery of key SDP outcomes and to ensure the sustainability of these outcomes through a results-driven financing of the cardinal programs.
17. **Ogun State exhibits a solid financial position that appears sustainable in the medium term (see Annex 6 for Debt sustainability analysis).** This solid financial position results from the State's strong performance in terms of mobilizing Internally Generated Revenues (IGR)—underpinned by the successful tax administration reforms introduced recently—and its low level of public debt. Ogun State debt stock represented on average 4.3 percent of the GDP between 2015-2017 with debt services representing an average of 8.3 percent of the State Government's revenues over the same period. Given the World Bank's own forecasts for the Nigerian economy and reasonable assumptions concerning Ogun State's revenue and expenditure policies going forward, the medium-term outlook for public finances appears sustainable, and in compliance with the Nigeria's Fiscal Sustainability Plan (FSP) agreed between the Federal Governments and all States.



C. Relevance to Higher Level Objectives

18. **The project is consistent with, and aligned with, the World Bank's Country Partnership Strategy (CPS) for FY2014-2017⁹ which was extended by the second Performance and Learning Review¹⁰ (PLR) through FY 2019.** The project supports CPS cluster 1 "promoting diversified growth and job creation by reforming the power sector, enhancing agricultural productivity and increasing access to finance" and CPS cluster 3 "strengthening governance and public-sector management". Enhancing agricultural productivity under cluster 1 of the CPS is linked to Nigeria's overarching goal to increase the country's resilience to current and future climate variability¹¹. The project is also in line with the Country Partnership Framework (CPF) covering 2020-2024 that is currently under preparation and will be presented to the Board in May 2020. With its emphasis on maximizing opportunities for private sector investment in agriculture, industry and the broader economy while contributing to filling the skills gap and improving overall productivity of workers in the State, the project will be the first opportunity in the World Bank's Nigeria portfolio to apply the Systematic Country Diagnostic (SCD) framework¹² of *Productive People working in Dynamic Enterprises* using *Sustainable Assets* to a state's growth and poverty reduction challenges. The operation contributes to the World Bank's *Human Capital Project* by supporting improved STEM education and upgrading the skills of farmers, youth and women. Finally, the project is aligned with Nigeria's Intended Nationally Determined Contribution, which cites climate-smart agriculture and afforestation as key measures to achieving its climate adaptation goals as laid out in the country's National Adaptation Strategy and Plan of Action for Climate Change and the National Agricultural Resilience Framework 2014. Both strategy documents highlight climate-smart agriculture as a vehicle to reduce greenhouse gas (GHG) emission by some 74 million tons.
19. **The project will directly contribute to five of the Sustainable Development Goals (SDGs) including Goal 2 – End hunger, achieve food security and improved nutrition, and promote sustainable agriculture; Goal 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; Goal 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; Goal 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation; and Goal 13 – Take urgent action to combat climate change and its impact.**
20. **Economic transformation in Ogun State, which is positioned as the gateway from the South to the North could promote the development of inter-regional corridors and have a catalytic effect beyond the**

⁹ P133766.

¹⁰ P166191.

¹¹ The project is particularly in line with the CPS's goal of improving farmer's access to fertilizers, seeds, and extension services, improving farmers' linkages in selected staple value chains in order to help reduce their transaction costs of accessing inputs or distributing outputs, thus enhancing their competitiveness, improving farmers' access to rural infrastructure, reducing immediate and long-term climate risks to rural livelihoods by treating and reversing land degradation and supporting climate smart agriculture.

¹² The draft SCD (March 2019) states that "No sustained development can occur unless a country has five key elements: a sound macro-fiscal framework, good governance and functional institutions, human capital (productive people), a dynamic private sector, and sustainable assets.



State. Ogun State can leverage its potential in the agri-food sector as well as its location next to Lagos – the commercial hub of Nigeria – to fast-track private sector development and attract world class investors to further diversify economic activities in the State and partner with the private sector to enhance skills development. The project is intended to have a strong demonstration effect across Nigeria and especially for the other Southwest states. Greater economic development in the Southwest will create opportunities for trade and job creation across the region and beyond, while reinforcing cooperation and coordination between states in providing critical and business friendly public goods and services along the economic corridor. Ogun State will need to sustain investments and reforms over time, which will be greatly facilitated by enhanced government efficiency through transparent use of resources, results-driven planning and development priority setting, and robust statewide monitoring and evaluation (M&E) systems.

21. **The operation aims to be a “Maximizing Finance for Development” (MFD) enabling project.** The Ogun State Government understands that to achieve success it will need to partner with the private sector and address the binding constraints to private finance. The project is adopting the MFD approach by identifying MFD enabling activities which will mobilize private finance over the course of the project but more importantly, eliminate impediments that will fast-track private investment within three years of completion of the project.
22. **The project is also aligned with the Malabo Declaration Commitments under the Comprehensive Africa Agriculture Development Program and the 2019 Kigali Food Security Leadership Dialogue on Food Security and Climate change by targeting:** enhancing resilience in livelihoods and productions systems to climate variability and other shocks; enhancing investment finance in agriculture to attract investments in agri-food systems; halving poverty by 2025, through inclusive agriculture growth and transformation, using science and fostering private-public partnership in the delivery.
23. **The nature of Ogun State’s economic challenges and opportunities calls for a multi-sectoral response, which is best provided through a combination of result-based financing and technical assistance (TA).** The Investment Project Financing (IPF) lending instrument including Disbursement Linked Indicators (DLI) is designed to respond to this dual need. The IPF with DLIs is therefore considered as the most suitable financing instrument to support Ogun State’s multi-sector economic transformation program. A Development Policy Operation (DPO) would have been insufficient due to the importance of capacity development and institution building as a cornerstone of the State Development Plan. A PforR instrument has been originally considered, however the project will require significant implementation support from the World Bank due to the complexity of the operation and the low capacity of the Government. The use of an IPF with DLI enable the World Bank to support the State to strengthen its own program by making it results-focused and by incentivizing institutional performance while providing the necessary investment and TA needed to obtain the intended results.

II. PROJECT DESCRIPTION

A. Project Development Objective



PDO Statement

24. **The Project Development Objective (PDO)** is to increase the participation of the private sector in the State's economy with a focus on improving the business-enabling environment, strengthening agri-food value-chains and upgrading skills.

PDO Level Indicators

25. **The results of the project will be evaluated through the following three indicators:**
- **Improved business-enabling environment:** measured by the number of investment deals successfully facilitated¹³ by the Investment Promotion Agency (IPA);
 - **Strengthened agricultural value chains:** measured by the number of farmers in production clusters that have off-taker arrangements with agribusiness (disaggregated by gender and youth);
 - **Upgraded skills¹⁴:** measured by the number of beneficiaries of skills development programs that are hired or self-employed within 6 months after training (disaggregated by gender and youth).

B. Project Components

26. **The project is an IPF operation consisting of two inter-related components: a results-based component and an investment component.** Component 1 which is results-based will disburse against agreed-upon *actions, outputs and outcomes* (DLIs) while Component 2 will finance select *TA and investment activities* to strengthen the government's *capacity for implementing* the project and thereby support the achievement of the results under Component 1. The two components are inherently linked as shown in the project's theory of change and results framework.

Component 1: Results based financing to improve the business-enabling environment and foster private sector participation in the agri-food and skills sectors (US\$200 million equivalent from IDA)

27. Under this component the project will support the Ogun State Government's reform efforts to increase private sector investment through the following three results areas: (i) **Improving the BEE**; (ii) **Strengthening agri-food value chains**; and (iii) **Upgrading skills**. Progress towards achieving these objectives will be measured using nine (9) key DLIs which combine actions, outputs and outcomes. Under this component, project funds will be disbursed against selected Eligible Expenditure Programs (EEPs) up to capped amounts and conditioned on achievement of the target for agreed disbursement linked indicators (DLIs). Several DLIs will be tracked on a gender-disaggregated basis as outlined in the DLI Table in Annex 1.

¹³ An investment deal (minimum investment size US\$5 million) shall be deemed as successfully facilitated by the IPA when one or more of the following has taken place by an investor that has signed an MoU with the IPA: (i) Press Statement by company HQ; (ii) Land lease/purchase signed; (iii) Local staff engaged; and/or iv) Business registration has been completed.

¹⁴ Upgrading skills will ensure more relevant skills are made available in the marketplace, which thereby will significantly contribute to improving the business-enabling environment. On the other hand, improving the skills delivery system requires a systematic involvement of the private sector. The project is expected to support these two mutually reinforcing linkages.



28. **Sub-component 1.1: Improving the BEE (US\$50 million from IDA).** The objective of this sub-component is to measure and mark progress towards the implementation of reforms to build an enabling business environment by addressing regulatory, and institutional challenges that serve as barriers to private sector investments. Activities to be tracked under this component include (i) strengthening the capacity and effectiveness of the Business Environment Council and other agencies to design and implement ease of doing business reforms in an inclusive way; (ii) strengthening the land administration system; and (iii) strengthening of the State's capacity to promote, attract and retain domestic and foreign private investments. This sub-component will be implemented by the Ogun State Ministry of Commerce and Industry (OGMoCI), Ogun State Bureau of Lands (OGBOL) and OgunInvest.
29. **Sub-component 1.2: Strengthening Agri-food Value Chains (US\$75 million from IDA).** The objective of this sub-component is to attract the private sector to participate in the development of key agri-food value chains in the State by addressing the binding constraints that are specific to the sector. This sub-component will track three types of activities: First, it will monitor the the development and implementation of the international best practice Framework for Responsible and Inclusive Land-Intensive Agricultural Investments (FRILIA¹⁵) in Ogun State, aiming at the achievement of the following results: (i) the adoption of FRILIA principles as a State policy, incorporating sound environmental and social risk management that would increase land use sustainability and efficiency, particularly in areas with heightened vulnerability to climate change; and (ii) the implementation of FRILIA as part of the Ogun State Ministry of Agriculture's (OGMoA) agricultural lands' application approval process. Second, the sub-component will foster the engagement of VCDFs which will facilitate timely linkage between producers, input suppliers and service providers, and off-takers through productive alliances. All productive alliances will include climate smart-solutions and practices, particularly at the level of producers. This will include seeking to lower the GHG emissions of those value chains, particularly by adopting low-emission practices in the crops and aquaculture sectors – for example using commercial feeds with high conversion efficiency and high-quality floating feed in place of traditional home-made feeds and energy efficient cold chains. The presence of VCDFs is expected to stimulate the emergence of small and medium enterprises to provide required services such as inputs, mechanisation, extension, business management, advisory services, processing etc. to value chain players. Finally, the sub-component will monitor the development of critical infrastructure to strengthen market linkages to production areas where value chain development alliances are being promoted and to ensure that those investments are climate-resilient. The focus will be on the development of existing and new small-scale irrigation, feeder roads and farm product aggregation centers. This sub-component will support: (i) feasibility studies for the selected infrastructure (including a master plan for small scale irrigation and feeder roads integrating climate resilience considerations); and (ii) the development of the selected infrastructure as well as necessary institutional arrangements for their maintenance and operation, all of which will be designed to increase climate resilience. This sub-component will be implemented by the OGMoA.
30. **Sub-Component 1.3: Upgrading Skills (US\$75 million from IDA).** The objective of this sub-component is

¹⁵ The FRILIA is based on the Food and Agriculture Organization (FAO) Voluntary Guidelines for the Responsible Tenure of Land, Fisheries and Forests in the context of National Food Security, as well as the FAO Principles for Responsible Investment in Agriculture and Food Systems. It also draws on international good practice for environmental management, land acquisition and resettlement.



to track the improvement in the demand-orientation of the skills development system, and thus the relevance of skills in Ogun State by (i) improving STEM teaching in the State's secondary schools through strengthening the knowledge and practices of secondary school STEM teachers with the introduction of the Progressive Mathematics Initiative (PMI) and Progressive Science Initiative (PSI) in public secondary schools in Ogun State (ii) incentivizing the private sector to get involved in the planning, delivery and oversight of skills development in the upgraded State TCs to better prepare school leavers for employment; (iii) strengthening private sector training delivery by broadening and improving apprenticeship training both in the formal and informal sector of the economy; and (iv) setting up a demand-driven funding mechanisms to support non-formal skills development for different target groups in the State to increase training offers attractive for women and farmers, and appropriate for vulnerable populations and people with disabilities. Activities are geared towards enhancing digital literacy among the workforce, and strongly building digital skills to improve the State's economic competitiveness. This sub-component will be implemented by the Ogun State Ministry of Education, Science and Technology (OGMoE).

Component 2: Strengthening the capacity of the government to implement the State's economic transformation agenda (US\$50 million equivalent from IDA)

31. **This component will finance TA and investments to support the implementation of the results-based component.** The component will support TA and investment activities to support: (i) the three main results areas of Component 1 (Improving the business environment, Strengthening agri-food value chains and Upgrading skills), and (ii) public sector management functions that are deemed essential to ensure the efficient implementation of the project, including procurement, Statistics and M&E. The project will finance selected TA and investment activities that will support improved capacity to implement and monitor the reforms and investments that would lead to the achievement of the project results (DLIs and ultimately the PDO) as well as their contribution to climate change adaptation and mitigation. This component comprises four sub-components, supporting the three results areas and the cross-cutting area of public sector management as follows:

Sub-component 2.1: Improving the Business Environment (US\$12.5 million from IDA). This sub-component will finance selected goods and equipment, TA and advisory activities to improve the business environment including: (i) the institutional set up for business environment reforms and ongoing support to the Business Environment Council, Secretariat and technical working groups (TWG) including diagnostics, training and support with reform strategy and action plans; (ii) support to the relevant Ministries Departments, and Agencies (MDAs) covering the business environment indicators (business registration, property registration and construction permits) in streamlining and automating their processes; (iii) establishment and ongoing support for the new State IPA (OgunInvest); (iv) conducting a statewide firm survey, including an assessment of female entrepreneurship and the analysis of data about the barriers to growth and profitability faced by women entrepreneurs; (v) assessments and transaction advisory services for the selection of and negotiations with private developers/operators for the industrial estates; (vi) capacity building for all institutions involved in industrial estate regulation, development and operation; and (vii) conducting feasibility studies on road improvements in industrial estates, while incorporating best practice environment and social safeguards, as well as climate change considerations



to mitigate anticipated climate vulnerabilities in the project areas and to increase the resilience of individual businesses, value chains and beneficiaries.

32. **Sub-component 2.2: Strengthening Agri-food Value-Chains (US\$15 million from IDA):** This sub-component will finance selected goods and equipment, TA and advisory activities to improve the performance of the OGMoA and affiliated departments, and to incentivize private sector participation in agri-food value chain development. Specific support will be provided to: (i) the preparation of the FRILIA, as well as the establishment of the Agricultural Land Management Office within OGMoA, both of which will improve efficiency of land administration and use; (ii) the registration and geotagging of farms and farmers using digital tools, and development of a comprehensive database on farms and farmers for decision support; (iii) the aggregation of farmers into groups to facilitate their access to inputs, services and markets through the VCDFs, and the support to groups to move toward formal business entities, such as cooperatives; (iv) the setting up of a technical selection committee to review value chain development business plans that the VCDFs will prepare in collaboration with farmers' groups; (v) the mainstreaming of climate smart agriculture, nutrition, and gender into the business plans using evaluation criteria that give additional credits to business plans that promote gender, nutrition, and the use of climate resilient and low-emission innovations; (vi) the administration of the matching grants which will be provided to farmers in partnership with VCDFs, and will incentivize applicants to pursue climate-smart solutions to improve resilience and mitigation efforts; (vii) the mainstreaming of environmental and social safeguards best practices and gender into the development and maintenance of feeder roads, small scale irrigation schemes, and aggregation centers; in light of the climate vulnerability context outlined above, the development of infrastructure will also account for climate challenges, promote the efficiency of rural transport, which in turn will increase resilience and mitigation; (viii) the preparation of policy reviews and studies; (ix) support to the transfer of ownership or management of selected state owned assets in the agri-food sector; and (x) the provision of trainings and capacity strengthening, including in climate adaptation and mitigation measures, for staff at the OGMoA and affiliated departments to enhance their capacity to support project activities as well as the implementation of the agriculture component of the State Development Plan.
33. **Sub-component 2.3: Upgrading Skills Development (US\$7.5 million from IDA):** This sub-component will finance selected TA and advisory activities to improve skills development at the State level including: (i) strengthening of the State Education Management Information System (EMIS); (ii) TA to TCs to conceptualize their transformation into industry-driven Model Technical Colleges (MTCs); (iii) support for the development and enhancement of apprenticeship training in the formal and in the informal sectors; (iv) the M&E framework for skills including tracer studies; v) support in the design and implementation of the skills fund; and (vi) strategy development for skills development and to conduct policy studies and impact assessments. This sub-component will also support incentivizing the cross-over of female students to traditionally male-dominated trades that have better labor market outcomes; gender sensitization programs in communities (involving civil society groups and community leaders); and supporting the recruitment of female teachers and instructors into the system.
34. **Sub-component 2.4: Improving Public Sector Management (US\$5 million from IDA):** This sub-component which will be implemented by the Ogun State Ministry of Budget and Planning (OGMoBP) will finance selected TA and advisory activities to improve management of selected MDAs in Ogun State including: (i)



supporting the establishment and activities of the Statistical Department with a focus on the main project's MDAs; and (ii) support to the new Procurement Bureau including the development of a procurement reform strategy for the project areas and the systematic introduction of e-procurement across the project's MDAs. This component will also improve the capacity of the Ministry of Budget and Planning (MoBP) to monitor and evaluate the activities of the project MDAs and support the Government in establishing effective feedback loops and communication strategies leveraging digital innovations in citizen engagement.

35. **Sub-component 2.5: Project Implementation Support (US\$10 million from IDA):** The operational capacity of the state MoBP to implement the project will be strengthened by technical specialists who will coordinate the work of the MDAs involved in the project. This sub-component will finance the setup of a Project Implementation Unit (PIU) under the MoBP and will also finance goods, minimal works (such as office and laboratory renovations), consulting services and operational costs of the PIU and Sector Technical Teams, incremental operating costs for the implementing agencies (IA) (as described in the Implementing Arrangements section), and project related audits and security costs.

C. Project Beneficiaries

36. **The main beneficiaries of the project include the following:**
- The active labor force of Ogun State, including youth, women and farmers, who will benefit from STEM education and from other skills development programs (TVET);
 - Farmers in Ogun State who will benefit from increased market access;
 - Entrepreneurs in the agri-food sector and other sectors who will be able to start, operate and expand their businesses due to the improved business environment;
 - Foreign and domestic investors who will be able to initiate and increase their investment in the State to due improved investor services; and
 - The Ogun State Government due to improved capacity to execute its economic transformation agenda.

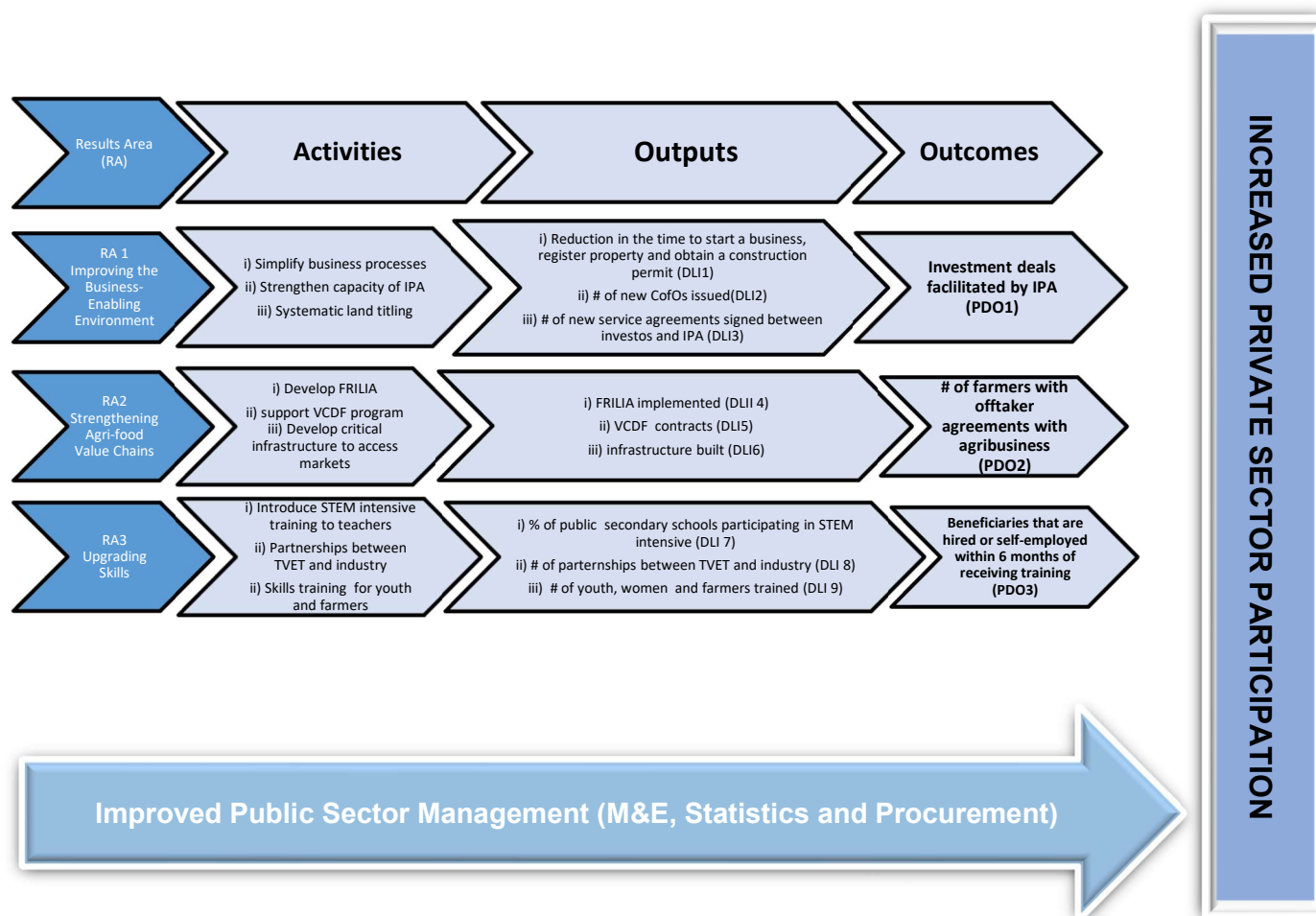
D. Results Chain

37. **The Results Framework is designed to represent the underlying logical strategy to achieve the PDO (see Annex 1).** The Results Chain (Table 3) identifies for each DLI the activities/inputs, outputs, and intermediate outcomes, as well as overall PDO outcomes. All project outcome indicators are directly related to the PDO. DLIs and intermediate outcome indicators are directly linked to the achievement of the project outcome indicators. All indicators are specific, measurable, realistic, and time-bound. Their achievement is within the control of the Government.
38. **The project's Results Chain shows a clear linkage between inputs, outputs and the PDO outcomes.** To improve the BEE the project will support the implementation of reforms that will streamline business processes and strengthen institutions. As a result of the business regulation improvements and investment promotion efforts it is anticipated that the IPA will engage formally with potential and existing investors and facilitate investment inflows into the State. To strengthen agri-food value chains the project will facilitate cluster development working with private VCDFs. The combination of the VCDF contracts,



the implementation of FRILIA which lays the groundwork for responsible agriculture land investments and the development of small-scale infrastructure including feeder roads and irrigation, is expected to increase the number of farmers that have off-taker agreements with agribusiness. To upgrade the skills of the workforce the project will support improvements in STEM education and formal and informal TVET which will lead to increased employability of beneficiaries.

Chart 1: Project Results Chain



Note: **DLI** – Disbursement Linked Indicator; **IPA** – Investment Promotion Agency; **FRILIA** – Framework for Responsible and Inclusive Land Intensive Agriculture; **VCDF** – Value Chain Driver Firm; **STEM** – Science, Technology, Engineering and Mathematics; **TVET** – Technical and Vocational Education and Training; **TC** – Technical College.



E. Rationale for World Bank Involvement and Role of Partners

39. **The World Bank is engaged in a comprehensive program to support the Government of Nigeria in maximizing finance for development, with three major areas of focus:** de-risking the national, sector and sub-national environment for greater participation of the private sector in the economy. The project is a key element of the envisaged World Bank Group support to boost the competitiveness and job creation potential of selected states along the Lagos-Kano economic corridor. The project will also leverage the International Finance Corporation (IFC) interest in investing in the industrial sector in the State. The IFC will collaborate with the World Bank through the following activities: (i) supporting Ogun State in designing a framework to track, analyze and support existing and new investments in the State; and (ii) feasibility studies on road improvements in and attracting private operators to the industrial estates.
40. **The project will support a subset of the overall expenditure program of the State that is related to the SDP's cardinal objectives of agricultural production and industrialization, alongside skills development and improved public sector performance.** With a combined use of result-based financing and TA, the World Bank is well positioned to support Ogun State in implementing the SDP. The World Bank's financing will complement ongoing and pipeline interventions from other development partners. In particular, the International Fund for Agricultural Development's (IFAD's) Agricultural Value Chain Development Project has generated pilots (including in Ogun State) that this project will scale up under Sub-component 1.2. The pilots have successfully clustered farmers and provided assets for product collection and aggregation, thus laying strong foundations for sustainable forms of farmer organization (e.g. cooperatives) and long-term market linkages through productive alliances. In addition, the German Agency for International Cooperation (GIZ) is currently implementing a Pro-Poor Growth and Employment Promotion in Nigeria program with business enabling environment reforms and value chain development as fields of intervention in Ogun State. The European Union (EU), under its pipeline West Africa Competitiveness Program, will also provide TA along selected value chains in Ogun State.
41. **The project is designed to address a number of market failures and to provide critical public goods to stimulate greater private sector participation in the economy of Ogun State.** Ogun State's business environment, including difficult access to land, is a major impediment to accelerated private sector development in the State. The project will support the Ogun State Government's efforts to improve the business environment and to attract more private sector in the State. The lack of collective action in the Ogun State fragmented and smallholder-based agri-food sector imposes stiff costs throughout the sub-optimally performing agri-food systems. The project will support farmers' aggregation and their linkage to services and markets, thereby reducing fragmentation, and creating opportunities for viable downstream activities in the targeted agri-food value chains. Furthermore, the lack of public goods, such as feeder roads, is a major contributor to the underinvestment in otherwise productive agri-food value chains. The project will help fill part of the infrastructure gap in the targeted areas. The economy of Ogun State is also undermined by the low level of skills of its workforce, and underutilization of existing skills development opportunities within the private sector. The project will address this issue and foster the development of market-relevant skills by forging stronger collaboration between formal TVET centers and the private sector. Finally, support to improved public procurement in the State is expected to improve the efficiency of public investment. The support of State's statistics and M&E systems will improve data



and analysis as well as data-informed planning.

F. Lessons Learned and Reflected in the Project Design

42. **The lessons learned from similar World Bank Group operations are related to project sustainability and the capacity of project beneficiaries.** Experiences show that the benefits of reform programs are often limited to the duration of project implementation; reform interventions are seldom continued post-project, particularly in countries with low absorptive capacity. The lack of beneficiary capacity could also inhibit the speed and effectiveness of program implementation. To mitigate this risk, the project will provide TA to strengthen beneficiary capacity. The project will build on, and enhance existing government structures, establish permanent institutions targeted at specific reform areas, and embed best practice organizational structures within such institutions. The project will also focus on strengthening the regulatory, legal and institutional frameworks. The project will work in close collaboration with the State's MDAs, particularly within the MoBP, Ministry of Urban Planning, Ministry of Industry and Commerce, Ministry of Agriculture, and Bureau of Lands, and encourage strong government ownership and commitment in the implementation of project activities to ensure the sustainability of project results. The strengthening of the M&E systems in the State, including the setting up of third-party monitoring and citizen participation and accountability systems, is also expected to strengthen sustainability.
43. **Previous projects have shown that for successful implementation of business environment and investment promotion reforms it is critical to have strong political commitment and ownership.** Streamlining business regulations requires challenging long-held expectations and vested interests over time. The project will require commitment and ownership from the Governor and the administration given its inter-ministerial nature. Through the use of a performance-based financing instrument, the project will foster the development of a best practices within key MDAs. The main project's implementing MDAs will be responsible for the achievement of specific results for which they will receive the required financing. The performance-based system creates an accountability framework within which MDAs will be incentivized to deliver on results, and to build sustainable systems for results delivery over the duration of the project.
44. **With regards to agri-food value chains development, service delivery in smallholder-based agri-food systems is more efficient when the private sector works with groups of farmers as opposed to individual farmers.** Past and ongoing experiences in Nigeria (e.g. Commercial Agriculture Development Project (CADP, P096648), Agro-Processing, Productivity Enhancement and Livelihood Improvement Support Project (APPEALS, P148616) IFAD-financed Value Chain Development Project (VCDP) and from other countries show that successful partnerships can be effective tools for fostering the development of agri-food value chains and mobilizing commercial finance for agriculture. The project is designed to foster successful alliances between clusters of farmers and private sector service providers, input suppliers, and off-takers. The role of the public sector is limited to facilitating collaboration between farmers and qualified private sector and non-government organizations (NGO), through the provision of TA, incentives for collective action (matching grants), and critical public infrastructure. The VCDFs being recruited through the project will be the interface between the public sector and clusters of smallholder farmers and other services providers, including financial services. Lessons learned also demonstrate that collaboration between smallholder clusters and the private sector is more successful when goals are clear



and shared between partners. Learning from the ongoing practice in the IFAD funded VCDP project, the identification of cluster of farmers will be done through extensive consultations. In addition, VCDFs will be competitively selected based on a clear business plan that is endorsed by the clusters for farmers.

45. **The design of the education and skills interventions of the project incorporates several lessons learned, both from national and international experience in skills development.** Most importantly, the involvement of the private sector at the level of training institutions is critical to increasing the relevance of skills development programs. Other World Bank-supported projects in Nigeria (such as the Lagos Eko Project - P106280) and elsewhere have shown that partnerships between training institutions and industries that are strategic and based on formal compacts represent a viable solution to crowd in private resources, improve demand-responsiveness of training institutions, and prepare them for the challenges of future digital labor markets. Broadening – in line with market needs - the range of occupational specializations offered in skills development programs has in many countries resulted in increasing participation of female youth. This applies especially to skills related to the service sector and to modern digital skills. Addressing foundational and soft skills alongside job-specific competencies increases employability and productivity of completers. In this context, tailor-made employability and soft skills courses for female students have proven successful, according to findings of the World Bank's Gender Lab. Data from Nigeria indicate a considerable share of basic school completers lacking basic foundational skills. Skills projects in other countries have demonstrated the value of soft-skills (communication, learning skills, etc.) and sound digital literacy to enhance success in working life. Furthermore, public management capacities are critical to ensure that reform efforts are sustainable. Experience demonstrates that reforms of skills development systems are rather complex due to the multi-stakeholder character of skills delivery systems and more diversified delivery structures, as compared to general education. This requires considerable efforts to accompany reforms with capacity building of public management staff and strengthening the implementation of the regulatory systems.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

46. **Project implementation arrangements aim at ensuring strong government ownership and commitment as well as the sustainability of future results (see Annex 3 for Implementation arrangement details).** The project will therefore build on existing institutional structures in Ogun State. The implementation arrangements will ensure adequate representation of relevant institutions and promote inter-ministerial coordination and alignment around project objectives. The overall coordination of project implementation will be done through a Project Implementation Unit (PIU). The OGMoBP is the ministry responsible for the coordination of project implementation and therefore the PIU is domiciled there, while the State-level MDAs responsible for implementing the project (together referred to as the IAs) includes the OGMoCI, the Ogun State Ministry of Urban and Physical Planning (OGMUPP), the OGBOL, OgunInvest, the Ogun State Property and Investment Corporation (OPIC), the Ogun State Housing Corporation (OSHC), the OGMoA, and the OGMoE. Each of them will play leading roles in overseeing the implementation of activities associated with key DLIs. A Project Steering Committee (PSC) has been set up to provide strategic guidance to project implementation. Each of the main sectors (Commerce and Industry,



Agriculture, and Education) have a Sector Technical Team (STT) in the Ministry of Commerce and Industry, Agriculture and Education, Science and Technology, respectively. The STT has the primary responsibility over the delivery of sector results under the project through the implementation of the annual work plan and budget, in accordance with the PIM. To support the activities of both the PSC and PIU, a Project Technical Committee (PTC) has been constituted, comprising the Commissioner of OGMOBP and a Permanent Secretary and one Director in each of the IAs and the PM from the STTs.

47. **Responsibility for establishing and maintaining acceptable financial management (FM) arrangements will be handled by the existing Project Financial Management Unit (PFMU) in the State.** The PFMU¹⁶ is a multi-donor and multi-project FM platform, established in all states and at federal level through the joint efforts of the Government and the World Bank.
48. **The PIU will include a Safeguards specialist to oversee overall compliance with project safeguards requirements.** An Environmental and Social Safeguards specialist will also be recruited in the key implementing agencies for day to day monitoring of the implementation of safeguards instruments.
49. **Progress toward the achievement of results for Component 1 will be verified twice a year by the Independent Verification Agent (IVA).** The IVA will provide independent confirmation of the results reported to the World Bank and reports-based verification of safeguards compliance as per the arrangements described in the PIM. The IVA for this program will be a firm recruited on the basis of terms of reference developed by the Ogun State Ministry of Finance and approved by the World Bank. The independent verification and confirmation of results and safeguards compliance will accompany any disbursement request to the World Bank. The recruitment of the IVA is therefore a disbursement condition for Component 1.
50. **The Government has exhibited project readiness by making several efforts to jumpstart the project by:** (i) passing an executive order for the establishment of OgunInvest in July 2018 and formally launching the agency in May 2019; establishing the PSC, the PIU and the PTC by Executive Order of the Governor on September 3, 2019; and (iii) hiring Project Managers for the three results areas (business environment, agriculture and skills).

B. Results Monitoring and Evaluation Arrangements

51. **The project's key results will be measured and reported every calendar semester.** To track progress towards achieving desired results, the PIU will monitor and measure PDO-level and intermediate results indicators using the project's Results Framework. Three M&E specialists will support project implementation at the sector level. The project will put in place a MIS database that will be managed as part of the overall M&E system. A project midterm review will be organized no later than three years after project approval to evaluate implementation progress and adjust the project's implementation strategy for faster delivery and greater impact.

¹⁶ World Bank-financed projects in Nigeria have benefited immensely from the PFMU, which is a platform of the Federal Ministry of Finance, with assistance from the World Bank, to attend to the fiduciary responsibilities of the project.



C. Sustainability

52. **The project is supporting a subset of the Government's SDP and as a result, the sense of ownership and commitment to the delivery of results is very high.** The project is designed to strengthen the government's capacity to ensure the sustainability of reforms. The capacity building of the key public institutions at the core of the project will be critical for ensuring the sustainability of the project's achievements, particularly regarding the State Government's ability to implement reforms after project closure. A team of specialists will provide technical support aimed at strengthening the structure of relevant State Government entities and building the capacity required to effectively undertake reforms. The institutional and technical capacities developed through the project will assist in strengthening a culture of planning, managing, and monitoring results for more effective service delivery and a focus on performance and accountability in the provision of programs. The strengthened capacity of the MoBP in M&E through project interventions should ensure that it is able to effectively continue monitoring the performance of the MDAs. Overall, sustainability will come from enhanced presence and participation of the private sector in the economy of Ogun State as well as increased transparency of the government in doing business with the private sector. In addition, enhancing social accountability might also enhance sustainability.
53. **The BEE interventions are designed to facilitate systemic change and ensure sustainability.** The focus on setting the right institutional structure to implement the business environment and investment promotion reforms and embed it within the Government, combined with the prioritization of the broader business environment reform agenda will ensure sustainability of the program. The establishment of the inter-ministerial council which includes the major decision makers within the Ogun Government combined with the Business Environment Secretariat within the OgMoCI (which will implement the agenda of the council) will increase the sustained implementation of reforms. The establishment of a dedicated IPA will consolidate the Ogun Government's approach to investor support thereby improving its effectiveness and increasing its sustainability.
54. **For the agri-food sector, sustainability of the project results depends on the beneficiaries adopting improved technologies on a sustained basis and making profit on their investments.** The project is expected to deliver a sustained higher income for participants in the selected value chains, creating incentives to invest in improving their enterprises. Farmers groups provide a viable framework within which sustainability can be nurtured and accelerated. Sustainability also depends on availability of skills/resources and newly acquired skills. The project will be implemented through participatory approaches to ensure the involvement and commitment of all stakeholders, particularly farmers, at the state and local government levels. Sustainability would also be ensured by creating linkages between stakeholders and the private sector that will be maintained beyond project support. Specific to infrastructure to be built, the project will establish a management structure and operation/management arrangement and train the beneficiaries on the use of each infrastructure after installing the infrastructure. Finally, the design of all investments will incorporate considerations of greater adaptation to climate change.
55. **As regards the education and skills interventions, the high level of commitment of the Ogun State Government to the project, and the use of country systems and processes are key factors that will**



contribute to the sustainability of the project's results. The institutional development plans, which supported TCs are supposed to develop prior to receiving grants, will include a strong focus on strengthening the income generating potential of institutions through production units and running courses on commercial terms, ensuring sustainability of the institutions in terms of recurrent budget in the long run. The systematic support of partnerships with private industries together with the new demand-oriented business model of TCs to be established will be instrumental to leverage private sources for recurrent and investment funding in the future.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

Technical Analysis

56. **The project's design has incorporated lessons learned in value chains development in Nigeria and it has also benefitted from the productive alliance¹⁷ experiences of other countries.** The project's design focuses on binding constraints to agri-food value chain development in Nigeria and Ogun State, and on the critical role of value chain development enterprises in aggregating smallholder farmers, facilitating access to inputs, finance, extension services, and markets. The design also emphasizes the critical role of these enterprises in fostering stronger linkages between key value chain players in the country. The project builds on the productive alliance approach which, while being operationalized in multiple forms in Nigeria, has proven effective for greater use of improved technologies, increased productivity, increased access to finance and extension services, and increased access to markets. Support to infrastructure development (small scale irrigation, feeder roads, and marketing facilities) provides the necessary complementary investment to sustain value chain development activities. The productive alliance approach has been successfully tested in the Nigeria context, through the World Bank-financed Fadama III (P131075) and CADP. It is also being tested through the APPEALS Project. Outside the World Bank, IFAD is using a similar approach to support the development of the cassava and rice value chains across six States, including Ogun State.¹⁸ For the implementation of its Agricultural Promotion Policy (or Green Alternative), the Government has designed and is implementing agri-food sector programs¹⁹ operating on the basis of productive alliance principles. Furthermore, several private operators across the country have already engaged in long term and mutually beneficial relationships with smallholder farmers through various types of productive alliances. Those experiences have demonstrated that there exists

¹⁷The World Bank, November 2016-Linking Farmers to Markets through Productive Alliance. An Assessment of the World Bank Experience in Latin America.

¹⁸ The five other states are: Anambra, Benue, Ebonyi, Niger and Taraba.

¹⁹ One example of public sector programs is the Anchor Borrower Program (ABP) that provides affordable credit to a firm (the "anchor") via a financial institution. The anchor acts as an aggregator of an agri-food value chain and works with groups of farmers to provide input credit, advisory support during production, and offtake the products after harvest. Farmers repay input credit from their output. The program was initiated by the Development Finance Department of the Central Bank of Nigeria (CBN), but it is now managed by Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL). ABP and other agricultural lending schemes have been found to fall short of their intended impact due to several factors including: limited value chain organization and lack of mechanisms (informal and formal) for managing risks along the chain; unsustainable interest rate subsidies, interest rate caps precluding banks from using market-based pricing, lack of disclosure as regards to financial performance, and absence of a rigorous evaluation of the schemes.



adequate capacity in Nigeria and Ogun State to implement the agricultural sub-component of the project. In addition, the TA included in Component 2 will assist in the smooth implementation of the project, leveraging as necessary additional capacities from project implementation partners in the public and the private sectors.

57. **With respect to the BEE, the project will also rely on best practices and lessons learned, with emphasis on interventions to reduce binding constraints to private sector led growth in the State.** The project is leveraging knowledge from multiple years of monitoring DB in Nigeria, including the findings from the sub-national DB surveys already completed in the country, the most recent of which was completed in October 2018. The project specifically focuses on areas of reforms that the private sector continues to perceive as impediments to doing business. Concurrently, the BEE activities of the project will also actively support investment promotion through both a dedicated agency as well as the promotion of industrial zones. The project's support to the IPA is based on known best practices that emphasize an agency that is agile, efficient and result-driven. Industrial zones will be reformed to emphasize private sector management and market-driven investments.
58. **The technical design of the skills development interventions is based on the State's reform priorities as identified in the State Education Sector Plan (SESP) and builds on the lessons learned from other skills and education projects in Nigeria, the findings of World Bank studies and the World Bank's international experience with skills development.** The strong emphasis on the development of STEM competencies at school age is a prerequisite to prepare youth for the market, especially in the digital economy. Emphasizing industry partnerships in the operations of TCs and apprenticeship training, the sub-component's design reflects the understanding that involvement of employers in skills development and close linkages between training providers and industry are the most important drivers for improving quality and labor market relevance of skills development programs and the entire delivery system. Modernizing and improving the quality of training within the informal sector (informal apprenticeship training) will provide specially youth from poor families with the opportunity to catch up on market requirements. In this aspect the positive experience with modernizing informal apprenticeships in other African countries provides a model. Using a demand-oriented funding instrument for the financing of non-formal employability and foundational skills training will ensure that the skills development is decentralized meeting the specific requirements of different target groups, including farmers, and markets. Finally, the emphasis on policy development and institutional capacity building is of critical importance for the sustainability of the skills system. The planned support will facilitate the paradigm shift from a state-centered technical education to a skills development system with strong private sector involvement and influence in planning, monitoring and delivery.

Economic and Financial Analysis

59. **The Economic and Financial Analysis (EFA) is based on direct economic and financial benefits expected from the project, which are assumed to result from interventions in all results areas:** agriculture, skills, business environment and improved public sector performance. The analyses compared 'with' and 'without' project net benefit situations of the four results areas. The methodology, assumptions and data used in the EFA are discussed in Annex 5.



60. **The EFA shows the project is financially and economically sound with high rates of returns and positive net present values (NPV) (see Annex 5 for details).** The EFA results show an overall Economic Internal Rate of Return (EIRR) of 29.5 percent, with Net Present Value of nearly US\$131 million. The EIRRs vary from 22.2 percent for investments in the public sector reforms to more than 46 percent for investments in improved business environment in the State. Returns to investments in improved agri-food value chains and skills development are also high, nearly 28 and 24 percent, respectively. Accounting for the shadow price of carbon further increases the EIRR to investments in agriculture to more than 37 percent. The overall NPV accounting for the shadow price of carbon is estimated at nearly US\$151 million.
61. **Sensitivity Analysis:** A sensitivity analysis was carried out to assess how the internal rate of returns (IRR) and the NPV would change if (a) benefits were reduced by 20 percent, (b) costs increased by 20 percent, or benefits were delayed by one year. Results show the estimated returns to the investments remain relatively high, with the minimum EIRR declining from 22.2 percent 16.5 percent when the benefits from public sector reforms are delayed by one years. Overall, the EIRR is expected to decline from 29.5 to respectively 21.4 and 20.0 percent when costs increase (or benefits decline) by 20 percent. The overall EIRR would fall to nearly 21 percent when the benefits of the project are delayed by one year.

B. Fiduciary

62. **Financial Management: The overall initial FM risk for the project is assessed as substantial.** This is mainly because of the inherent risks of a multi-sectoral operation, not because of the control risks associated with the basic elements of the project's FM arrangement. However, these inherent risks are well mitigated by the use of the PFMU, which features robust controls (internal and external). The PFMU in Ogun State has obtained adequate experience in managing financial flows from other projects and they will be given additional training. With the project's mitigation measures, the residual FM risk remains substantial. The mitigation measures include the use of computerized accounting systems, professionally qualified and experienced FM staff, and an independent and effective internal audit that will adopt risk based internal audit methodology involving risk mapping.
63. **The FM Assessment conclusion is that subject to the implementation of agreed mitigation measures, the project has met the minimum FM requirement in accordance with World Bank IPF Policy and Directive.** Strong and robust FM arrangements will be maintained for the project throughout its duration. Detailed FM reviews will also be carried out regularly, either within the regular proposed supervision plan or a more frequent schedule if needed, to ensure that expenditures incurred by the project remain eligible. The Financial Procedures Manual will detail adequate internal controls which will include an enhanced accountability framework over soft expenditures (travels, study tours, workshops, etc.) which shall be implemented under the project. Regular reporting arrangements and the supervision plan will also ensure that the implementation of the project is closely monitored and that appropriate remedial actions are taken expeditiously. The FM risks will be reviewed during project implementation and updated as appropriate.
64. **The funds flow arrangements are summarized below.** A project's Designated Account (DA) will be established for TA i.e. Component 2, at the PIU at the MoBP, managed by the PFMU. Two expenditure



categories will be considered. Category 1 will cover reimbursement of Eligible Expenditure Programs against achieved DLIs, and Category 2 will include payment against goods, consulting services, non-consulting services, training and operating cost. IDA will make an initial advance disbursement for the TA from the proceeds of the Credit by depositing into the Borrower-operated DA denominated in US Dollars, held in a commercial bank acceptable to IDA. Actual expenditures will be reimbursed through submission of Withdrawal Applications and documented statement of expenditures (SoE). For Category 1, payments will be made through reimbursement (for reimbursement of EEPs in US\$) to Government consolidated fund bank accounts. For Category 2, transfers on a need basis from the DA (for payment of transactions in local currency) will be deposited in the project's Draw-Down Account in the same bank where the DA is domiciled, to pay all local currency project transactions denominated in Naira.

Table 2: Fund Flow Arrangements

Description	Category 1 - Goods, Consulting Services, Non-Consulting Services, Training and Operating Costs for DLIs Achievements (Reimbursement of Eligible Expenditure Program)	Category 2 - Goods, Works, Consulting Services, Non-Consulting Services, Training and Operating Cost for TA
	DLIs - State Payments	
Borrower	Ogun State	Ogun State
Paid into	Ogun State Ministry of Finance – Consolidated Revenue Fund (CRF)	PIU's DA
Basis of payment	<ul style="list-style-type: none"> - Reimbursement of EEPs upon achievement of DLIs in the DLI Matrix, with set amounts per DLI - EEP certification signed by the State Accountant-General 	<ul style="list-style-type: none"> - Specific statements of expenditures against contracts in the approved Procurement Plans and/or activities in the approved Work Plan.
Vetting	OGMoBP/Independent Third Parties, including IVA; final payment approval by World Bank	World Bank
Frequency	On achievement of DLIs	As needed.
Amount Allocated	US\$200 million	US\$50 million
Use of Funds	Deposited in Consolidated Fund of the State Government as reimbursement of State Government expenditure on eligible expenditure program.	Consultant fees, operating costs, goods, minor works and non-consulting services, training/workshops.

65. **The DLI component will reimburse a portion of the State Government's agriculture, BEE and education sectors' EEP expenditures (see Annex 3 for details).** The disbursements will go to Ogun State upon achieving DLIs. The project will work with the State Government to ensure that the State Financial



Management Information Systems (FMIS) adequately captures the budgeted EEPs and actual expenditures in a credible and timely manner. The EEPs should also contribute to meeting project's DLIs and advancing project objectives. The EEPs will comprise of the salaries of the relevant State ministries (MoBP, Ministry of Commerce and Industry, Ministry of Agriculture, Ministry of Education, Science and Technology) and related agencies.

66. **Disbursement arrangements: The project will use the transaction-based disbursement procedures at effectiveness.** Proceeds of the IDA Credit will be used for eligible expenditures as will be defined in the Financing Agreement. Additional details on FM and disbursement arrangements are described in the Disbursement Letter and the PIM.
67. **Disbursement Categories:** The table below sets out the expenditure categories and percentages to be financed out of the credit proceeds.

Table 3: Allocation of IDA Credit for Eligible Expenditures in by Category

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed ²⁰ (inclusive of Taxes)
(1) Eligible Expenditure Program under Part 1 of the project	145,040,000	100% of the Amount of Financing allocated to DLIs, as set forth in the table in the Annex to this Schedule 2 of the Financing Agreement
(2) Goods, works, non-consulting services, consulting services, training and operating costs for Part 2 of the project	32,560,000	100%
(3) Refund of Preparation Advance	3,700,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions as defined in the Financing Agreement

68. **Procurement arrangements: Under the project, procurement will be carried out in accordance with the World Bank procedures** specified in the 'World Bank Procurement Regulations for IPF Borrowers' dated July 2016 and revised November 2017 and August 2018 and the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by International Bank for Reconstruction and Development (IBRD) Loans and IDA Credits and Grants' (revised as of July 1, 2016), as well as the provisions stipulated in the Financing Agreement.

²⁰ As outlined in the Financing Agreement



69. **Procurement will be carried out by the IAs.** The PIU under the OGMOBP will coordinate the activities of the STTs. The mitigation for the identified risks and weaknesses have been discussed and agreed with the IAs. Details of the procurement arrangement are in Annex 3. The procurement arrangements have been assessed and the procurement risk is rated as substantial.
70. **A Project Procurement Strategy for Development (PPSD) has been developed.** The major contracts to be financed under the project involve studies, TA and procurement of low value goods and works. The State has had experience in conducting sector analysis and in the procurement of high value works.
71. **The market analysis has shown that there are many high-quality consultancy firms and suppliers in Lagos, a neighbouring state.** Adequate competition has been received by the State in the procurement of works, goods and consultancy services, using the government's own resources. The market will be proactively engaged for better understanding of the trends and expectations, especially during the development of the technical specifications and terms of reference for goods and services, respectively.
72. **The goods and works to be procured will not exceed the National Competitive Bidding threshold. A few consultancy services may fall within the Quality Cost Based Selection (QCBS) threshold.** International bidders will be allowed to submit bids or proposals for goods, works and services within the National Competitive Bidding threshold. A number of procurement and stakeholder risks were identified and mitigated in the PPCS. These include:
- (i) **Political interference in contract award**, which can be mitigated by carrying out advocacy on the agreed procurement procedures in the Financing Agreement;
 - (ii) **Limited Borrower experience, capacity and capability**, which can be addressed by conducting procurement capacity building for PIU and STT staff on a continuous basis;
 - (iii) **Currency fluctuation, which will be mitigated by allowing international and local bidders and consultants to submit pricing** in three convertible currencies for services to be delivered from abroad; and
 - (iv) **Delayed payment, which can be mitigated by continuing to adopt a contract management strategy** for each contract.
73. **A procurement plan has been developed.** The final version of the procurement plan will be disclosed on the World Bank's external website after project effectiveness. The procurement plan will be updated annually and as necessary in agreement with the World Bank to reflect the project's actual implementation needs and improvements in institutional capacity.
74. **A procurement consultant will be engaged for the PIU** while a Procurement Officer in the public service who is experienced in World Bank procurement procedures should be assigned to each of the IAs, including the PIU. All the IAs should be complemented with Procurement Assistants. The procurement regulatory agency will be supported by a procurement consultant versed in public procurement reforms.

C. Safeguards



(i) Environmental and Social Safeguards

75. **Environmental Category Assessment.** The project has been assigned an Environmental Screening Category –Category “B” because of the civil works activities related to the rehabilitation of existing access roads, and development of small-scale irrigation schemes, the development of small-scale infrastructure such as storage facilities, processing equipment to enhance agricultural production and marketing in production areas and the rehabilitation of the technical colleges.
76. **Safeguards policies triggered.** The project has triggered six environmental and social safeguards policies: Environmental Assessment (OP/BP 4.01) Natural Habitat (OP/BP 4.04), Involuntary Resettlement (OP/BP 4.12), Pest Management (OP/BP 4.09), Physical Cultural Resources (OP/BP 4.11), and Projects on International Waterways (OP 7.50). It is expected that there are likely to be limited adverse negative environmental and social impacts during project implementation, including dust and noise from machinery, increase in levels of pollution, occupational and community health and safety risks, loss of biodiversity predominantly due to use of pesticides. Exact locations of activities are not yet known and in order to successfully identify and manage site specific impacts, an Environmental and Social Management Framework (ESMF), Pest Management Plan (PMP) and Resettlement Policy Framework (RPF) have been prepared by the Borrower according to the National and World Bank policies and were disclosed in-country and at the World Bank website on February 18, 2019 and April 2, 2019 respectively. Environmental and Social Impact Assessments (ESIAs), including Environmental and Social Management Plans (ESMPs) and Resettlement Action Plans (RAPs) will be prepared in due course of implementation for all activities requiring such instruments under this operation. The ESIAs, ESMPs and RAPs will be disclosed in-country and at the World Bank website.

Other Safeguards Policies Triggered

77. **Projects on International Waterways (OP 7.50)** is triggered given that project activities under Component 1 related to the development of small scale irrigation schemes will involve the use of water resources from several cross-border rivers and tributaries in Ogun State that discharge into the Badagry/Porto-Novo lagoon system shared by Nigeria and Benin, which are considered international waterways under the OP 7.50. These rivers include the Yewa river (tributaries are the Yewa-Mata and Eggua rivers), the Okpara river (no tributaries), the Ogun river (tributaries are the Oyan, Ofiki and Opeki rivers) and the Oshun river (tributary is the Oba river). The Ogun and Oshun rivers and their tributaries run exclusively on Nigerian territory before connecting to the Badagry/Port Novo lagoon which connects directly to the sea. The exception to the notification requirement according to paragraph 7 (a) of OP 7.50 applies for the Yewa river system, and according to paragraph 7 (b) for the Ogun and Oshun rivers and their tributaries. The Regional Vice-President for Africa has approved the exception to the notification requirement on October 31, 2019.
78. **Screening Process.** The ESMF includes an Environmental and Social Screening Checklist (ESSC) that has been designed using the World Bank’s environmental and social safeguards guidelines and the Nigeria Environmental Impact Assessment (EIA) guidelines as checklist benchmarks to assist in the evaluation of proposed interventions under the project. A review process will be put in place to ensure screening of all potential civil work activities for environmental and social impacts prior to the PIU approval. The screening



will be carried out under the supervision of a designated officer of the PIU and MDAs (Environmental and Social Safeguards Specialists) in collaboration with the relevant MDA (Ogun State Ministry of Environment—OGMoEn) in accordance with the established procedures. This will include an Environmental Screening Sheet (EES) showing the estimated impact category of each activity involving the rehabilitation and/or up-grading of infrastructure. The screening process will involve an assessment to determine: (a) the appropriate activity/intervention categorization for the EA; (b) applicable World Bank environmental and social safeguards instruments (ESIA/ESMP/RAP); (c) potential for environmental and social impacts; and (d) cultural or other sensitivities. The screening will also examine potential issues related to gender and occupational health and safety, and safeguards specialists will be equipped with knowledge and tools to fully capture these questions during the screening process. In addition, the screening will determine stakeholder category of those activities/interventions. Specific safeguards instruments will be submitted to the Bank for planned DLI based activities consistent with the ESMF and RPF. The PIU will be expected to send periodic reports on the implementation of all safeguard instruments and the Bank team will review compliance as part of project supervision.

79. **Environmental and Social Management Plans (ESMPs).** Relevant activities under the project will involve the preparation of ESMPs to address safety and environmental regulatory compliance objectives, institutional responsibilities and other related commitments. The ESMPs and safeguards instruments for project activities, including DLI-based activities, will be submitted to the Bank along with annual work plans for Bank's review and approval. Project activities such as the rehabilitation of technical schools have been identified by the Borrower and exact locations are known. Eight (8) TCs were screened to determine the appropriate level of environmental and social assessment, instrument and management for each proposed TC site. Civil works include site clearance; removal of asbestos ceilings/roofs and reroofing; painting of walls, rehabilitation of windows and doors; rehabilitation of toilet facilities; rehabilitation of perimeter fencing; expansion of classrooms and workshops and the provision of workshop equipment. Site specific ESMPs for six (6) selected technical schools have been prepared by the Borrower according to the National and World Bank policies. The approved ESMPs were disclosed in-country and at the World Bank website on May 13, 2019 and May 15, 2019, respectively.
80. **Project stakeholders were consulted during the preparation of the ESMF.** Stakeholders consulted included Permanent Secretaries, Directors, Heads of departments of MDAs, Community Based Organizations (CBOs) and NGOs. The discussions provided insight into the State's legislations and laws on the environment and urban planning, agriculture, State Government methods for engaging local communities and achieving participation in implementation of projects. The exact locations and impacts of the project interventions have not been identified.

Climate co-benefits

81. **Climate and geophysical hazards that are relevant to the project include extreme droughts and greater unreliability of rainfall regimes that will negatively affect crop and livestock productivity.** Land degradation, reduced soil fertility, and loss of arable land may drastically reduce crop yields, forage and fodder/feed production for livestock as well as water availability. Higher temperatures will increase the incidence of heat stress and lower productivity for crops and livestock, as well as higher susceptibility to plant and animal diseases. Other important effects include loss of crop and livestock dependent



livelihoods and forced migration. There are also risks of geographical shifts in the distribution of disease vectors and increased evapotranspiration that reduces overall water availability. Limited resources, higher temperatures, or reduced water availability can also magnify existing strong tensions over land and water. All this is expected to decrease incomes, including for vulnerable groups. The lack of access to information and markets undermines the capacity of smallholder farmers to adapt to climate change. The relative absence of income diversification opportunities is a further constraint to adaptation. The project will mainstream climate change response throughout all project activities, including a systematic application of climate smart approaches to targeted agri-food value chains, infrastructure, and to policies supported through the project.

82. **Priority adaptation strategies to build resilience to climate change include but are not limited to the following:** climate smart agriculture, diversification and expansion of protected areas under sustainable management, including resource harvesting, for the conservation of ecosystems, reducing existing pressures on natural ecosystems, restoration of degraded environments, monitoring ecosystems dynamics, strengthening weather forecasting, capacity building in the agriculture sector, creating awareness, and building resilience of farming systems and infrastructure supported through the project.
83. **Climate change adaptation and enhancement of resilience in the agricultural sector are priorities for Nigeria.** Most of the country has moderate climate with tropical moisture regime, with higher humidity in the South. The dominant soil type is Low Activity Clay. The World Bank has adopted a corporate mandate to quantify the GHG mitigation potential of its projects, as an important step in managing and ultimately reducing emissions. For that purpose, it uses the EX-ACT tool. For the project, the net carbon balance quantifies GHGs emitted or sequestered as a result of the project compared to the without-project scenario. The results show that over the project duration of 20 years (including six years for project's activities implementation, and 14 years for capitalization of its effects), the project constitutes a carbon emission savings of a total of -1,159,967 tCO₂-eq, equivalent to savings of 57,998 tCO₂-eq per year.
84. **The project is rated as moderately exposed to exogenous climate risks.** Nigeria and Ogun State have experienced climate and geophysical hazards in the past and they are expected to experience these in the future with higher intensity, frequency, and duration. Because Ogun State's economy is dependent on climate-sensitive and climate-impactful industries (e.g. agriculture, forestry, extraction) climate change threatens to exacerbate its vulnerability to extreme weather events and limit economic growth in certain sectors. The project will address climate change across all three result areas by mainstreaming climate friendly business solutions un the BEE sub-component; supporting climate smart agriculture and resilient infrastructure in the agriculture sub-component; and introducing knowledge of climate change and solutions in formal and unformal education and training interventions under the project.
85. **In addition to the carbon emission savings from agricultural sector activities, the project will proactively engage in adaptation and mitigation activities in investment promotion and skills development.** Investment promotion activities will include targeted investment attraction efforts for climate-relevant foreign and domestic private investments. The technical colleges to be upgraded will incorporate physical infrastructure and equipment that incorporates climate considerations and energy efficiency measures.

(ii) Social Safeguards



86. **The project's overall social impacts are expected to be positive, yet some activities may generate adverse social impacts.** These activities are those related to Component 1, Sub components 1.2 and 2.2 (development of infrastructures for small scale irrigation, improvement and rehabilitation of feeder roads, post-harvest infrastructure, aggregation/ processing platforms and the agricultural land management system) and are likely to result in land acquisition or restriction of access to resources used by the population, thereby triggering OP 4.12 on Involuntary Resettlement. Feeder road activities will be limited to existing roads right of way, and other infrastructure related activities (such as small-scale irrigation schemes) will be screened according to a RPF and subsequent RAPs as and when needed will be prepared for the project. The RPF was prepared for the project as part of the social due diligence process since the specific sites or impacts of these physical investments are not yet determined. The RPF was consulted upon in-country and published in Nigeria on February 18, 2019 and on the World Bank external website on March 7, 2019.
87. **All activities proposed to be included in the project will be screened and classified according to the potential social and involuntary resettlement impact.** The screening will be limited to the established area of the activity's influence as defined by engineering drawings, maps and satellite images of the project's area showing homes, farms, workplaces, schools, health posts, places of worship and other places to which people require regular access. If the screening determines that resettlement is likely, the next step will be to initiate resettlement planning, consultation and the preparation of a RAP.
88. **The RPF will guide preparation of specific RAPs before any project activities that may lead to involuntary resettlement are initiated.** RAPs will include measures to compensate for negative impacts on project-affected persons and will be disclosed by the World Bank prior to commencement of any civil works.
89. **Labor Influx.** To ensure proper management of potential labor influx, the project will establish clear guidance and rules as part of social due diligence for workers' contracts, ensuring that they include measures for managing the potential impacts of external workforce on the local community; contractors who bring workers and operators from outside the area, will have to prepare specific measures, such as that workers are housed in adequate work camps during construction. To preempt and protect local host communities against any potential influx of road workers and others implementing the project in rural areas, preparation and implementation of an HIV/AIDS prevention plan will be part of the contractual obligations of service providers hired through the project. Contractors will also be required to institute codes of conduct for their workers and related measures to mitigate the possibility of gender-based violence (GBV) in the project sites and this will be closely monitored during supervision missions.
90. **Citizen engagement.** Citizen engagement is integral to the design of the project and will remain a cornerstone of implementation and ultimately of the project's success. All key stakeholders in the agri-food sector (farmers, processors, traders, agribusiness and so on), the public and private sector players, civil society, and the most vulnerable groups (women and youth) will be consulted during project implementation including in defining the scope of project activities. Stakeholder consultations will be organized bi-annually. They will be geographically decentralized to cover each of the three senatorial districts of Ogun State. Project implementation will continue to involve, among others, relevant private sector representatives, relevant state agencies / MDAs administrators, farmer cooperatives, as well as private agribusinesses. Citizen engagement will be monitored through beneficiaries' satisfaction surveys



with project interventions. Bi-annual stakeholder consultations, direct engagement between the project staff and stakeholders, and regular World Bank supervision missions will all serve as means to strengthen engagement with citizens and ensure the feedback loop is closed.

91. **Grievance Redress Mechanism (GRM).** The project will establish a project level grievance redress and beneficiary feedback mechanism. The mechanism will help to provide a forum for addressing grievances and disputes, in order to resolve disputes relatively quickly before they escalate to an unmanageable level to facilitate effective communication between the project and affected persons and to win the trust and confidence of project beneficiaries. Arrangements for grievance redress mechanisms at the local level will be integrated in the overall project GRM.
92. **Expected social benefits.** For small-scale farmers as well as other participants in agri-food value chains, project interventions are expected to result in several social benefits, including increased production capacity, income diversification and security, job creation, and induced local economic development. The project will also ensure that gender, age, ethnicity, and income groups are well represented across the proposed area of influence to ensure inclusiveness.
93. **Gender Based Violence (GBV) and Sexual Exploitation and Abuse (SEA).** Although GBV/SEA related risks linked to the project are not expected to be substantial, the project will incorporate mitigating measures including requirements in works-related contracts for stringent staff codes of conduct, relevant GBV / SEA training, and adoption of mitigation action plans. An NGO will be engaged to carry out public outreach, train PIU and staff of firms hired under the project on GBV/SEA prevention and provide case-level support to GBV/SEA survivors in the project's areas. The project's Grievance Redress Mechanism (GRM) will be designed to ensure survivors of GBV/ SEA have multiple, safe, and confidential entry points to file complaints if they so desire; provide referral path for immediate support; and improve monitoring and reporting.
94. **In addition, the project will develop a comprehensive gender and youth strategy to enhance the role of women and youth throughout project interventions and along agri-food value chains.** The strategy will cover all segments of the value chain from production to processing and marketing. The strategy will emphasize facilitating access to assets, training, and employment, especially for women. The Ogun State Ministry of Women Affairs and Social Development (MWASD) will be consulted regarding the development of the strategy.
95. **World Bank Grievance Redress.** Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project level grievance redress mechanism or WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address Project-related concerns. Project affected communities and individuals may submit their complaint to the WB's Independent Inspection Panel which determines whether harm occurred or could occur because of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Banks management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress->



service. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

V. KEY RISKS

96. **The overall risk of the project is substantial.** Macroeconomic risks are rated high. In five out of the eight categories, the level of risk is rated substantial: Sector Strategies and Policies, Technical Design of Program, Institutional Capacity for Implementation and Sustainability, Environment and Social, and Fiduciary. The level of risk for Political and Governance and Stakeholders is considered moderate.
97. **Macroeconomic risks are rated high.** The current macroeconomic environment in Nigeria is particularly challenging. The Nigerian economy remains dependent on the small oil sector for the bulk of its fiscal revenues and foreign exchange earnings. This makes Nigeria's balance of payments and government budgets vulnerable to the volatility of oil prices. Nigeria's emergence from recession remains very slow, and sectoral growth patterns are unstable. The national macroeconomic environment directly affects Ogun State especially given the predominant role of federal allocations of fiscal revenues. Nevertheless, Ogun state is in an advantageous situation as it is attracting record levels of foreign direct investment (FDI) due to its proximity to Lagos and its relative affordability and availability of land. The project is supporting increasing private investment and diversification in the state which should mitigate the state's dependence on federal allocations.
98. **Sector Strategies & Policies are rated substantial.** While there is strong leadership in Ogun State, it is recognized that there is limited capacity in institutions, so the level of risk for Sector Strategies & Policies is rated substantial. Furthermore, the project will involve private sector entities which are not under the control of the State Government which also increases the risk of implementation. However, the project aims at supporting Ogun State to strengthen key sector strategies and policies (in the agriculture, business environment and skills sectors, in particular).
99. **Technical Design of Program is rated substantial.** Given the multi-sectoral nature of this project, the level of risk for Technical Design is also rated substantial. However, many of those risks will be mitigated through the project's substantial TA component.
100. **Institutional Capacity for Implementation and Sustainability is rated substantial.** The weak level of institutional capacity lead to a substantial risk rating. Significant capacity building will be provided to institutions critical for the project's success. The increased capacity and the implementation of best practice systems and processes over the course of the project will make the State more attractive to the private sector and enhance the sustainability of project achievements.
101. **Environment and Social risks are rated substantial.** The main risks are associated with the civil works. Other risks are related to the shortcomings in the legal framework for land in Nigeria, particularly with respect to land acquisition and resettlement issues lead to a substantial-risk level for environment and social aspects. However, this risk will be mitigated by the adoption and implementation of FRILIA over the course of the project and the implementation of the ESMF, RPF, PMP and ESMP already prepared.



102. **Fiduciary risks are rated substantial.** Financial management risks are rated as substantial due to the inherent risks of a multi-sectoral operation. However, these inherent risks are well mitigated by the use of the PFMU, which features robust controls (internal and external). The PFMU in Ogun State has obtained adequate experience in managing financial flows from other projects and they will be given additional training. The mitigation measures also include the use of computerized accounting systems, professionally qualified and experienced FM staff, and an independent and effective internal audit that will adopt risk based internal audit methodology involving risk mapping. Procurement risks are also rated as substantial due to the limited experience in implementing World Bank-funded projects. As a mitigation measure, a Procurement Officer each who previously worked in a World Bank-funded project and sufficiently knowledgeable in World Bank procurement procedures will be seconded from the State's public service to support the project team.



RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Nigeria

Ogun State Economic Transformation Project

Project Development Objectives(s)

The Project Development Objective (PDO) is to increase the participation of the private sector in the economy of Ogun State with a focus on improving the business-enabling environment, strengthening agri-food value-chains and upgrading skills.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	End Target
Improved business-enabling environment			
Number of investment deals successfully facilitated by the Investment Promotion Agency (IPA) (Number)		0.00	10.00
Strengthened agri-food value chains			
Farmers in production clusters that have off-taker arrangements with agribusinesses (disaggregated by gender and youth) (Number)		0.00	40,000.00
Upgraded skills			
Beneficiaries of skills development programs that are hired or self-employed within 6 months after training (disaggregated by gender and youth) (Number)		0.00	10,000.00



Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
Sub-Component 1.1 & 2.1: Improving the Business-Enabling environment			
Business process simplification (Text)	DLI 1	167 days required to start a business, register property, and obtain a construction permit	110 days required to start a business, register property, and obtain a construction permit
Number of new CofOs issued (disaggregated by gender) (Text)	DLI 2	Land Use policy not adopted	15,000 Certificates of Occupancy
Number of service agreements signed between investors and Investment Promotion Agency (cumulative) (Number) (Text)	DLI 3	One Stop Shop Investment Center (department under Ministry of Commerce)	40 service agreements signed between investors and IPA
Completed tendering process for a private developer/operator of the industrial estate(s) (Text)		No private operator of the state-owned industrial estates	1 tender process completed
Sub-Component 1.2 & 2.2 Strengthening agri-food value chains			
Land areas approved by the Agricultural Land Allocation Committee (ALAC) for agri-food sector investments, in compliance with the FRILIA (Text)	DLI 4	No FRILIA	12,000 Hectares (Ha)
Number of VCDFs competitively recruited by the project (Number)	DLI 5	0.00	8.00
Volume of farm products purchased from cluster farmers (Metric tons/year)		0.00	200,000.00
Feeder roads rehabilitated and area of land with access to improved irrigation (Text)	DLI 6	Limited access to irrigation and feeder roads	5000 Ha of land and 150 kilometres of road
Sub-Component 1.3 & 2.3 Upgrading skills			
Public schools participating in STEM intensive teaching program (Percentage)	DLI 7	0.00	80.00
Companies participating in dual apprenticeship programs (Number)	DLI 8	0.00	30.00



Indicator Name	DLI	Baseline	End Target
Beneficiaries of community-based skills development programs (Disaggregated by gender) (Number)	DLI 9	0.00	16,000.00
Informal mastercraftspersons supported to improve their capacities as trainers (Number)		0.00	100.00
Sub-Component 2.4 Improving public sector management			
MDAs evaluated by Ogun Ministry of Budget and Planning M&E Department (Text)		No MDAs evaluated	3 MDAs evaluated
Beneficiary satisfaction rate with quality of services provided by the project (Percentage)		0.00	80.00
Percentage of grievances registered and addressed related to the delivery of project (Percentage)		0.00	80.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of investment deals successfully facilitated by the Investment Promotion Agency (IPA)	Investment deals successfully facilitated: An investment deal (minimum size USD 5 million) shall be deemed as successfully facilitated when one or more of the following has taken place by an investor	Annually	OgunInvest		OgunInvest



	<p>that signed an MoU with the IPA:</p> <ul style="list-style-type: none"> • Press Statement by company HQ; • Land lease/purchase signed; and/or • Business registration has been completed 				
Farmers in production clusters that have off-taker arrangements with agribusinesses (disaggregated by gender and youth)	<p>Off-taker agreements are facilitated by the VCDFs. The agreements link farmers groups or production clusters to off-takers. In the agreement, off-takers will commit to purchase a specified volume of agri-food products from farmers. The agreements will also indicate the minimum price off-takers are willing to pay, and farmers are willing to accept, for any given agri-food product supported by the agreements</p>	Annually	Field Surveys		Ogun State Ministry of Agriculture (OGMoA)/PIU
Beneficiaries of skills development programs that are hired or self-employed within 6 months after training (disaggregated by gender and youth)	<p>Graduates from supported Technical Colleges as well as graduates or completers from community-based</p>	Annually	Tracer studies; field Surveys		Ogun State Ministry of Education, Science and Technology



	skills training programs supported through the Skills Fund that are in wage employment or self-employed six months after being awarded the completion/graduation certificate.				(OGMoE)/PIU
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Business process simplification	Aggregate time required (number of days) to register a business, register property, and obtain a construction permit in Ogun State. The indicator used to represent the total number of days to start and operate a business in Ogun state will be represented by the number of days indicated in the Nigeria Subnational Doing business Survey (or Field survey in line with SNDB methodology for the years in which the SNDB is	Bi-annually (every 2 years)	Qualitative surveys of relevant MDAs and private sector users	Nigeria Subnational Doing Business survey - SNDB or Field survey in line with SNDB methodology for the years in which the SNDB is not conducted	Ogun State Ministry of Commerce and Industry (OGMoCI)/PIU



	not conducted) to Register a business, Register Property, and obtain Construction Permits.				
Number of new CofOs issued (disaggregated by gender)	Number of new Certificates of Occupancy issued (disaggregated by gender)	Annually	Ogun State Bureau of Lands	Ogun State Bureau of Lands Database	Ogun State Bureau of Lands/PIU
Number of service agreements signed between investors and Investment Promotion Agency (cumulative) (Number)	Service agreements signed between investors and the IPA to engage the IPA's services to support new investment and expansion plans.	Annually	OgunInvest/P IU	OgunInvest Database	OgunInvest
Completed tendering process for a private developer/operator of the industrial estate(s)	Competitive selection process to select a private developer/operator of the industrial estate(s) completed but before documents are signed	Biannually	OPIC	OPIC	OPIC
Land areas approved by the Agricultural Land Allocation Committee (ALAC) for agri-food sector investments, in compliance with the FRILIA	This will involve first the approval of key principles by the Ogun State Governor, then the development of a framework through a participatory process, the testing of the pilot, and a social audit to confirm satisfactory implementation of the framework. The	Annually	Ministry of Agriculture through an independent auditor conducting a social audit of the implementation of the	(a) Principles approved by Governor; (b) Framework developed through a participatory process (minutes of consultations); (c) testing of pilot; (d) enactment of framework; (e) social audit to confirm	Ogun State OGMoA



	independent auditor will review lands applications approved by ALAC and determine their compliance with the FRILIA principles.		framework	satisfactory implementation of the framework	
Number of VCDFs competitively recruited by the project	Contracts signed with VCDF selected through a competitive bidding process	Annually	Ministry of Agriculture	Ministry of Agriculture	OGMoA
Volume of farm products purchased from cluster farmers	Quantity of farm products (in tons), from the targeted value chains, that are purchased from farmers' clusters supported by the project	Annually	Project's management and information system at Ministry of Agriculture	Project's management and information system at Ministry of Agriculture	OGMoA
Feeder roads rehabilitated and area of land with access to improved irrigation	Small scale irrigation land area (in ha) developed with the project support as verified through completed work contracts. Kilometers of feeder roads rehabilitated as per the technical specification confirmed by the supervising engineers	Annually	Project's management and information system at Ministry of Agriculture	Project's management and information system at Ministry of Agriculture	OGMoA
Public schools participating in STEM intensive teaching program	The percentage of public senior secondary schools in Ogun that have teachers	Annually	Data from program with training lists	Data from program with training lists of schools and teachers	Ogun State Ministry of Education, Science and



	participating in the program		of schools and teachers		Technology (OGMoE)
Companies participating in dual apprenticeship programs	Number of firms that participate in formal dual training programs facilitated by OGUNCCIMA or any other relevant business representative organization. Participation is proven by having signed apprenticeship contracts with apprentices to be trained in cooperation with a training institution.	Annually	MIS data of Ogun State Ministry of Education, Science and Technology, project records from OGUNCCIMA	MIS data of Ogun State Ministry of Education, Science and Technology, project records from OGUNCCIMA	OGMoE
Beneficiaries of community-based skills development programs (Disaggregated by gender)	All farmers, youth, women and other target groups enrolled in any training programs supported under the competitive Skills Fund, plus apprentices benefitting from improved informal apprenticeship pilot project	Annually	Project administrative data, enrolment records of supported training providers	Project administrative data, enrolment records of supported training providers	OGMoE
Informal mastercraftspersons supported to improve their capacities as trainers	Mastercraftspersons involved in informal apprenticeship training participating in capacity building activities as part of the support to informal	Year 5	Project administrative data, Ogun State Ministry of Education	Project administrative data, Ogun State Ministry of Education	OGMoE



	apprenticeship training pilot project				
MDAs evaluated by Ogun Ministry of Budget and Planning M&E Department	The number of MDAs that the M&E department completes evaluations of	Annually	Project administrative data, MoBP		Ogun State Ministry of Budget and Planning (OGMoBP)
Beneficiary satisfaction rate with quality of services provided by the project	This indicator measures the percentage of beneficiaries who expressed satisfaction with the services provided in the project areas based on formal surveys. The sample size should be representative of the total number of beneficiaries.	Annually	Annual beneficiary satisfaction survey as		OGSTEP Project Implementation Unit (PIU)
Percentage of grievances registered and addressed related to the delivery of project	This indicator measures the utilization of complaints and grievances mechanisms put in place by the project.	Biannually	Computed as the number of grievances addressed divided by total number of grievances filed. Data source is the project's GRM system.		OGSTEP Project Implementation Unit (PIU)



Disbursement Linked Indicators Matrix

DLI 1	Business process simplification			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	Yes	Text	14,000,000.00	2.80
Period	Value		Allocated Amount (USD)	Formula
Baseline	167 days required to start a business, register property, and obtain a construction permit			
Year 1	Institutional framework for Business environment reforms established and Reform Action Plan adopted by Ogun State Business Environment Council		2,000,000.00	
Year 2	n/a		0.00	
Year 3	Reduction in days required to start a business, register property, and obtain a construction permit in Ogun State (as measured in accordance with the methodology set out in the Verification Protocol) to 140 days		6,000,000.00	
Year 4	n/a		0.00	
Year 5	Reduction in days required to start a business, register property, and obtain a construction		6,000,000.00	



	permit in Ogun State (as measured in accordance with the methodology set out in the Verification Protocol) to 110 days			
DLI 2	Improving Land Administration			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	18,000,000.00	4.90
Period	Value		Allocated Amount (USD)	Formula
Baseline	Land Use Policy not adopted			
Year 1	Ogun State land use policy developed, including updated land valuation mechanism in line with international best practice, per criteria set out in the Verification Protocol.		5,000,000.00	
Year 2	n/a		0.00	
Year 3	5,000 new Certificates of Occupancy (CofOs) issued by Ogun State Bureau of Lands (excluding transfers) and disaggregated by gender		5,000,000.00	
Year 4	10,000 new Certificates of Occupancy (CofOs) issued by Ogun State Bureau of Lands (excluding transfers) and disaggregated by gender		4,000,000.00	
Year 5	15,000 new Certificates of Occupancy (CofOs) issued by Ogun State Bureau of Lands (excluding transfers) and disaggregated by gender		4,000,000.00	



DLI 3	Strengthening Investment Promotion			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	18,000,000.00	4.90
Period	Value	Allocated Amount (USD)		Formula
Baseline	One Stop Shop Investment Centre (department under Ministry of Commerce)			
Year 1	Investment Promotion Agency established and fully operational, per criteria set out in the Verification Protocol.	5,000,000.00		
Year 2	n/a	0.00		
Year 3	15 new service agreements signed between investors and Investment Promotion Agency	5,000,000.00		
Year 4	25 new service agreements signed between investors and Investment Promotion Agency	4,000,000.00		
Year 5	40 new service agreements signed between investors and Investment Promotion Agency	4,000,000.00		



DLI 4	Development and Implementation of a Framework for Responsible and Inclusive Land-Intensive Agricultural Investments (FRILIA)			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	Yes	Text	15,000,000.00	4.20
Period	Value		Allocated Amount (USD)	Formula
Baseline	No FRILIA			
Year 1	FRILIA principles adopted by Executive Order of the Governor of Ogun State; and A FRILIA Implementation Plan (as defined in the Verification Protocol) has been prepared and adopted by the Agricultural Land Allocation Committee (ALAC) through a consultative process satisfactory to the Association; and A FRILIA Implementation Compliance Checklist, satisfactory to the Association, has been developed by ALAC.		3,000,000.00	
Year 2	3,000 hectares of lands for agri-food sector investments, in compliance with the FRILIA implementation checklist		3,000,000.00	
Year 3	3,000 additional hectares of lands for agri-food sector investments, in compliance with the FRILIA implementation checklist		3,000,000.00	
Year 4	3,000 additional hectares of lands for agri-food sector investments, in compliance with the FRILIA		3,000,000.00	



	implementation checklist		
Year 5	3,000 additional hectares of lands for agri-food sector investments, in compliance with the FRILIA implementation checklist	3,000,000.00	
DLI 5	Support to Value Chain Development		
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)
Process	Yes	Text	22,000,000.00
Period	Value	Allocated Amount (USD)	As % of Total Financing Amount
Baseline	0.00		
Year 1	4 VCDFs competitively selected and contract	4,000,000.00	
Year 2	a) 4 new VCDFs Competitively selected and contracted; b) 20% of first 4 VCDF contracts signed fully completed	5,000,000.00	
Year 3	a) 30% of all VCDF contracts fully performed; and b) 10,000 farmers have off-taker arrangements with agribusinesses	5,000,000.00	
Year 4	a) 60% of all VCDF contracts fully performed; b) 25,000 farmers have off-taker arrangements with agribusinesses	4,000,000.00	
Year 5	a) 80% of all VCDF contracts fully performed; b) 40,000 farmers have off-taker arrangements with	4,000,000.00	



	agribusinesses			
DLI 6	Development of infrastructure for agricultural production and marketing			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	No	Text	38,000,000.00	10.66
Period	Value		Allocated Amount (USD)	Formula
Baseline	Limited access to irrigation and feeder roads.			
Year 1	Feasibility studies including environment and social assessments completed for: 1,000 ha of small-scale irrigation lands and 40 km of feeder roads.		4,000,000.00	
Year 2	a) Feasibility studies completed for additional 1,500 ha of small-scale irrigation lands and additional 40 km of feeder roads; and b) 1,000 ha of small-scale irrigation lands developed and 40 km of feeder roads rehabilitated.		9,000,000.00	
Year 3	a) Feasibility studies completed for additional 1,500 ha of small-scale irrigation lands and additional 40 km of feeder roads; and b) additional 1,500 ha small-scale irrigation lands developed and additional 40 km of feeder roads rehabilitated.		10,000,000.00	
Year 4	a) Feasibility studies completed for additional 1,000 ha of small-scale irrigation lands and		10,000,000.00	



	additional 30 km of feeder roads; and b) additional 1,500 ha of small-scale irrigation lands developed and additional 40 km of feeder roads rehabilitated.			
Year 5	Additional 1,000 ha of small-scale irrigation lands developed and additional 30 km of feeder roads rehabilitated.	5,000,000.00		
DLI 7	Introduction of STEM teaching program			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	Yes	Text	15,000,000.00	3.32
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Year 1	Modified Progressive Science Initiative (PSI) and Progressive Mathematics Initiative (PMI) package developed and approved by Ogun State Ministry of Education, Science and Technology		4,000,000.00	
Year 2	-		0.00	
Year 3	70% of public secondary schools participating in the STEM intensive teaching program (as defined in the Verification Protocol)		5,500,000.00	
Year 4	-		0.00	



Year 5	50% of teachers participating in the intensive STEM teaching program with measured improvements (standard assessment methods) in teaching practices through increased use of techniques under the program.		5,500,000.00	
DLI 8	Improved relevance and performance of TVET through partnerships with industry			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	Yes	Text	40,000,000.00	11.19
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Year 1	a) 6 TCs where a governing board appointed by Ogun State, acting through OGMoE, with at least 50% of its members drawn from the private sector, has been established and is operational per criteria set out in the Verification Protocol; and b) 6 TCs have adopted Institutional Development Plans on terms and conditions set out in the Verification Protocol		8,000,000.00	
Year 2	60 technical teachers from supported TCs have completed at least one full week's training in industrial attachment in the private sector		8,000,000.00	
Year 3	30 private sector firms in Ogun State have signed contracts with an Eligible Technical College (as defined in the Verification Protocol) to accept		8,000,000.00	



	students as interns on terms and conditions set forth in the Verification Protocol			
Year 4	60 private sector firms (cumulative) in Ogun State have signed contracts with an Eligible Technical College (as defined in the Verification Protocol) to accept students as interns on terms and conditions set forth in the Verification Protocol	8,000,000.00		
Year 5	100 private sector firms (cumulative) in Ogun State have signed contracts with an Eligible Technical College (as defined in the Verification Protocol) to accept students as interns on terms and conditions set forth in the Verification Protocol	8,000,000.00		
DLI 9				
Community-based skills training programs through a Competitive Skills Fund				
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Process	Yes	Text	20,000,000.00	4.55
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
Year 1	Competitively accessible fund for community-based skills training providers launched per criteria set out in the Verification Protocol		4,000,000.00	
Year 2	a) 1,000 farmers completed foundational skills training: Allocated Amount USD 1,000,000b)		2,000,000.00	



	1,000 youth and women completed skills acquisition programs or informal apprenticeships: Allocated Amount 1,000,000		
Year 3	a) 2,000 farmers completed foundational skills training (cumulative): Allocated Amount USD 1,000,000b) 2,000 youth and women completed skills acquisition programs or informal apprenticeships (cumulative): Allocated Amount USD 1,000,000	2,000,000.00	
Year 4	a) 5,000 farmers completed foundational skills training (cumulative) : Allocated Amount USD 2,500,000b) 5,000 youth and women completed skills acquisition programs or informal apprenticeships (cumulative) : Allocated Amount USD 2,500,000	5,000,000.00	
Year 5	a) 8,000 farmers completed foundational skills training (cumulative) : Allocated Amount USD 3,500,000b) 8,000 youth completed skills acquisition programs or informal apprenticeships (cumulative) : Allocated Amount USD 3,500,000	7,000,000.00	



Verification Protocol Table: Disbursement Linked Indicators

DLI 1	Business process simplification
Description	Institutional framework for Business environment reforms includes: i) the Business Environment Council to determine overall priorities and set key performance indicators, ii) the Technical Working Groups to develop and implement detailed reform action plans; and iii) the Business Environment Secretariat (BES) to monitor reform implementation. The reform action plan includes the detailed activities and timeline required to streamline business processes. The indicator used to represent the total number of days to start and operate a business in Ogun state will be the number of days indicated in the Nigeria Subnational Doing business Survey to register a business, Register Property, and obtain Construction Permits. The reduction will be calculated from the baseline of 167 days.
Data source/ Agency	OGMoCI/PIU
Verification Entity	IVA
Procedure	IVA to review relevant executive order or equivalent instrument establishing the institutional framework in accordance with Ogun's administrative procedures and review minutes of meeting in which the reform action plan for the State was approved. IVA verifies information provided. For years in which the Nigeria Subnational Doing Business survey - SNDB is available, the data from the survey will be used. In the years in which the SNDB report (or suitable proxy) is not available, a field survey in line with SNDB methodology will be performed.
DLI 2	Improving Land Administration
Description	Number of new Certificates of Occupancies issued (disaggregated by gender)
Data source/ Agency	Ogun State Bureau of Lands/PIU
Verification Entity	IVA



Procedure	IVA reviews supporting documentation submitted.
DLI 3	Strengthening Investment Promotion
Description	Investment Promotion Agency (IPA) operational means: • Key staff (CEO, CFO and Investment officers) are hired; and • Action plan for the first year of operations are approved An agreement is signed between an investor and an Investment Promotion Agency to formalize their relationship after initial inquiries and a site visit to formally engage the Investment Promotion Agency in supporting the investor's efforts to conduct due diligence, acquire facilities and initiate operations.
Data source/ Agency	OgunInvest/PIU
Verification Entity	IVA
Procedure	IVA reviews supporting documentation submitted
DLI 4	Development and Implementation of a Framework for Responsible and Inclusive Land-Intensive Agricultural Investments (FRILIA)
Description	Adoption of FRILIA principles related generally to improving the enabling environment for inclusive land-based investment in the agriculture sector in Ogun state by the Executive Order of the Governor. A FRILIA Implementation Plan (as defined in the Verification Protocol) will be prepared and will detail the rules and procedures for the execution of FRILIA by MDAs. The Implementation Plan will be adopted by the Agricultural Land Allocation Committee (ALAC) through a consultative process satisfactory to the Association. In addition, a FRILIA Implementation Compliance Checklist satisfactory to the Association, has been developed by ALAC, based on the FRILIA Implementation Plan. Implementation of FRILIA will track the acreage of agricultural lands approved in line with the FRILIA in compliance with the FRILIA implementation checklist.
Data source/ Agency	OGMoA / OGBol
Verification Entity	IVA
Procedure	IVA reviews supporting documentation submitted. IVA to conduct social audit to confirm satisfactory implementation of FRILIA



DLI 5	Support to Value Chain Development
Description	VCDFs are competitively selected and contracts signed. • Expression of interest (EOI) to recruit VCDF issued in local newspaper • VCDF shortlist prepared in EOI evaluation report prepared. • Shortlisted VCDFs interact with beneficiary to prepares business plans; • Business plans evaluated and approved. • VCDFs with approved business plan sign contracts with the government. Signed VCDF contracts signed are full performed. VCDF contracts will include a set of performance indicators. The contract is fully performed when the indicators are achieved. Number of farmers in Ogun State with off-taker arrangements with agribusinesses. The business plans prepared by VCDFs in collaboration with farmers will include off-taker arrangement between agribusinesses and farmers. The number of farmers in the off-taker arrangements will capture the value being measured through this indicator.
Data source/ Agency	Ogun State Ministry of Agriculture (OGMoA)
Verification Entity	IVA
Procedure	IVA reviews supporting documentation submitted to verify (a) the number of new VCDFs competitively selected and contracted; (b) the percentage of the VCDF contracts that are fully performed; and (c) the number of of farmers in Ogun State with off-taker arrangements with agribusinesses.
DLI 6	Development of infrastructure for agricultural production and marketing
Description	Signed contracts for feasibility studies and works for the development of small-scale irrigation lands and the rehabilitation feeder roads. Completion of works report prepared by the supervising engineer in OGMoA.
Data source/ Agency	OGMoA
Verification Entity	IVA
Procedure	IVA to review documentation provided and undertake a spot check audit on the irrigation land developed and feeder roads rehabilitated to confirm results. To verify safeguards compliance the IVA will review reports submitted by consulting firms responsible for supervising contracts, as well as reports from PIU and MDA safeguards specialists.



DLI 7	Introduction of STEM teaching program
Description	Yr. 1: Indicator is met if Modified PSI-PMI package is developed and approved by the OGMoE Yr. 3: Percentage of all public secondary schools in Ogun State participating in the STEM Intensive Teaching Program (baseline 0). Participation is proven by the use of the PSI-PMI package in classrooms, as confirmed by the IVA. Yr. 5: Percentage of all teachers that participated in improved STEM teaching capacity building program with measured improvements (according to standard assessment methods) in teaching practices through increased use of techniques under the program. This will be measured through a sample of teachers to be observed and assessed.
Data source/ Agency	Yr 1: Ogun State Ministry of Education, Science and Technology (OGMoE) Yr. 3: OGMoE Yr. 5: Sample survey of participating teachers according to standard assessment methods, commissioned by OGMoE
Verification Entity	IVA
Procedure	Year 1: IVA to verify availability of package and official approval for use. Year 2: IVA to create a baseline sample of teachers to be observed and assessed. Year 3: IVA to verify on a sample basis use of PSI/PMI package in public secondary schools in Ogun state Year 5: IVA to verify same sample of teachers
DLI 8	Improved relevance and performance of TVET through partnerships with industry
Description	Year 1: 1) TCs must have formally launched a new governance board with at least 50% of its members being from the private sector. These boards must have been appointed by the Ogun State government through the OGMoE; and they must have met at least two times. Results of the meetings must have been proven through minutes. 2) Institution Development Plans (IDPs) must have been officially approved by the Ogun State TVET Board. An IDP must have been developed in partnership between the public TC leadership and the private partners of the TCs as demonstrated by minutes of meetings of TC Board. IDPs must at the minimum include a justified selection of focal occupational areas to be upgraded based on established labor market needs; identification of formal and short-term courses to be introduced during the next five years, needed physical rehabilitation, specification of equipment to be procured; strategies and plans to secure availability of qualified teaching staff, increase female participation and strengthen employment promotion services; strategies to increase own income of the institution. Year 2: Technical teachers from supported TCs must have undergone training as



	part of their skills upgrading program in industrial attachment in the private sector of at least one full week. Year 3: Companies in Ogun State must have signed contracts with upgraded TC to accept students as interns in accordance with the curriculum. TCs that qualify as “upgraded” are those that have a new governing board with private sector participation, have accomplished at least 70 percent of the rehabilitation work of their premises identified in the IDP, have procured and installed at least 70 percent of the equipment planned in the IDP, and have a teachers’ vacancy rate of less than 10 percent. Contract teachers are counted against this target. Year 4 and 5: Companies must have signed contracts for internship acceptance, according to the same rules as applicable in Year 3.
Data source/ Agency	TCs/OGMoE
Verification Entity	IVA
Procedure	Year 1: IVA to assess the formal documentation required and the IDPs Year 2: IVA to verify training program with companies and verifies list of internship participants and training minutes. Year 3 to 5: IVA to verify internship contracts, and randomly spot-check internship training in selected companies
DLI 9	Community-based skills training programs through a Competitive Skills Fund
Description	Year 1: Competitive funding facility (Skills Fund) officially approved/launched by state government; operational guidelines available and approved, and first call for proposals launched Years 2-5: Number of farmers, youth and women that completed training programs funded by the Skills Fund or that participated in upgraded informal apprenticeship program supported under the project.
Data source/ Agency	OGMoE
Verification Entity	IVA
Procedure	IVA to check Skills Fund records as well as check enrolment records and conduct site-visits at community training providers supported under the Skills Fund.

Annex 1: Disbursement Linked Indicators Disbursements Scaling Table

DLI	World Bank financing allocated to the DLI (US\$)	Minimum DLI Value to be Achieved to trigger disbursements of World Bank Financing	Maximum DLI Value(s) Expected to be Achieved for World Bank Disbursements Purposes	Determination of Financing Amount to be Disbursed against Achieved and Verified DLI Value(s)
1. Business Process Simplification				
1.1 Institutional framework for Business environment reforms established and Reform Action Plan adopted by the Ogun State Business Environment Council.	2,000,000	N/A	N/A	Pass/Fail. Achievement required before subsequent disbursements for 1.2
1.2 Subject to achievement of DLI # 1.1: Reduction in days to start a business, register property, and obtain construction permit in Ogun State, as measured in accordance with the methodology set out in the Verification Protocol.	12,000,000	150	110	US\$ 1,070,000 per 5 days reduced
2. Improving Land Administration				
2.1. Ogun State land use policy developed, including updated land valuation mechanism in line with international best practice, per criteria set out in the Verification Protocol.	5,000,000	n/a	n/a	Pass/Fail. Achievement required before subsequent disbursements for 2.2
2.2 Subject to achievement of DLI #2.1: The number of new Certificates of Occupancy (CofOs) issued by Ogun State Bureau of Lands (excluding transfers) and disaggregated by gender.	13,000,000	1,000	15,000	US\$ 867,000 per 1,000 new CofOs



3. Strengthening Investment Promotion				
3.1 Investment Promotion Agency established and fully operational, per criteria set out in the Verification Protocol.	5,000,000	N/A	N/A	Pass/Fail.
3.2 Number of service agreements signed between investors and Investment Promotion Agency.	13,000,000	5	40	US\$ 1,625,000 for every 5 new service agreements signed
4. Development and Implementation of a FRILIA				
4.1 FRILIA principles adopted by Executive Order of the Governor of Ogun State; and A FRILIA Implementation Plan (as defined in the Verification Protocol) has been prepared and adopted by the Agricultural Land Allocation Committee (ALAC) through a consultative process satisfactory to the Association; and A FRILIA Implementation Compliance Checklist, satisfactory to the Association, has been developed by ALAC.	3,000,000	N/A	N/A	Pass/Fail. Achievement of 4.1 required before subsequent disbursements for 4.2
4.2 FRILIA (as prepared, adopted and developed per DLI #4.1) is under implementation.	12,000,000	1,000	12,000	US\$1,250,000 per 1,000 HA of land in compliance with FRILIA
5. Support to Value Chain Development				
5.1 Number of new VCDFs competitively selected and contracted.	6,500,000	1	4	US\$ 1,625,000 per VCDF contracted



5.2 Percentage of VCDF contracts signed per DLI #5.1 fully performed.	9,000,000	10	80	US\$1,125,000 per 10 percentage points completed
5.3 Number of farmers in Ogun State with off-taker arrangements with agribusinesses.	6,500,000	10,000	40,000	US\$ 1,625,000 per 10,000 famers with offtaker agreements
6. Development of Infrastructure for agricultural production and marketing:				
6.1 Feasibility studies including environment and social assessments, completed for: 1,000 ha of small-scale irrigation lands and 40 km of feeder roads.	4,000,000	N/A	N/A	Pass/Fail
6.2 Feasibility studies completed for additional 1,500 ha of small-scale irrigation lands and additional 40 km of feeder roads; and 1,000 ha of small-scale irrigation lands developed and 40 km of feeder roads rehabilitated.	9,000,000	N/A	N/A	Pass/Fail
6.3 Feasibility studies completed for additional 1,500 ha of small-scale irrigation lands and additional 40km of feeder roads; and 1,500 ha of additional small-scale irrigation lands developed and additional 40km of feeder roads rehabilitated.	10,000,000	N/A	N/A	Pass/Fail
6.4 Feasibility studies completed for additional 1,000 ha of small-scale irrigation lands and additional 30 km of feeder roads; and 1,500 ha of additional small-scale irrigation lands developed and additional 40 km of feeder roads rehabilitated.	10,000,000	N/A	N/A	Pass/Fail
6.5 1,000 ha of additional small-scale irrigation lands developed and additional 30km of feeder roads rehabilitated.	5,000,000	N/A	N/A	Pass/Fail
7. Introduction of STEM teaching program				



7.1 Modified Progressive Mathematics/Progressive Science Initiative (PSI-PMI) package developed and approved by the Ogun State Ministry of Education, Science and Technology.	4,000,000	N/A	N/A	Pass/Fail Achievement required before subsequent disbursements for 7.2 and 7.3
7.2 Subject to achievement of DLI #7.1: Percentage of public secondary schools in Ogun State participating in the STEM Intensive Teaching Program (as defined in the Verification Protocol).	5,500,000	10	70	US\$ 786,000 per 10 percentage point increase
7.3 Subject to achievement of DLI #7.1: Percentage of teachers with improvements in teaching practices through increased use of techniques under the STEM Intensive Teaching Program, as measured using methodology specified in the Verification Protocol.	5.5	10	50	US\$ 1,100,000 per 10 percentage point increase
8. Improved relevance and performance of TVET through partnerships with industry:				
8.1 Number of Technical Colleges (TC) where a governing board appointed by Ogun State, acting through OGMoe, with at least 50% of its members drawn from the private sector, has been established and is operational per criteria set out in the Verification Protocol.	4,000,000	1	6	US\$667,000 per TC
8.2 Number of TCs that have adopted Institution Development Plans (IDPs), on terms and conditions set forth in the Verification Protocol.	4,000,000	1	6	US\$667,000 per TC
8.3 Number of technical teachers from the aforementioned TC having completed at least one full week's training in industrial attachment in the private sector, as part of their skills	8,000,000	10	60	US\$1,333,000 per 10 teachers



development program under Part 1(c) in the Financing Agreement (subcomponent 1.3) of the Project.				
8.4 Number of private sector firms in Ogun State have signed contracts with an Eligible Technical College (as defined in the Verification Protocol) to accept students as interns on terms and conditions set forth in the Verification Protocol.	24.0	10	100	US\$240,000 per 10 companies
9. Community-based skills training programs through a Competitive Skills Fund				
9.1 Competitively accessible fund for community-based skills training providers launched, per criteria set out in the Verification Protocol.	4,000,000	N/A	N/A	Pass/Fail Achievement required before subsequent disbursements for 9.2 and 9.3
9.2 Subject to achievement of DLI #9.1: Number of farmers having completed foundational skills training.	8,000,000	1,000	8,000	US\$1,000,000 per 1,000 farmers trained
9.3 Subject to achievement of DLI #9.1: Number of youth and women having completed skills acquisition programs or informal apprenticeships.	8.0	1,000	8,000	US\$1,000,000 per 1,000 farmers trained

Annex 1: Detailed Project Description

1. **The Project Development Objective (PDO) is to increase the participation of the private sector in the economy of Ogun State with a focus on improving the BEE, strengthening agri-food value-chains and upgrading skills.** The project is an IPF operation consisting of two inter-related components: a results-based component and an investment component. Component 1 which is results-based will disburse against agreed-upon *actions, outputs and outcomes* (Disbursement-Linked-Indicators or “DLIs”) while Component 2 will finance selected *TA and investment activities* to strengthen the government’s *capacity for implementing* the project and thereby support achieving the results in Component 1. The two components are inherently linked through the results framework. Specifically, TA for systems improvements in the government’s capacity supported by Component 2 would contribute to improved implementation, and the achievement of results that would trigger disbursements under Component 1. With this approach, the partnership and engagement between the World Bank and the Government of Ogun State would span TA for implementation support, and co-financing of an economic transformation program based on the results achieved through this partnership. The project will provide IDA resources to support the implementation of selected elements of the Ogun State Development Plan, which is primarily financed by the Ogun State through its budget.

2. **In conjunction with World Bank financed projects in Nigeria, the project will help address the key constraints to private sector participation in the Ogun State economy, as outlined in Table A1 below.**

Table A1: Addressing the Constraints to Private Sector Investment in Ogun

Key Constraints	Ogun State Economic Transformation Project	Complementary World Bank-financed operations
Business environment	<ul style="list-style-type: none"> Improved and streamlined regulations, licensing, property registration Investor support Land administration 	<ul style="list-style-type: none"> Development Finance Project (P146319): increase access to finance for SMEs through eligible financial intermediaries with the support of a national wholesale development finance institution could potentially benefit SMEs in Ogun State.
Lack of access to markets in the Agriculture sector	<ul style="list-style-type: none"> Aggregated land around clusters of farmers to enhance efficiency of service delivery and market access Value Chain Driver Firms (VCDF) contracted to provide a package of climate smart and productivity-enhancing inputs and services to farmers Matching grants provided through VCDF (productive alliances) to make inputs and services affordable to farmers who will also benefit from skills upgrading Farmer linked to commercial finance and markets through VCDF 	<ul style="list-style-type: none"> Third National Fadama Development Project Additional Financing (P131075): improving farm productivity performance of clusters of farmers engaged in priority food staples



	support	
Skills	<ul style="list-style-type: none"> Improved STEM teaching in secondary schools Foundational skills for farmers Incentivizing partnerships between industry and Technical and Vocational Education and Training (TVET) institutions to increase market fit Apprenticeship Training 	<ul style="list-style-type: none"> Better Education Service for All Program for Results (PforR) (P160430): focus on basic education Innovation Development and Effectiveness in the Acquisition of Skills (IDEAS) Project (166239 – pipeline): strengthening of major system functions in the skills system, including technical teachers training.
Transport	<ul style="list-style-type: none"> Facilitation of rural market access through rehabilitation of feeder roads and financing of market access infrastructure and logistics (aggregation centers, storage facilities, etc.) 	<ul style="list-style-type: none"> Rural Agricultural Access and Agricultural Marketing Project (P163353 – pipeline)
Access to power	<ul style="list-style-type: none"> Improved management of industrial estates leading expected improvements of service delivery, including improved access to power for businesses operating within the industrial estates. 	<ul style="list-style-type: none"> Nigeria Electrification Project (P161885): access to power constraints for households, educational institutions and SMEs
Governance	<ul style="list-style-type: none"> Strengthened fiscal management (procurement) and accountability (result-based planning) in the project results areas 	<ul style="list-style-type: none"> States' Fiscal Transparency and Accountability and Sustainability P4R (P162009): implementation of the FSP and the Open Government Partnership

Component 1: Results based financing to improve the business-enabling environment and foster private sector participation in the agri-food and skills sectors (US\$200 million equivalent from IDA)

3. **The objective of this component is to foster private sector participation in Ogun State through the following results areas: (i) *Improving the BEE*; (ii) *Strengthening agri-food value chains*; and (iii) *Upgrading skills*.** Progress towards achieving these objectives will be measured using nine (9) key DLIs which combine actions, outputs and outcomes. Under this component, project funds will be disbursed against selected EEPs up to capped amounts and conditioned on achievement of the target for agreed disbursement linked indicators (DLIs). While some of the DLIs are scalable and disbursements will be pro-rated others are not-scalable and non-achievement of the DLIs targets in a period will imply that disbursement of the funds associated with that DLI will be withheld (and released later once the DLI is achieved).



4. **Sub-component 1.1 Improving the BEE (US\$50 million from IDA).** The objective of this sub-component is to monitor government reforms to build an enabling business environment conducive for long term private investments. Reform interventions within this component will address regulatory, and institutional challenges that serve as barriers to private sector investments.
- The project will track the reform efforts by Ogun State by strengthening the capacity and effectiveness of the Business Environment Council and other agencies to design and implement reforms in an inclusive way. It will support the design and implementation of a reform program to improve the ease of doing business in the State. These reforms will have a disproportionately positive impact on SMEs, and in particular women, who tend to be more affected by red tape and bureaucratic harassment. **DLI 1 will track implementation progress on addressing the constraints to doing business in Ogun State**, using the Subnational Doing Business reform areas as an entry point: starting a business, dealing with construction permits and registering property. This sub-component will disburse according to the reduction in the number of days to complete these activities.
 - In parallel to the reform efforts aimed at simplifying the registration of property under the DB reforms which focuses on transfers of existing titles, the project will also support improving the land administration system of Ogun State more broadly. **DLI 2 will track the number of CofOs issued by the Ogun State Land Bureau.** The project will support the development and adoption of the Ogun State Land Use regulations and systematic land titling to strengthen citizens' property rights in an inclusive manner.
 - Ogun State has acknowledged that its investment attraction efforts need to be put on a more sustainable footing and made more outcome driven. An executive order by the Governor was issued on July 5, 2018 stating that the the OSIC is now to become OgunInvest as a one-stop resource and coordination center for all investment-related activities in the State with a focus on attracting and facilitating new investment in the State and retaining, expanding, and fostering domestic linkages with existing investments. To begin operations the IPA will need to be approved by the State House of Representatives. **DLI 3 will support the strengthening of the State's capacity to promote, attract and retain domestic and foreign private investments.** This sub-component will disburse according to the achievement of the following results: i) Operationalization of the IPA; and ii) Memoranda of Understanding (MoUs) with investors signed by the IPA.
5. **Sub-component 1.2: Strengthening Agri-food Value Chains (US\$75 million from IDA).** This sub-component will track efforts to attract the private sector to participate in developing key agri-food value chains in the State. The sub-component aims to increase the number of private sector SMEs actively supporting agri-food value chain development, primarily within Ogun State but also with backward and forward linkages with the greater internal market in Nigeria. While supporting agri-food SMEs, the sub-component will promote public investments in critical missing infrastructure for sustainable and profitable agri-food value chain development in the State. Finally, the sub-component will support the government's efforts to promote private investment in agriculture through the development of the inclusive and universally-accepted land acquisition and allocation framework in the State. This sub-component will be implemented by the OGMoA.



6. **This sub-component will monitor Ogun State's efforts to ensure that the benefits from agricultural investments are shared between private investors and local communities.** Recognizing the significant shortcomings of the existing legal framework for land in Nigeria, Ogun State has expressed its commitment to establishing under the Project, a more transparent, efficient, and better-resourced land administration to ensure that current and future demand for land leads to beneficial and equitable outcomes for affected communities, while attracting and supporting high-quality investment. Sound environmental and social practices will further enhance Ogun State's attractiveness to the private sector as it will minimize potential conflicts with communities, as well as conflicts between pastoralists and farmers. The project includes a focus on improving the systems for land acquisition and resettlement, and on adapting the current regulatory and institutional framework to better reflect international best practices.
7. **DLI 4 will track the development and implementation of the FRILIA.**²¹ The FRILIA will provide a comprehensive approach to the acquisition and allocation of land and a robust and inclusive engagement strategy with all stakeholders, including affected communities and vulnerable groups, as well as private investors. Ogun State has committed to the FRILIA principles that incorporate the core elements of internationally-recognized good practice. The State has already prepared the draft FRILIA principles as detailed in Annex 4. These principles will be developed into a more detailed FRILIA. This sub-component will disburse according to the achievement of the following results: (i) the adoption of FRILIA principles by Executive Order of the Governor; and (ii) the preparation of a FRILIA implementation plan and compliance checklist; and (iii) the approval by the ALAC of land for agri-food sector investments, in compliance with the FRILIA implementation checklist.
8. **DLI 5 will track the engagement of VCDF** which will facilitate timely linkage between producers, input suppliers and service providers, and off-takers. This sub-component will disburse as VCDFs are competitively selected and contracted and farmers are linked to markets. The lacking VCDFs are viewed as the "missing middle" among value chain development actors in Nigeria (Ogun State included). The scarcity of VCDFs largely explains the persistent underperformance of the State's agricultural sector, which is dominated by largely unorganized, low productivity, smallholder farmers with limited access to productive inputs, advisory services, finance, and markets. The strength of the VCDF-based model lies in the capacity of the VCDF to work with clusters of farmers to facilitate access to inputs, finance, services and markets. Thus, the VCDF acts as an aggregator of inputs, services and products, thereby creating a larger and more viable markets across the value chains. While the number of VCDFs operating in Nigeria (and Ogun State) are far below the needs, the VCDF experience is already known in the country. Some of the existing VCDFs are initiated by dynamic private sector actors, but most of them operate with the support of a variety of incentives provided through public sector programs.¹⁹
9. **In linking farmers' groups to opportunities in the agri-food sector in Ogun State, VCDF will develop joint business plans with farmers' groups.** For the successful implementation of the approved business plans, the project will provide matching grants to help address market failures and will finance the provision of

²¹ FRILIA is based on the FAO Voluntary Guidelines for the Responsible Tenure of Land, Fisheries and Forests in the context of National Food Security, as well as the FAO Principles for Responsible Investment in Agriculture and Food Systems. It also draws on international good practice for environmental management, land acquisition and resettlement.



key public goods to foster the active participation of farmers and agribusiness firms in the development of promising agri-food value chains in Ogun State. As discussed earlier, the development of the agri-food sector in the State is constrained by a number of factors, including the high cost of land development (including land clearing); high input costs; weak organization of farmers; and the poor integration of producers to markets. In addition, access to production areas is difficult due to the poor quality of feeder roads, and the risks associated with the dominant rainfed agriculture increase climate vulnerability and the frequency of crop failures. Under the sub-component, matching grants will be provided to farmers' groups through VCDF to address the above constraints. The matching grants are expected to boost farmers' participation in the development of targeted agri-food value chains, which in turn will spark VCDFs' interest and incentivize their participation in the development of these value chains.²² Box 3.1 (Annex 2) describes the key features of the project's matching grants for financing joint VCDF/farmers groups business plans, and Box A.1 and Table A.2 (Annex 2) further specify eligibility criteria and additional conditions for the matching grant program.

10. **Donor-funded programs, including IDA-financed operations in Nigeria (CADP, Fadama III - P158535, and APPEALS), have supported similar aggregators.** However, earlier support has been less systematic and smaller in scale, compared to the scope of the proposed support under this Project. Among the number of programs in existence, the most relevant one for Ogun State is the IFAD-financed VCDP which is already operating in the State and covering the cassava and rice value chains. The VCDFs supported under DLI5 will provide a support package comparable to the one offered by VCDP, but value chain coverage—which is demand-driven—is likely to go beyond the cassava and rice value chains that VCDP supports. DLI 5 will disburse against: (i) an increase in the number of VCDFs in the State; (ii) the number of business plans developed by selected VCDFs in consultation and agreement with farmers; (iii) the number of VCDFs that have entered into a mutually beneficial partnership/contract with smallholder farmers based on their business plans; and (iv) progress with the implementation of those VCDF contracts.
11. **DLI 6 will track progress with the development of critical infrastructure to strengthen market linkages to production areas where value chain development alliances are being promoted.** The focus will be on small scale irrigation, feeder roads, and storage facilities and marketing logistics. This sub-component will disburse against the following results under DLI6: (i) feasibility studies (safeguards included) for the infrastructure, including a master plan for small scale irrigation, are completed; and (ii) sections of the infrastructure completed over the course of the project. Climate resilience will be integrated in feasibility studies for feeder roads and small-scale irrigation schemes, with the resulting works also expected to include built-in features of climate resilience. Through support to increasing small scale irrigation schemes and road infrastructure, as well as providing market access infrastructure in rural areas, this sub-component is addressing a distinct set of constraints undermining on-farm productivity growth and overall performance of the agricultural sector. Increased access to small-scale irrigation schemes is expected to increase productivity, quality and reduce variability of agricultural output. The quantum of

²² VCDFs supporting the project are expected to be relatively large and able to work with large number of farmers (above 1,000 farmers). Some of them will be able to have access to credit to finance their core operations, but less likely to financial needs related to market failures (farmers' organization, land development which is costly, purchasing inputs when the cost of credit is prohibitively high, etc.). Once established, VCDFs are expected facilitate financial intermediation on behalf of farmers. The rationale for the matching grants is therefore to address market failures and to facilitate and sustain the establishment of the farmers-VCDF alliances.



small-scale irrigation schemes to be developed (hectares), and feeder roads to be rehabilitated (kilometers) will be driven by the demand captured in the VCDF business plans following extensive consultations with communities within which VCDFs operate. The business plans will specify the operations and maintenance (O&M) arrangements for the infrastructure proposed for project financing. Local Government Areas (LGAs) benefitting from the infrastructure are expected to play a significant role in the sustainability of road maintenance of feeder road and other market access infrastructure financed through the project. Similarly, the financing of small-scale irrigation schemes will be contingent upon the preparation of O&M plans, including the setting up of water user associations to ensure the sustainable use of the assets. Based on lessons learned from similar projects, the sub-component will target high need and high potential areas for early start of infrastructure works, in coordination with VCDFs. In addition, the critical infrastructure that will be financed through the project will be identified at the time of the preparation of the VCDF business plans. Compared to similar projects, including infrastructure in the business plans will allow earlier commencement of works and faster access to infrastructure services by project beneficiaries.

Box A. 1: Ogun State Matching Grant Program for Agri-food Value Chain Development

The key feature of the project's support to the agri-food value chain development is to co-finance business plans underlying productive alliances between numb' groups and the private sector. The agri-food value chain development business plans are prepared by competitively selected VCDFs jointly with farmers' groups, based on identified market opportunities. Farmers' groups may be associations or economic interest groups working in the agri-food sector. The joint business plans may include activities under any of the five areas of support. These include land aggregation and land preparation, including land clearing; farm input support; provision of critical infrastructure; provision of advisory services; and financing VCDFs' operational costs. The level of support will be capped, but business plans can seek support levels that are lower than the maximum. Maximum support is 100 percent for costs related to land and farmers' aggregation, the provision of extension services to farmers, and the incremental operational costs of VCDFs' activities under the project. The support is capped at 90 percent for infrastructure and land preparation costs; 60 percent for crops input costs; and 30 percent for livestock input costs. Specific eligibility conditions are outlined in Box A.2 and summarized below. The instrument for financing the business plans are matching grants, which are provided to farmers through the VCDFs. Matching grants are awarded through annual calls proposals for joint VCDF-farmers' business plans. Call for proposals will be timed to ensure that VCDFs are engaged and business plans are finalized in time and in a way that is aligned with the cropping calendar of the selected crop-based value chains. More than one call for proposals may be organized within any given years. An eligible business plan must meet a minimum set of criteria that would guarantee a minimum scale of operation. A joint VCDF-farmers' business plans must cover a minimum of 1,000 farmers (and other key small-scale value chain participants, such as those involved in food processing and other post-harvest activities). Each VCDF may partner with groups of farmers through one or more business plans. There is also a need to put a ceiling on a VCDF's share of the total financing available under the matching grant program. This ceiling (which applies to all business plans for which the VCDF is a join partner) is set at 15 percent of the total amount of the VCDF program. Both the minimum number of farmers/value chain participants per business plan, and the maximum amount per VCDF, are subject to change with the endorsement of the PSC and IDA's no objection. A technical selection committee at the PIU will review and recommend business plans for approval by the Project's Steering Committee. Only business plans that demonstrate sound technical and financial viability will be approved and financed. The scoring system for business plans will promote women and youth inclusion.



Table A2: Agri-food Value Chain Development Activities Eligible for Matching Grants Financing under the Business Plans and Additional Requirements for the Business Plans

Areas of Support	Level of Support
1. Land aggregation and preparation, including land clearing	<ul style="list-style-type: none"> Up to 100 percent support for farmers/land aggregation costs; support provided through the VCDF; Up to 90 percent support for land preparation costs, including costs for land clearing.
2. Farm inputs	<ul style="list-style-type: none"> Up to 60 percent input support for cassava, rice, horticulture, soybean, sesame and maize farmers; same percentage for other market-driven crops' value chains²³ included in the approved business plans; Up to 30 percent input support to poultry and fish farmers; same percentage for other market-driven crops' value chains included in the approved business plans; For both crops and livestock value chains, the grant percentage will be highest for inclusive business plans that prioritize full participation of women and youth in the project.
3. Infrastructure	<ul style="list-style-type: none"> Rehabilitation of feeder roads; construction of fish ponds, construction/rehabilitation of warehouses and aggregation centers; development of irrigation schemes; small scale processing equipment; Irrigation schemes are developed in compliance of OP 7.50 All infrastructure investments are financed up to 90 percent with 10 percent covered by beneficiaries or local communities.
4. Advisory services	<ul style="list-style-type: none"> Up to 100 percent support for facilitating extension services through the VCDF
5. VCDF's operational costs	<ul style="list-style-type: none"> 100 percent of incremental operational costs directly associated with VCDF support to farmers' groups, as per the approved business plans; Business plans with higher level of own VCDF financing will receive higher scores in the selection process.
<p>The ceiling of a VCDF's share of the total financing available under the matching grant program is set at 15 percent of the total amount of the VCDF program.</p>	

12. **Sub-component 1.3: Upgrading Skills (US\$75 million from IDA).** The sub-component will monitor the improvement in the quality and demand-orientation in the current system of skills development, increase access to market-relevant skills training and strengthen STEM education in secondary schools. It focusses on incentivizing a strong involvement of industry and the private sector in skills development, fostering on-the-job training, increasing tailored training offers for farmers, women, vulnerable populations and people with disabilities throughout Ogun state. Skills development to be supported will address critical

²³ Value chain selection is demand-driven, and conjointly made by the VCDFs and farmers' groups they will support. Eligible commodities include cassava, rice, maize, soybean, sesame. Horticulture, poultry and aquaculture.



gaps in foundational skills including literacy, socio-emotional skills and technical and digital skills. To improve STEM education, new state-of-the-art teaching methodologies will be disseminated, and teachers' competencies increased. The reform will promote innovation in educational delivery, boldly introduce the concept of digital skills development both at school and in TVET and strengthen evidence-based M&E to ensure lasting demand-orientation. The sub-component will disburse according to the following results:

13. ***DLI 7 will track progress in the introduction of an improved STEM teaching program.*** The project will improve the quality of STEM teaching in targeted secondary schools through introducing the PMI and the PSI (to be called PMI-PSI from here on) in a phased approach, beginning with an initial rollout that will include an intensive M&E (M&E) of the implementation process for lessons learned and refinement for scaling up. The program will eventually reach all 285 public senior secondary schools in Ogun. The PMI-PSI approach emphasizes a student-centered pedagogical method that focuses on continuous formative assessment and makes effective use of interactive digital technology such as a computer and interactive projector to deliver lessons more effectively. The model, previously successfully introduced in Argentina and The Gambia, will be applied in the Nigeria context. Funding will be used to revise existing PSI-PMI materials to fit the Ogun context, training of key participants, procurement of essential materials and equipment for schools, as well as M&E activities. The project will further support the development of a STEM teacher support network for Continuing Professional Development (CPD).
14. ***DLI 8 will track the deepening of partnerships between the private sector and technical colleges, with the aim of sustainably improving the relevance of formal TVET in the State.*** Funds will be used to modernize eight public TCs and convert these into MTCs linked to major industrial sectors. Those MTCs will be run as and through partnerships with companies and industry groups, and new governance structures for the colleges delegating critical responsibilities to private sector stakeholders will ensure that the development of MTCs are industry-driven. The partnerships will also provide an avenue for potential financial and in-kind contributions of industry to the cost of skills development. Based on institutional development plans, major investments will include training hardware (physical infrastructure, equipment, IT facilities, etc.), as well as development of needs-based curricula, modern teaching and learning materials, and capacity building of teaching and management staff. MTCs will be incentivized to introduce innovation in teaching and skills development in the State, including programs for digital skills development, innovative schemes to recruit female youth into TVET, courses combining foundational skills (literacy and numeracy) with technical skills development, as well as technology-enabled teaching and learning resources, both for students learning and teachers training upgrading. Skills development in TCs address the skills requirements both in the formal and informal sectors of the economy. The sub-component will furthermore incentivize workplace learning through apprenticeship training, which has started to be introduced in Ogun through the dual training program under the leadership of the Abeokuta Chamber of Commerce, Industry, Mines and Agriculture (ABBEOCCIMA). This pilot introduction showed promising learning results, a high acceptance level among enterprises and a good potential for expansion of dual training, especially in the industrial growth zones of Ogun State. The project will support scaling up this initiative and broadening the range of programs delivered in a dual apprenticeship mode, which represents an effective mode of skills development for formal sector employment.



15. ***DLI 9 will track the introduction of new instruments to increase access to community-based skills training.*** In line with the emphasis in the Education Strategic Sector Plan (ESSP) to expand mass education, adult literacy and employment-relevant skills training the project will incentivize reforms to initiate the emergence and further development of needs-based, market-driven and community-based non-formal and informal skills development offers targeting the poor, school drop-outs, unemployed and other population groups in need of skills development for employment, as well as further training options for people already working, including farmers. Under the sub-component, the Government will set up a competitively accessible grant funding facility (challenge fund) targeting local training providers for delivering tailor-made skills programs to local target groups with a specific focus on farmers. The competitively accessible grant facility supports demand-orientation of non-formal training, as it incentivizes decentralized, local program planning and forces training providers to tailor their programs to the established and specific needs of the target groups. Additional details on the challenge fund is discussed in Box A.2. Public and private training providers that address – depending on local needs – foundational skills (literacy and numeracy), life- and employability skills, entrepreneurial skills and self-employment start-up support as well as technical and vocational skills will be eligible to apply. The grant facility will enable the Government to especially incentivize priority reform elements, such as increased access to females and other neglected target groups, development of innovative training models (using technologies, developing networks, combining vocational skills with literacy programs, etc.) to improve learning outcomes, employability of completers and sustainability prospects of programs.



Component 2: Strengthening the capacity of the government to implement the State's economic transformation agenda (US\$50 million equivalent from IDA)

16. **This component will finance TA and investment activities to support the implementation of the government's economic transformation agenda.** The component will comprise support for: (i) sector-specific activities; and (ii) cross-cutting public sector management functions including procurement, statistics and M&E. The proposed project would finance selected TA and advisory activities that will support improved capacity to implement and monitor reforms that would lead to the achievement of results (DLIs and ultimately the PDO of the project). Specific activities would be organized into four sub-components, supporting the three results areas (Improving the Business-enabling Environment, Strengthening Agri-food value chains and Upgrading Skills) plus the cross-cutting area of public sector management as follows:

Sub-Component 2.1 Improving the Business-Enabling Environment (US\$12.5 million from IDA)

17. **The objective of this component is to support government reforms to build an enabling business**

Box A.2: The Ogun Skills Fund (OSF)

In line with the emphasis in the ESSP to expand mass education and employment-relevant skills training the project will incentivize the emergence and further development of demand-driven, decentralized non-formal skills development offers targeting farmers, school drop-outs, unemployed and other defined population groups in need of skills development for employment and productivity. As skills needs vary significantly between target groups and locations, the project will support the establishment of the Ogun Skills Fund (OSF) as a demand-driven investment instrument. The OSF is designed as a challenge fund for training grants competitively accessible to all public and private, including community-based, non-formal skills training providers operating in the State and fulfilling defined eligibility criteria in relation to status, management capacities, years in operation, etc. The Fund will launch invitation for proposals in defined intervals, to which eligible training providers can respond with details proposals. Such proposals must state the type of training to be offered, proof of labor market demand for such training, number of planned beneficiaries, potential wrap-around services offered (placement, self-employment support, mentoring, etc.), implementation and monitoring plan, and budget. As regards the budget, the proposals must comply with standard cost approach, taking into account the nature and duration of the planned training and the scope of other services offered. Selection of training projects to be funded will be done by a selection panel based on transparent and published criteria. Once training projects are selected and approved, disbursement will be milestone-based taking the progress of the implementation into account. To allow the State to incentivize priority training initiatives, the OSF will be operating with specially earmarked funding windows for defined target groups (farmers, youth, unemployed women, etc.) possibly in combination with prioritized type of training (foundational skills training for farmers, entrepreneurship training, etc.) The OSF will be managed by State Ministry of Education, which may consider, in line with international best practice, sourcing the management out to a third-party fund manager. Before launching the fund, further details of its operations related to eligibility, selection, eligible expenses, financial management, M&E, communication and other aspects still need to be defined.



environment conducive for long term private investments. In particular TA will focus on improvements in the following SNDB indicators:

- ***Starting a business:*** The project will support State level reforms including reducing the amount of time it takes to register for personal income tax at the State Tax office, pay state level registration fees and obtain a business permit from the Ministry of Commerce and Industry.
- ***Registration of property:*** The project will support the reforms required in terms of property registration, in particular the need to modernize the Bureau of Lands with the requisite organizational structure and streamline processes in line with international best practices to ensure the needs of investors and citizens are met efficiently, professionally and in an inclusive manner.
- ***Dealing with construction permits:*** The project will support a review of the Ogun State Building Code and relevant regulations for construction permits and their implementation. The development of a systemic risk-based inspections combined with ICT systems to facilitate inter-agency communication and inspection management will also be supported. Modern Information Communications Technology solutions offer administrators with automated monitoring tools that generate inspection schedules and prompt the building control authorities on pertinent inspection activities when these become due. The project will also support diagnostics of quality issues related to building construction, the implementation of risk-based inspections as well as the diagnostics of the liability and insurance regime for professionals related to construction processes.

18. **Regulatory reforms often span a wide range of areas and require the involvement of multiple agencies.** Successful reformers establish reform processes that are inclusive— covering all relevant public agencies and private sector representatives—and create clear mechanisms to ensure coordination and information flows across all parties involved. The Project will provide TA on the institutional set up for business environment reforms including recommendations on the composition and mandate of the Business Environment Council, Secretariat and Technical working groups. The project will also provide ongoing support to the Business Environment Council, Secretariat and Technical working groups through technical trainings; DB indicators workshops, results-based management, peer-learning exchanges with other states and international good practices. The project will support the establishment of three structures to implement the business environment agenda of Ogun State:
- i. The Ogun State Business Environment Council - overseen by the Secretary to the State Government (SSG);
 - ii. A Business Environment Secretariat - housed within the Ministry of Commerce and Industry; and
 - iii. TWGs to work on each area identified for reform



Table A3: Functions and Responsibilities for Implementation of Business Environment Reforms

LEVEL	FEATURES	RESPONSIBILITIES/TERMS OF REFERENCE
Ogun State Business Environment Council (OSBEC)	<ul style="list-style-type: none"> Relevant Commissioners for the Business Environment reform agenda Direct periodic reporting to the SSG (e.g. every 2 months, quarterly) 	<ul style="list-style-type: none"> Determine overall priorities Setting KPIs Unblocking implementation obstacles/delays Conduct representative private sector consultations (e.g. small business associations, sector-specific associations) on reform program and obtain systematic user feedback throughout the reform process
Ministry of Commerce and Industry-Business Environment Secretariat (BES)	<ul style="list-style-type: none"> Technical staff Direct reporting line to the OSBEC Liaise between technical level working groups and OSBEC Escalate key issues to the OSBEC for action 	<ul style="list-style-type: none"> Day-to-day oversight of reform program across all areas Monitoring of reform road-map and KPIs Ensure agenda setting, minutes, follow-up items, timelines Escalating implementation issues of concern to the OSBEC
TWG²⁴	<ul style="list-style-type: none"> Key stakeholders from public agencies and relevant private sector representatives and professionals involved in the related reforms (e.g. focal points of relevant line ministries and technical staff) Private sector; professional experts (lawyers, IT, architects, etc.) Frequent structured meetings set by Head of Technical Working Group (e.g. monthly or every 2 months) 	<ul style="list-style-type: none"> Develop and implement detailed action plans bringing in expertise where needed (e.g. legal assessments, proposals for legal amendments, IT assessments, budget proposals) Develop and monitor timelines and milestones; clarify responsibilities Implement reform actions at each relevant agency Accountable for achieving results as outlined in their action plan

19. **The project will support the improvement of land administration.** Activities will include simplifying the process for acquiring new CofOs and consolidating the fragmented land and survey data within the OGIS to ensure that the Government is able to use a single database for all land transactions in the State. The project will also support the government in its efforts to conduct Systematic Land Title Registration to improve land tenure security and to cost effectively grow the State's land database by developing the program and supporting pilots in urban areas.
20. **The project will support the operationalization of the new IPA (OgunInvest).** OgunInvest will be responsible for generating and receiving leads for new investments and reinvestments. The IPA will work these leads, encouraging investors to select Ogun over other locations, to navigate government and

²⁴ Starting with one TWG for each area covered by Doing Business or as identified in the BE reform agenda



business procedures for start-up, and to support long-term retention, expansion, and linkages. While there should not be functional overlap between the IPA and other MDAs, there will need to be close cooperation, particularly in the facilitation of individual projects and in collaborating to improve the investment climate generally. The Project will provide TA towards the establishment and support of the OgunInvest including:

- Supporting the development of best practice organizational structure and the hiring of staff;
- Capacity building on investment promotion techniques;
- Preparation of targeted investment promotion strategies and activities;
- Setting up an Investor Relationship Management System;
- Design and implementation support for standard operating procedures for inquiry-handling;
- Design and implementation support for an aftercare program;
- Support in designing and implementing outreach campaigns in priority sectors;
- Assessment of gaps and areas of potential improvement in the investment legal & regulatory framework; and
- Support to develop linkages programs in priority sectors (matchmaking and database preparation).

21. **The Project will also strengthen the institutional framework for industrial estate management in Ogun State.** This will entail the development and implementation of a more efficient, private sector oriented institutional set-up to better support existing and new industrial estates in Ogun State. The project will support the public institutions that manage industrial estates (OPIC) and the OSHC) in their efforts to outsource the development/management of one or more industrial estates in Ogun State to a private operator through a Special Purpose Vehicle (SPV). An SPV allows for improved financing and a greater degree of operational control for the private agent in a Public Private Partnership (PPP). The project will support assessments of the industrial estates and the procurement of a transaction advisor to conduct the process to contract out the development/operation of at least one industrial estate to a private developer. There will be no land acquisition as part of this component as all activities will relate to existing land owned by the Government.

Sub-component 2.2 Strengthening Agri-food Value Chains (US\$15 million from IDA)

22. **The objective of this sub-component is to strengthen the capacity of the OgMoA and related departments to ensure successful implementation of the project.** Project achievements will greatly depend on strong commitment of the project's private sector partners. Those partners will also depend on the capacity of the public sector to provide the necessary complementary support services. The sub-component will focus on capacity development at the OgMoA and affiliated department that are involved in project implementation, including the Ogun State's Agriculture Development Program. This sub-component will finance selected goods and equipment, TA and advisory activities as well as operating costs to improve the performance of the OGMOA and affiliated, and to incentivize private sector participation in agri-food value chain development. Specific support will be provided to:
- (i) **the establishment of the Agricultural Land Management Office within OGMOA:** Draft Ogun State FRILIA principles have been developed during project preparation. These principles will be further refined, consulted upon and used in State's land related activities, to ensure fairness, inclusion and sustainability in the acquisition, allocation and use of land resources. The Agriculture Land



Management Office within the OGMoA will be strengthened to oversee the FRILIA implementation process, in collaboration with the Ogun State Lands Bureau.

- (ii) **the registration and geotagging of farms and farmers using digital tools, and the development of a comprehensive database on farms and farmers for decision support:** Ogun State aims to establish a reliable database of farms and farmers, to support its broader strategy to promote agri-food value chain development through aggregation of farmers and their linkage to input, finance, services and markets with the support of value chain development firms. This sub-component will support a systematic registration of farmers using digital tools. It will finance the development of a geo-referenced database of farms and farmers, which will facilitate value chain development planning across the State.
- (iii) **the aggregation of farmers into groups to facilitate their access to inputs, services and markets through the VCDFs, and the support to groups to move toward formal business entities, such as cooperatives:** The fragmentation of farms and farmers creates diseconomies of scale that discourage active private sector participation in the development of agri-food value chains in Ogun State. Under this sub-component, OGMoA will facilitate the aggregation of farmers into groups, and when possible, effort will be made to ensure the groups of farmers have access to contiguous tracks of land to support their agri-food value chain development activities. Aggregating land and farmers would make input and service delivery as well as product off-taking more efficient. The process of farmers and land aggregation has been initiated during project preparation, already with several communities expressing interest for more than 20,000 farmers contributing more than 20,000 hectares to the program. The sub-component will finance consultations with farmers, group formation, and the training of farmers groups to ensure groups are effectively managed toward the common goals of aggregation and efficient development of agri-food value chains.
- (iv) **the setting up of a technical selection committee to review value chain development business plans that the VCDFs will prepare in collaboration with farmers' groups:** Agri-food value chain development business plans are the key instrument of engagement and collaboration between farmers' groups and value chain development firms. These business plans will capture the activities to be developed, the roles and responsibilities of farmers, VCDFs and any other party involved in the business, the financing mechanisms and terms, etc. Issues related to climate change, gender and nutrition are also expected to be covered in the business plan. The sub-component will finance the operation of the technical selection committee that will review and make recommendation for the approval of the business plans. The technical selection committee is an ad hoc committee that will be convened to review, select and recommend for approval, top-rated business plans that meet minimum approval criteria as specified in the PIM. The technical selection committee will include a team of three (3) independent reviewers representing the agri-business sector, the financial sector, and the research community.
- (v) **the mainstreaming of climate smart agriculture, nutrition, gender and youth into the business plans:** The business plan templates will include those guidelines, and the technical selection committee will evaluate business plans based on the guidelines. A scoring system will be developed, to ensure that business plans with strongest climate change, gender and nutrition mainstreaming score the highest on the related evaluation criteria. The scoring system will include built-in incentives for inclusive business plans that prioritize full participation of women and youth in the



project.

- (vi) **the administration of matching grants to support the implementation of the business plans and the support to farmers groups in managing the matching grants as a pooled resource:** To ensure financial access of smallholder farmers to improved input packages and other eligible agri-food value development activities from the approved business plans, the sub-component will facilitate the administration of the matching grant program by the OgMoA. The PIM includes eligibility criteria and the operating mechanisms of the matching grant program under the project. To ensure the sustainability of the funds provided to farmers, this sub-component will also help farmers' groups manage the grants as a pooled resource. The pooled resources will be used to purchase key farm inputs with the support of the VCDF. This will ensure the continuous access to services and inputs when the matching grant to the groups are discontinued. Box 3.1 summarizes key activities from the business plans that the matching grant program will finance.
- (vii) **the mainstreaming of environmental and social safeguards best practices as well as climate change and gender into the development and maintenance of feeder roads, small scale irrigation schemes, and aggregation centers:** the sub-component will ensure climate-smart design of feeder roads, small scale irrigation schemes, and aggregation centers. It will also ensure that the selection of infrastructure to be constructed or upgraded through the project help address gender disparities and maximize opportunities for women and the youth. Given limited resources, the financing of value chain development infrastructure should demonstrate reasonable returns to investment. In addition, infrastructure sub-projects that will help achieve higher climate co-benefits, reduce gender disparities and improve opportunities for women and youth will score higher, and therefore, stand greater probability of being financed through the project.
- (viii) **the preparation of policy reviews and studies:** the sub-component will finance critical policy reviews and relevant studies to improve the ministry's knowledge of the Ogun State agri-food sector and provide opportunities for greater private sector participation in the State's economy.
- (ix) **support to the transfer of ownership or management of selected state-owned assets in the agri-food sector:** Ogun State owns several agri-food development assets (such as farm equipment, plantations, processing mills, etc.) that are currently controlled and managed by the OgMoA and affiliated departments. In line with Ogun State's goal to phase out direct state involvement in activities being carried out by the private sector, and to foster greater private sector participation in the State economy, this sub-component will provide TA to: (a) establish an inventory of State-owned asset; (b) prepare studies and develop an ownership or management transfer plan for selected assets; (c) implement the ownership or management transfer plan; and (d) monitor and evaluate the completed transfers.
- (x) **the provision of trainings and capacity strengthening for staff at the OGMoA and affiliated departments to enhance their capacity to support project activities as well as the implementation of the agriculture component of the State Development Plan.** The sub-component will finance a capacity gap assessment across OGMoA and affiliated department, and provide targeted capacity strengthening to implement the capacity strengthening plan.



Sub-component 2.3 Upgrading Skills (US\$7.5 million from IDA)

23. **The objective of this sub-component is to build State Government capacities for the planning and implementation of policy reforms in the State's skills development system with an emphasis on institutionalizing partnerships with the private sector.** Specifically, the TA will focus on:
- **Institutionalizing a stakeholder-driven Ogun State Skills Development Board:** The project will support the establishment and initial operation of the new Skills Development Board, which is private sector-driven and in charge of overseeing the skills development reform and related public investment programs. Funding will be used for capacity building of Board members and the formulation of an Ogun Skills Development Strategy.
 - **Building capacities for State management of skills development:** The Project will support staff capacity building and the improvement of the operational environment (incl. vehicles, office equipment, etc.) in the relevant departments of the OgMoE in charge of driving and implementing policy reform.
 - **Facilitating public-private partnerships:** The project will fund consultation and dialogue processes to define partnerships, and consultancies to design and specify needed institutional development steps in the supported TCs.
 - **Supplementing implementation capacities for pilot projects:** The project will support the provision of additional technical expertise to design and oversee the implementation of the STEM teaching reform, the Community-based Skills Development Fund and the Enhancement of Informal Apprenticeship Project.
 - **Reform Monitoring and Evaluation:** Funds will be used to introduce a MIS for skills development capturing skills development in a comprehensive manner, including technical education, non-formal employability skills training and informal apprenticeship training. Tracer studies will be conducted to track employability of completers of supported training programs. The project will also support impact assessments of (a) critical reform elements, including new curricular approaches to link technical with foundational skills; (b) effectiveness of foundational skills training for farmers, and (c) mechanisms to increase female participation in skills development.

Sub-component 2.4 Improving Public Sector Management (US\$5 million from IDA):

24. **This sub-component which will be implemented by the OgMoBP will finance selected TA and advisory activities to improve management of selected MDAs in Ogun State including:** (i) support for the establishment and activities of the Statistical department with a focus on the project's MDAs; and (ii) support to the new Procurement Bureau including the development of a procurement master plan for the project's MDAs and the systematic introduction of e-procurement across the project MDAs. This component will also improve the capacity of the MoBP to monitor and evaluate the activities of the project's MDAs and support the State Government in establishing effective feedback loops and communication strategies leveraging digital innovations in citizen engagement, in line with the fundamental principles²⁵ of the Open Governance Partnership (OGP).

²⁵ These principles include: Transparency, Accountability, Citizen Participation, and Technology and Innovation.



Sub-component 2.5 Project Implementation Support (US\$10 million from IDA)

25. This component will finance overall project management, M&E and communication activities. In order to support successful implementation of the project, the operational capacity of the State Ministry of Planning and Budget (MoBP) will need to be strengthened by a group of technical specialists to be hired to coordinate the work of the MDAs that will be involved in the project. This component will finance the setup and operational costs of: (i) a PIU under the MoBP with the following technical specialists: project coordinator, sector project managers, procurement specialist, FM specialist, M&E specialist, environmental specialist, social specialists (with additional expertise on gender and occupational health and safety issues), IT specialist, Communication specialist; and (ii) Sector Technical teams for each of the project sectors (Improving the Business-Enabling Environment, Strengthening Agri-food Value Chains, and Upgrading Skills), and incremental operating costs for the IAs (as described in the Implementing Arrangements section), and project related audits and security costs.



Annex 3: Implementation Arrangements

I. Project Institutional and Implementation Arrangements

- 1. Project implementation arrangements aim at ensuring strong government ownership and commitment as well as the sustainability of future results.** The project will therefore build on existing institutional structures in Ogun State. The implementation arrangements will ensure adequate representation of relevant institutions and promote inter-ministerial coordination and alignment around project objectives. The OGMoBP will be the coordinating ministry of the project implementation while the State-level MDAs responsible for implementing the project (together referred to as the Implementing Agencies - IAs) will include the OGMoCI, the OGMUPP, the OGBol, OgunInvest, the OPIC, the OGHC, the OGMoA, and the OGMoE. Each of them will play leading roles in overseeing the implementation of activities associated with key DLIs.
- 2. To ensure adequate coordination between the MDAs involved in the project, a PSC composed of representatives of all the MDAs involved in the project and the Federal Ministry of Finance, as well as three external independent members representing the agricultural, banking and industrial private sectors would be instituted.** The PSC will be chaired by the Governor of Ogun State and the Commissioner for the Ogun State Ministry of Finance will serve as the Deputy Chairman. The PSC will be responsible for overseeing implementation, M&E of all Project activities at least twice a year, and provide recommendations based on the review of the progress reports and other relevant documents prepared for the project, and with structure and functions satisfactory to the World Bank, as set forth in the Financing Agreement and PIM. The collaboration between the four main MDAs (OGMoBP, OGMoA, OGMoCI and OGMoE) and the other MDAs will be done through the annual work plan and budget, which will specify activities to be implemented by these MDAs, including DLI-based infrastructure and value chain development activities that will be financed upstream, well as the costs and modalities of collaboration.
- 3. A PIU based in the OGMoBP has been established to coordinate project activities.** The PIU will comprise the external and internal specialists and experts dedicated to the day-to-day implementation of the project. The PIU will include a Project Coordinator, M&E Expert, Procurement Specialists, Accountants, Internal Auditors, Communication Specialist, Environmental Safeguard Specialist, Social Safeguard Specialist and IT specialists. Given the importance of gender and possible issues related to occupational health and safety, social safeguards specialists will be required to have experience working gender and occupational health and safety issues. The Project Coordinator will oversee the implementation of the Project on a day-to-day basis, referencing the results framework to monitor progress of the agencies leading on each of the DLIs. This is to ensure progress in achieving the DLIs in a timely manner, and to ensure that the lead agencies receive the required technical, financial and political support to achieve these pre-agreed outcomes. A Project Accountant and a Project Internal Auditor will be deployed by the State Accountant General working under the technical guidance of the Head of PFMU²⁶. Among its other duties, the PIU would be responsible for providing

²⁶ World Bank-financed projects in Nigeria have benefited immensely from the PFMU, which is a platform of the Federal Ministry of Finance, with assistance from the World Bank, to attend to the fiduciary responsibilities of the project. The PIU will ensure overall project coordination and management, whereas the PFMU will carry out the financial management of the project in support to the PIU.



support to all MDAs involved in the project. The Project Coordinator will report progress on a monthly basis to the Commissioner of the OgMoBP while the Commissioner for Budget and planning will report on a quarterly basis to the PSC.

4. **To support the activities of both the PSC and PIU, a PTC will be constituted, comprising the Commissioner for the OgMoBP, a Permanent Secretary and one Director in each of the participating MDAs and the PM from the STTs.** The PTC will meet monthly or as needed with meetings chaired by the Commissioner for the OgMoBP with the Permanent Secretary of the OgMoBP as the vice-chair. While the PIU will support day-to-day project implementation activities under the overall leadership of the PC and sector responsibility of the PMs, the PTC will provide technical back-up to the PIU. The PTC's main responsibilities are twofold: to review and endorse key project documents prior to their submission to, and approval by, the PSC, and to foster integration across all IAs. More specifically, the PTC will: (i) review the project's annual work plan and budget to ensure it is in accordance with the overall project's objectives; (ii) guide and facilitate project implementation by ensuring that IAs expedite internal administrative processes their control; (iii) ensure that project implementation is carried out in a way that is consistent with the work plan and budget, and in accordance with the PIM; (iv) facilitate coordination between IAs to avoid duplication and overlaps while fostering knowledge and experience sharing as well as peer learning and technical collaboration between these agencies; and (v) review technical, M&E, and other project reports.
5. **In addition to the PIU at the OgMoBP, each of the main sectors (OGMoCI, OGMoA and OGMoE) will have a STT.** The STTs will be led by Project Managers who report to the Head of the MDA and to the Project Coordinator. Project Managers work closely with the sector team as well as relevant MDA staff on project implementation. The staff will comprise a mix of civil servants and project financed staff. All project-financed will be appointed through a competitive process. Civil servants seconded to the project will also be selected competitively and they will retain their civil servant status.



Figure A1: Implementation Arrangements

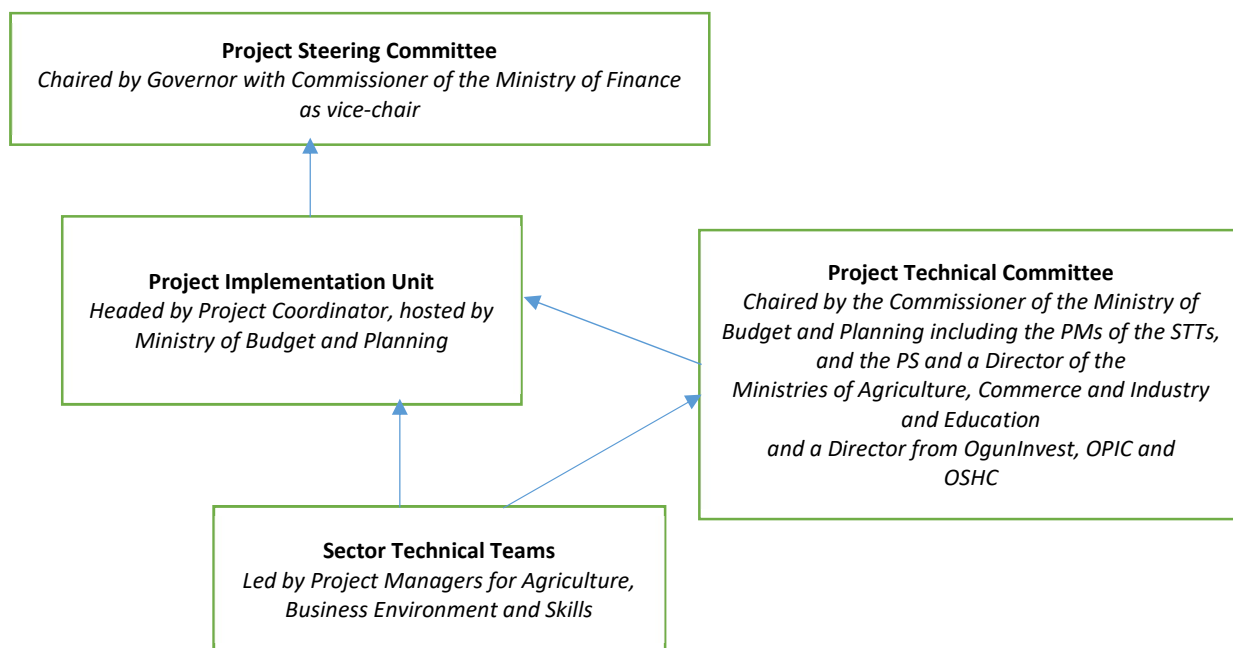


Table A4: Implementing Agencies

Results Areas/Components	DLIs/Components	Implementing Agency
Component 1: Results based financing to improve the business-enabling environment and foster private sector participation in the agri-food and skills sectors		
RA 1: Improving business-enabling environment	DLI 1: Business Process Simplification	OgMoCI OGMUPP OGBol
	DLI 2: Improving Land Administration	OGBol
	DLI 3: Strengthening Investment Promotion	OgunInvest
RA 2: Strengthening agri-food value chains	DLI 4: Development and implementation of a FRILIA	OgMoA
	DLI 5: Support to Value Chain Development	OgMoA
	DLI 6: Development of infrastructure for agricultural production and marketing	OgMoA in partnership with Ogun RAAMP SPIU within the Ogun State Ministry of Rural Development



RA 3: Upgrading skills	DLI 7: Introduction of STEM intensive teaching program	OgMoE
	DLI 8: Improved relevance and performance of TVET through partnerships with industry	OgMoE
	DLI 9: Community-based skills training programs through a competitive skills fund	OgMoE
<i>Component 2: Strengthening the capacity of the government to implement the State's economic transformation agenda</i>		
Sub-component 2.1: Improving the BEE		OgMoCI Ogun State Bureau of Land and Survey OgunInvest OPIC OSHC
Sub-component 2.2: Strengthening Agri-Food Value Chains		OgMoA
Sub-component 2.3: Upgrading Skills Development		OgMoE
Sub-component 2.4: Improving Public Sector Management		OgMoBP
Sub-component 2.5: Project Implementation Support		OgMoBP (in coordination with other implementing entities)

6. **DLI Verification will be carried out by an IVA through the course of project implementation to verify achievements of indicators and safeguards compliance.**²⁷ This monitoring may also include validation of performance data and assessment of implementation activities based on semi-annual reports on implementation progress prepared by the PIU. The semi-annual reports will be submitted to the PSC and the World Bank. In addition to the semi-annual reports, the PIU will also prepare reports to support its quarterly briefings to the PSC.

II. Procurement Arrangements

A. General Country Environment

7. **Nigeria has been implementing a procurement reform program based on the recommendations of the 2000 Country Procurement Assessment Review (CPAR).** A review of the progress made on the 2000 CPAR recommendations as reflected in 2012 PEMFAR shows that the reform has brought about

²⁷ The IVA verification of safeguards compliance will be based on the reports of the consulting firms engaged to supervise contracts and reports of project's safeguards team at the PIU and MDAs. The Terms of References of the consulting firms engaged to supervise contracts will include responsibility to supervise compliance with safeguards instruments.



some value for money improvements in public expenditure. The reform has introduced a measure of transparency in the country's procurement process which has led to reduction in contract prices. The Public Procurement Act was promulgated in May 2007 to improve the legal and regulatory framework for public procurement, which has often been the subject of abuse and corruption. The Act adheres to the principles of the UNCITRAL model law, and outlines the principles of open competition, transparent procurement procedures, clear evaluation criteria, award of contract to the lowest evaluated tender, and contract signature. The legislative framework is applicable to all procurement categories (suppliers, contractors, consultants) and must be applied for all public funds regardless of value. The Act has provisions for exceptions to competitive tendering for special goods, works and services involving national defense or security. The regulatory agency, the Bureau of Public Procurement (BPP), has been established while the National Council on Establishments issued a circular in 2008 based on which a procurement professional cadre has been created at the federal level and in some states. Procurement tools such as standard bidding documents and manuals, which are in line with internationally acceptable procurement standards and describe the minimum contents of a tender and proposal documents, have been developed and deployed at the federal level and in some states. The Procurement Act provides for complaints and appeals mechanism to enhance accountability. Other progress made at the state level include the establishment of legal and regulatory framework and capacity building.

8. **The procurement reform program was supported at the federal level and eight states by the closed Economic Reform and Governance Project (ERGP) and Public Sector Government Reforms and Development Project (PSGRDP), respectively.** Support is currently being provided for procurement reforms in 11 states by SLOGOR and SEEFOR. Two projects, FGIP and SFTAS, which recently became effective, will be supporting further strengthening of the public procurement systems at the federal and state levels, respectively, including the deployment of e-Procurement systems.
9. **The Ogun State Public Procurement Law, which was enacted in 2018, is not yet operationalized.** The law is modeled on the Federal law and by corollary, reflects some of the weaknesses in the federal law, which can be redressed in a future amendment.
10. **Procurement Risk at the Country level:** With the progress made in procurement reform as described above, procurement risks such as weak capacity, fraud and corruption, etc. are being addressed. The BPP has organized series of trainings and sensitization workshops for stakeholders on the new procurement procedures.
11. **Implementation Arrangements:** Implementation of the project will follow the arrangements outlined in Section III of this document.

A. Guidelines

12. Procurement under the project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers dated July 2016 and revised in November 2017 and August 2018 (Procurement Regulations) and the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants' (revised as of July 1, 2016), as well as the provisions stipulated in the Financing Agreement. The various items under different



expenditure categories are described in general below. For each contract to be financed by the Credit, the different procurement selection methods, estimated costs, prior review requirements, and time frame will be agreed between the Borrower and the World Bank in a Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

13. **Procurement of Works:** Procurement of works under the project is not envisaged to be beyond NCB threshold and will be carried out using the National Standard Bidding Document (SBD). All NCB and Request for Quotation (RFQ) activities will follow the procedures described in the Procurement Regulations and the Guidance on Shopping Memorandum" issued by IDA, June 9, 2000 or as may be amended from time to time. Although the RFQ procedure will be used, it will be important to ensure that appropriate documentation is attached to the solicitation letter, including as the case may be: bills of quantity, technical specifications, drawings and draft contract.
14. **Procurement of Goods:** Goods to be procured under the project are mainly off-the-shelf low value standard goods. Procurement of Goods will be carried out using the World Bank's SBD for all ICB. The National SBD will be adapted by the State for NCB. Procurement for readily available off-the-shelf goods that cannot be grouped, or standard specification for individual contracts of less than US\$100,000 equivalent, may be procured through RFQ as detailed in the "Procurement Regulations and the Guidance on Shopping Memorandum" issued by IDA, June 9, 2000 or as may be amended from time to time. The procurement procedures and SBDs to be used for each selection method, as well as model contracts for works and goods procured, are presented in the *Project Operations Manual*.
15. **Procurement of Information Technology:** Procurement of information technology systems under the Project may include e-Procurement System. These will be carried out using the World Bank's SBD for Procurement of Information Systems – single stage, since the use of off-the-shelf application software packages with appropriate configuration is being envisaged.
16. **Selection of Consultants:** Consultants will be selected using Requests for Expressions of Interest, short lists of consultants and the World Bank's Standard Request for Proposals (SRFP), where required by the World Bank's procurement Regulations. Shortlists of consultants for services estimated to cost less than US\$300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of Procurement Regulations. The appropriate selection method for each consulting contract will be established in the Procurement Plan. All terms of reference for consultancies shall be submitted to IDA for clearance.
17. **Operating Costs:** The operating costs shall include staff travel expenditures and incidental expenses which will require prior clearance from IDA; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; utilities and communication expenses; and bank charges. Operating Costs financed by the project will be procured using the state's financial regulations or procedure acceptable to the World Bank.
18. **Training, Capacity Building and Workshops:** The project shall submit its annual training plans to IDA for clearance. The plans shall include among other things the names of the officers to be trained, the



training institutions/facilitators, the course content, justification for the training, the estimated cost, etc.

B. Procurement Plan

19. The State Government, at appraisal, drafted an 18-month procurement plan for Project implementation which provides the basis for the procurement methods. This plan was concluded and agreed on by the Government and the project team at negotiations. It will be available in the project's database and in the World Bank's external website. The Procurement Plan will be updated annually in agreement with the World Bank or as may be required to reflect the actual project implementation needs and improvements in institutional capacity. The Procurement Plan will include DLI-based infrastructure and value chain development activities financed upstream by Ogun State.

C. Assessment of the agency's capacity to implement procurement

20. The procurement arrangement has been assessed and the procurement risk is rated as substantial. Except for the Ministry of Agriculture, where Fadama III is located, none of the IAs (OgMoBP, OgMoE, and OgMoCI) has had experience in implementing World Bank-funded projects. The Department of Highway Construction (DHC) of the Ministry of Works has staff who are experienced in implementing World Bank-funded projects. These staff have replicated the World Bank procurement procedures in the ministry. The DHC is responsible for implementing about 60 percent of the capital expenditure of the State. Sample contracts for goods, consultancy services and works reviewed in the DHC were found to be of good quality. Staff of the DHC have received extensive on-the-job training and two formal contract management trainings. Officials of the State's Fadama III are well acquainted with World Bank procurement procedures. The State has successfully implemented the closed National Urban Water Sector Reform Project II and the National HIV/AIDS Project. Procurement technical support will be provided by the DHC, Fadama III SPIU, the State Universal Basic Education Board (SUBEB), on request. A Procurement Officer who previously worked in a World Bank-funded project and/or who has sufficiently knowledgeable in World Bank procurement procedures will be seconded from the State's public service to support each of the IAs.



Table A5: Procurement Risk Assessment and Mitigation Action Plan

Risk Description	A. Likelihood Rating	B. Impact Rating	Overall Rating (A*B)	Description of Mitigation
(i) Lack of continuity of the reform process by incoming administration	Medium	High	Medium	Proactively engage the new administration in the State on the benefits of the Project
(ii) Political Interference in contract award	Medium	High	Medium	Carry out advocacy of senior government officials on the agreed procurement procedures in the Financing Agreement
(ii) Low Borrower experience, capacity and capability	High	High	High	Conduct continuous procurement capacity building for PIU staff of IAs
(iii) Reliance on Lagos market for most of the service providers required	Medium	Medium	Low	Use the most effective medium to reach the Lagos market in a proactive manner; well-defined defined technical specifications and TORs should be issued with bidding documents; and proactively engage the market to create awareness of available bidding opportunities
(iv). Delivery and supply security:	Low	Medium	Medium	Any security threats should be included in the contract management strategy
(v) Currency fluctuation	Low	Medium	Low	When there is unstable local currency fluctuation, service providers consultants will be allowed to submit pricing in three convertible currencies.
vi. Delayed payments	Medium	High	Medium	A contract management strategy will be adopted for each contract to ensure that all parties fulfil their obligations.
vi. Low Technical innovation.	High	High	High	The market will be proactively engaged to create awareness on some ICT-based tools to be deployed, such as eGP

21. Publication of Results and Debriefing: Publication of contract awards will be in accordance with the procurement method and market approach agreed in the procurement plan and the provisions of the Procurement Regulations. All consultants competing for an assignment involving the submission of separate technical and financial proposals, irrespective of its estimated contract value, shall be



informed of the result of the technical evaluation (number of points that each firm received), before the opening of the financial proposals. The PIUs will be required to offer debriefings to unsuccessful bidders and consultants.

22. **Fraud, Coercion and Corruption:** All procuring entities as well as bidders, contractors, suppliers and consultants shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants' (revised as of July 1, 2016).

III. Financial Management, Disbursements and Procurement

Financial Management

23. **A FM assessment of the implementing entities in line with the FM Manual (March 1, 2010) and the AFTFM Assessment and Risk Rating Principles (October 2010) was initially conducted in July 2018 and finalized in April 2019.** The objective of this assessment was to determine whether the implementing entities have acceptable FM arrangements in place that satisfy the World Bank's IPF Policy and Directive, which will ensure: (i) that all transactions and balances relating to the project are correctly and completely recorded; (ii) the preparation of regular, timely, and reliable financial statements; (iii) safeguarding of the entity's assets; and (iv) existence of auditing arrangements acceptable to the World Bank.
24. **The overall FM risk for the Project is assessed as substantial at preparation phase. This is mainly because of the inherent risks and issues of multi-sectoral implementation, not because of the control risks associated with the basic elements of the project FM arrangement.** However, these inherent risks are well mitigated by the use of the PFMU, which features robust controls (internal and external). The PFMU in Ogun State, have obtained adequate experience in managing financial flows to multiple levels from other projects in the portfolio and they will be given additional training. With the mitigation measures, the residual FM risk is substantial. The mitigation measures include use of computerized accounting systems, professionally qualified and experienced FM staff, and independent and effective internal audit that will adopt risk based internal audit methodology involving risk mapping, etc. The Financial Procedures Manual will detail adequate internal controls which will include an enhanced accountability framework over soft expenditures (travels, study tours, workshops, etc.) which shall be implemented in the project. Regular reporting arrangements and supervision plans will also ensure that the implementation of the project is closely monitored and that appropriate remedial actions are taken expeditiously. The FM risks will be reviewed during project implementation and updated as appropriate.
25. **The PFMUs are established in all states through the joint efforts of the World Bank and Government. These units are presently involved in the implementation of a number of World Bank-assisted projects.** The financial accountable architecture in the PFMUs feature among other things the following: (i) all the key elements of FM, including: budgeting, funds flow, accounting, internal control, reporting and audit; (ii) computerized system and robust FM procedures manual; (iii) qualified staff that are well-trained in relevant World Bank procedures and requirements, including procurement;



(iv) robust segregation of functions/duties; (v) a strong control environment, which is required to mitigate fiduciary risks; (vi) highly independent and well-trained internal auditors (vii) full alignment with the Government own FM system but with some important enhancements and controls.

26. **The World Bank's recent reviews showed that, despite minor issues, the PFMUs are performing satisfactorily.** Some of these issues include isolated cases of unretired advances and inadequate documentation, but these issues are often addressed over time. To increase the client's capacity in these areas, the Project will implement an enhanced accountability framework which has been developed in the Financial Management Section of the PIM.
27. **Planning and Budgeting: The Project Accountant (PA) with guidance from the head of the state's Project FM Units will take the lead in preparing Project implementing unit's budgets.** The budgets would be prepared on an annual basis for the fiscal year based on the approved work program, and in consultation with key members of the implementing unit. Detailed procedures for planning and budgeting are documented in the Financial Procedures Manual (FPM).
28. Project financing would represent only a fraction of the overall financing for the State's Agricultural, Education and Industrial Plan included in the pooled EEPs for the implementation period.
29. **Accounting: The PFMU will maintain adequate and appropriate books of accounts. The books of accounts to be maintained for the project will be set up and shall include: Cash Book, ledgers, journal vouchers, fixed asset register, advances register, and contracts register.** The books of accounts will be maintained on a computerized system. The accounting software in the state will be utilized. The accounting software has been in use in the state from January 2013 and the budget, accounting and technical staff were extensively trained on the system then. However, it appears there is rollback from the expenditure side, though the budget staff have successfully used the application for six years. The State will engage the accounting software Developers to update and retrain staffers in order to enhance its use. In addition, Internal Audit staff would be trained in the use of the application's audit trails. Segregation of duties would be embedded through updating users' access controls, and the users' manual updated. The updates and training are planned to be completed before disbursement.
30. Books of Accounts to be used for the project will be opened and a Chart of Accounts will be completed in accordance with the standard provision in Financing Agreement of maintaining books of accounts for the project.
31. **Internal Controls: Adequate internal controls are in place at the PFMU and will be applied to the project.** The control features include robust FM procedures manual, relevantly qualified staff that are trained in relevant World Bank procedures and requirements, including procurement; robust segregation of functions/duties and highly independent and well-trained internal auditors. The FM staff are appointed by the State Accountant General
32. **Internal Audit:** PFMUs have Internal Audit Units headed by a professionally qualified auditor that reports to the Project Coordinators. The work programs of the Internal Auditors would include



periodic review of project activities. The Internal Audit arrangements at the PFMU are considered adequate. The internal auditors will carry out the traditional internal or compliance audit and the non-financial or operational internal audit but without adopting the pre-payment audit system.

- 33. Funds Flow Arrangements: Project funding will consist mainly of IDA credit. The project accounts will be opened with a commercial bank acceptable to IDA.**

Signatories to the bank account are in two panels:

- a. Panel A – PC (Main Signatory)
 - Supervising Director in Ministry of Budget and Economic Planning (Alternate)
- b. Panel B – Head PFMU (Main Signatory)
 - Project Accountant (Alternate)
- c. All authorization to disburse payments must be signed by two signatories in combinations elaborated in the Manual of Authority.

- 34. The funds flow arrangements are summarized and detailed in the table below.**

- A DA will be established for TA i.e. Component 2 at the PIU.
- IDA will make an initial advance disbursement for the TA from the proceeds of the Credit by depositing into the Borrower-operated DAs denominated in US Dollars, held in commercial bank acceptable to IDA.
- Actual expenditure will be reimbursed through submission of Withdrawal Applications and documented SoEs.
- For Category 1, payment will be made through direct payments (for reimbursement of EEPs in SDR, US\$ equivalent) to Government consolidated fund bank account.
- For Category 2, transfers on a need basis from the DAs (for payment of transactions in local currency) will be deposited in the Project Draw-Down Account in the same bank where the DA is domiciled, to pay all local currency project transactions denominated in Naira.



Table A6: Fund Flow Arrangements

	Category 1 Goods, Consulting Services, Non-Consulting Services, Training and Operating Costs for DLIs Achievements (Reimbursement of Eligible Expenditure Program)	Category 2 Goods, Works, Consulting Services, Non-Consulting Services, Training and Operating Cost for TA
Borrower	Ogun State	Ogun State
Paid into	Ministry of Finance – CRF	PIUs’ DA
Basis of payment	Reimbursement of EEPs upon achievement of DLIs in the DLI Matrix, with set amounts per DLI EEP certification signed by the State Accountant-General	Specific statements of expenditures against contracts in the approved Procurement Plans and/or activities in the approved Work Plan
Vetting	SMoBEP/Independent Third Parties; final payment approval by World Bank	World Bank
Frequency	On achievement of DLIs	As needed.
Amount Allocated	US\$200 millions	US\$50 million
Use of Funds	Deposited in Consolidated Fund of the State Government as reimbursement of State Government expenditure on eligible expenditure program	Consultant fees, operating costs, goods, minor works and non-consulting services, training/workshops

35. Eligible Expenditures: The DLI component reimburses a portion of EEP expenditures incurred by the State Government’s MDAs as listed in the table below (Budget Codes for EEPs). The funds are made available after the disbursement conditions i.e. DLI is met. The project will work with the State Government to ensure that the State Financial Management Information Systems (FMIS) systems adequately capture the budgeted EEPs and actual expenditures in a credible and timely manner. The EEPs comprise workers’ salaries of the MDAs listed in the table. It is possible that over the course of Project implementation some additional state EEPs could be added including program budgets (if budgeting reforms are implemented) and possibly maintenance, utilities, training, etc. But at this juncture they do not meet all the essential EEP criteria which include the following:

- i. Expenditures must be by the State, not direct Federal expenditure or earmarked funding from other organizations.



- ii. EEP must be budgeted annually and approved with budget codes (separate sub-accounts) that allow expenditures to be tracked and recorded at the State;
- iii. Tracking and recording of EEP expenditures must be timely (within 3 months of the close of a period), credible and capable of being audited with an adequate audit trail.
- iv. EEP must be important budget items both in terms of size of resources and relevance to Project objectives. Smaller but important line items may be included if they satisfy all the criteria.
- v. EEP must satisfy World Bank fiduciary (FM, procurement and safeguards) requirements.

36. State workers' salaries for the MDAs listed in the table are the most logical EEPs and the one that is budgeted, tracked and reported from a credible system and without delay. The value of these budget lines is also sufficient to cover amount allocated for results-based component.

Table A7: Budget Codes for EEPs

<i>Object Code Classification</i>	<i>Expenditure Element Description of Object Classification</i>
Ogun State	
021500100100/21010101	Ogun State Ministry of Agriculture – Salaries
021510200100/21010101	Ogun State Agricultural Development Programme – Salaries
021511000100/21010101	Ogun State Agricultural Services Corporation – Salaries
021511300100/21010101	Ogun State Agricultural Development Corporation – Salaries
022200100100/21010101	Ogun State Ministry of Commerce and Industry – Salaries
051700100100/21010101	Ogun State Ministry of Education, Science and Technology – Salaries
051705400200/21010101	Ogun State Teaching Service Commission – Salaries
026000100100/21010101	Ogun State Bureau of Land and Survey - Salaries
026000200100/21010101	Ogun State Ministry of Urban & Physical Planning – Salaries
026000200200/21010101	Ogun State Urban Regional Planning Board – Salaries
023400100100/21010101	Ogun State Ministry of Works & Infrastructure – Salaries
023400400100/21010101	Ogun State Road Maintenance Agency - Salaries
023400200100/21010101	Ogun State Ministry of Rural Development – Salaries
053500100100/21010101	Ogun State Ministry of Environment - Salaries
053501600100/21010101	Ogun State Environmental Protection Agency – Salaries
022200100200/21010101	OgunInvest – Salaries

37. Disbursement: The project will use the transaction-based disbursement procedures at effectiveness. Proceeds of the Credit will be used for eligible expenditures as will be defined in the Financing Agreement. Details of the disbursement arrangement will be in the Disbursement Letter.



Disbursement Categories

The table below sets out the expenditure categories and percentages to be financed out of the credit proceeds.

Table A8: Allocation of IDA Credit for Eligible Expenditures in by Category

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed ²⁸ (inclusive of Taxes)
(1) Eligible Expenditure Program under Part 1 of the project	145,040,000	100% of the Amount of Financing allocated to DLIs, as set forth in the table in the Annex to this Schedule 2 of the Financing Agreement
(2) Goods, works, non-consulting services, consulting services, training and operating costs for Part 2 of the project	32,560,000	100%
(3) Refund of Preparation Advance	3,700,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions as defined in the Financing Agreement

38. **Financial Reporting:** Interim Financial Reports (IFRs) covering the entire project i.e. DLI-and TA based categories, will be prepared by OGSTEP on semester basis and will submit the IFRs to IDA not later than 45 days after the end of each calendar semester.

39. **Risk mitigation measures related to governance and anti-corruption (GAC).** Measures to mitigate FM GAC related risks in the project include: having in place a Grievances and Appeal mechanism. A Grievance Resolution Committee (GRC) shall be constituted.

40. **External Audit:** The project will prepare project financial statements for the DAs (EEPs and TA) and have them audited by external auditors, on the basis of Terms of Reference acceptable to IDA. The audited financial statements auditors will be submitted to the World Bank within six months from the end of each financial year. In addition, the State Auditor-General will carry out payroll audit at least once in a financial year and the reports will be expected to be part of the State Auditors-General report that will be submitted to their State Parliament within nine months from the end of each financial year. The Auditors-General will send a copy to the World Bank for review and as input to the

²⁸ As outlined in the Financing Agreement



World Bank implementation support team.

41. **The auditor will express an opinion on the Annual Financial Statements in compliance with International Standards on Auditing (ISA).** In addition to the audit report; the external auditors will prepare a Management Letter. Copy of the audited financial statements along with the ML will be submitted to IDA not later than six months after the end of each financial year.
42. **Financial Management Implementation Support Plan:** FM supervision will be consistent with a risk-based approach and will involve collaboration with the World Bank's project team, WAFLA and procurement. The supervision intensity is based initially on the assessed FM risk rating and subsequently on the updated FM risk and performance rating during implementation. Given the high residual risk rating, on-site supervision will be carried out at least twice a year. On-site review will cover all aspects of FM, including internal control systems, the overall fiduciary control environment, and tracing transactions from the bidding process to disbursements as well as SoE review. Additional supervision activities will include desk review of semester IFRs, quarterly internal audit reports, audited Annual Financial Statements and management letters as well as timely follow up of issues that arise, and updating the FM rating in the Implementation Status Report (ISR) and the Portfolio and Risk Management (PRIMA) system. Additional target reviews may be conducted depending on emerging risks. The World Bank's project team will support in monitoring the timely implementation of the action plan.
43. **Conclusion:** The FM Assessment conclusion is that subject to the mitigation measures and the action plan being implemented as per agreed time frame, the Project has met the minimum FM requirement in accordance with the World Bank IPF Policy and Directive. Further, this objective will be sustained by ensuring that strong and robust FM arrangements are maintained for the project throughout its duration. Detailed FM reviews will also be carried out regularly, either within the regular proposed supervision plan or a more frequent schedule if needed, to ensure that expenditures incurred by the project remain eligible. The overall FM residual risk rating is **substantial**.



Annex 4: Principles for a Framework for Responsible and Inclusive Land-Intensive Agricultural Investments for Ogun State

This annex is organized in three sections: (i) overarching principles; (ii) specific principles to be applied to land acquisition and resettlement; and (iii) specific principles applicable to environment and social sustainability issues.

I. Overarching Principles

1. Nothing in these principles shall be inconsistent with the provisions of any prevailing law
2. Investments in [agricultural] lands should occur transparently
3. Investments should be consistent with the objectives of social and economic growth and sustainable human development
4. Responsible investment should protect against dispossession of legitimate, including derivative, tenure rights holders
5. Responsible investment should protect against environmental damage
6. Investments should contribute to policy objectives, including, but not limited to poverty reduction, food security, sustainable land use, employment creation and socio-economic support to local communities
7. Where possible, a range of production and investment models such as joint-ventures, outgrower schemes and other inclusive models that encourage partnerships with legitimate tenure holders should be considered as alternatives to the large-scale transfer of land
8. Investment models should seek to ensure that affected communities have the opportunity and responsibility to:
 - decide whether or not to make non-state land available for investments, based on informed choices
 - receive secure sustained and well-defined benefits
 - receive fair compensation for the land (including common areas) and natural resources (excluding subsurface resources) that they make available to investment
 - engage in partnerships with investors and Government
 - be able to hold investors accountable to their commitments; and
 - respect and abide by their own commitments
9. Investment should include consultation with affected people and communities, including those that are disadvantaged or vulnerable, and they should be informed of their rights and assisted by government and/or others to develop their capacity to engage in consultations and negotiations
10. Large-scale investments should be preceded by independent assessments of potential positive and negative impacts on tenure rights, food security, livelihoods and the environment
11. All existing legitimate rights, including customary and informal rights, and rights to common property resources, should be systematically and impartially identified
12. Investments should be monitored, and grievance redress mechanisms provided for aggrieved parties

II. Land Acquisition and Resettlement: In implementing the above overarching principles, the following specific principles should apply to issues related to land acquisition and resettlement:



1. Land acquisition and related adverse impacts should as much as possible be minimized or avoided
2. Economic and social impacts caused by land acquisition or loss of access to natural resources (excluding subsurface resources) shall be identified and addressed, including those affecting people who may lack legal rights to assets or resources they use or occupy
3. Compensation will be provided sufficient to purchase replacement assets of equivalent value and to meet any necessary transitional expenses, paid prior to taking of land or restricting access
4. Supplemental livelihood improvement or restoration measures will be provided if taking of land causes loss of income-generating opportunity (e.g. loss of crop production or employment)
5. Public infrastructure and community services that may be adversely affected will be replaced or restored
6. Where livelihoods of displaced persons are land-based, or where land is collectively owned, displaced persons should be offered an option for replacement land, unless equivalent land is not available
7. Economically displaced people with legal rights or claims should receive replacement property (e.g. agricultural or commercial sites) of equal or greater value, or, where appropriate, cash compensation, at replacement cost
8. If it is demonstrated that replacement land or resources are unavailable, economically displaced people should be provided with options for alternative income earning opportunities, such as credit facilities, skills training, business start-up assistance, employment opportunities, or cash assistance additional to the compensation
9. Transitional support will be provided as necessary to all economically displaced persons, based on a reasonable estimate of the time required to restore their income-earning capacity, production levels, and standards of living
10. Displaced persons need to be engaged about their options and rights pertaining to involuntary resettlement, including processes on involuntary resettlement, and livelihood restoration should include options and alternatives from which project-affected persons may choose. Disclosure of relevant information and meaningful consultation should take place throughout the design and implementation phases of the resettlement process
11. Compensation standards for categories of land and fixed assets need to be disclosed and applied consistently. Compensation rates may be subject to upward adjustment where negotiations strategies are employed. In all cases, a clear basis for calculation of compensation will be documented, and compensation distributed in accordance with transparent procedures
12. Particular attention should be paid to the engagement and needs of vulnerable groups among those displaced, especially those below the poverty line, the landless, elderly, women and children, people with disabilities, or other displaced persons who may not be protected through national land compensation legislation
13. Grievance redress mechanisms need to be established to provide accessible and affordable procedures for third-party settlement of disputes arising from displacement or resettlement; these mechanisms should take into account the availability of judicial recourse and community and traditional dispute mechanisms
14. Any action related to the displacement of people must comply with federal and state laws and be conducted in a manner consistent with basic principles of due process (including provision of



adequate advance notice, meaningful opportunities to lodge grievances and appeals, and avoidance of the use of unnecessary, disproportionate or excessive force)

III. Environmental and Social Sustainability

In implementing the above overarching principles, the following specific principles should apply to issues related to environmental and social sustainability:

1. Investments should incorporate recognized elements of environmental and social assessment good practice, including: early screening of potential effects, consideration of strategic, technical, and site alternatives (including the “no action” alternative), explicit assessment of potential induced, cumulative, and trans-boundary impacts, identification of measures to mitigate adverse environmental or social impacts that cannot be otherwise avoided or minimized and responsiveness and accountability through stakeholder consultation, timely dissemination of program information, and responsive grievance redress measures
2. Investments should incorporate due consideration for social risks and impacts, including: threats to human security through the escalation of personal, communal or inter-state conflict, crime or violence, risks that project impacts fall disproportionately on individuals or groups who may be disadvantaged or vulnerable, any prejudice or discrimination toward individuals or groups in providing access to investment benefits, particularly in the case of those who may be disadvantaged or vulnerable, any risks related to conflict or contestation over land and natural resources
3. Investments should include appropriate measures for early identification and screening of potentially important biodiversity and cultural resource areas
4. Investments should: support and promote the conservation, maintenance, and rehabilitation of natural habitats, avoid the significant conversion or degradation of critical natural habitats, including legally protected forest reserve, and if avoiding the significant conversion of natural habitats is not technically feasible, include measures to mitigate or offset impacts of program activities
5. Investments should take into account potential adverse impacts on physical cultural property and, as warranted, provide adequate measures to preserve such property, and avoid, minimize, or mitigate such adverse impacts
6. Investments should promote community, individual, and worker safety through the safe design, construction, operation, and maintenance of physical infrastructure, industrial and agricultural facilities, or in carrying out activities that may be dependent on such infrastructure and facilities, with safety measures, inspections, or remedial works incorporated as needed
7. Investments should:
 - promote the use of recognized good practice in the production, management, storage, transport, and disposal of hazardous materials generated through program construction or operations
 - promote the use of integrated pest management practices to manage or reduce pests or disease vectors
 - provide training for workers involved in the production, procurement, storage, transport, use, and disposal of hazardous chemicals in accordance with international guidelines and conventions



8. Investments should promote the fair treatment, non-discrimination and equal opportunity of workers and prevent the use of all forms of forced labor and child labor in accordance with national and state laws
9. Investments should include measures to avoid, minimize, or mitigate community, individual, and worker risks when program activities are located within areas prone to natural hazards such as floods, hurricanes, earthquakes, or other severe weather or climate events.



Annex 5: Economic and Financial Analysis

1. **The EFA is based on direct economic and financial benefits expected from the project, which are assumed to result from interventions in all results areas:** agriculture, skills, business environment and improved public sector performance. The discussion of the economic and financial analysis first covers each results area separately. This helps test the economic and financial viability of proposed interventions per results area. In addition, an aggregated analysis for the whole project is also presented. This helps understand the overall economic and financial viability of the project. The discussion also includes sensitivity analyses, which help to test the robustness of the return estimates to a variety of shocks. The analysis also accounts for the shadow price of carbon, in line with the World Bank Group's climate commitments.
2. **Increased agricultural production:** The project targets a mix of agri-food value chains and activities that are similar to those supported by ongoing and past World Bank-financed projects. These are value chain priorities in Ogun State and at the national level, as highlighted in the Agriculture Promotion Policy (APP) or Green Alternative. The economic and financial analyses of the past projects show high return to investments in these value chains, and similar level of returns is expected for the agriculture component of OGSTEP. For example, the Implementation Completion and Results Report (ICR)²⁹ of the recently closed CADP shows that the agri-food value chain sub-projects organized by clusters of farmers and off-takers are financially viable, with IRR and Economic Rate of 30 percent and 21 percent on average, respectively. These figures are 50 percent and 25 percent, respectively, higher than the appraisal-stage estimates for the same project. Sensitivity analyses conducted in the ICR show moderate tolerance of the estimated returns to increased production costs and reduced output prices. The range of estimates are similar to those of the ex-ante analyses for other IDA-financed projects such as FADAMA III and the APPEALS. Key assumptions and methodology for OGSTEP's EFA are aligned with those used in the three projects mentioned above (CADP, FADAMA III and APPEALS).
3. **The economic and financial analysis for the agriculture component of this project is based on actual costs and returns observed through implementation of the above-mentioned projects.** The summary of key assumptions used in the analyses is shown in Annex A13³⁰. Results of the ex-ante economic and financial assessment of the project show significant opportunity to enhance the production and competitiveness of the selected value chains in Ogun State and in Nigeria as a whole. The project is expected to be economically and financially viable to the extent that it will increase the net financial benefits to participants and generate net positive benefits to the economy (see Table A11). Adoption of climate smart and carbon-efficient technologies as well as greater reliability of market access will further enhance these benefits and reduce vulnerability to economic and climatic shocks.

²⁹ "Implementation Completion Results and Report of Commercial Agriculture Development Project", November 30, 2017.

³⁰ The number of beneficiary farmers in the EFA is based on unit cost per farmer, and this number is larger than the number of farmers included in the project's result framework. The latter uses a conservative number of farmers due to the possible discrepancies between the number of farmers *as planned in the EFA* and the *actual number of farmers* that will be confirmed in the results framework at the end of the project.



4. **Improved business environment:** With the well-established knowledge that business environment reforms are conducive to stronger growth, it is expected that the business reforms under the project will contribute to economic growth in Ogun State. Following Djankov et al. (2006)³¹, it can be assumed that if the reforms will move Ogun State up by an equivalent of two rankings in the global DB Indicators, this will be enough to raise annual GDP per capita growth by 0.03 percentage points. This analysis takes a more conservative approach and assumes a return that is half the Djankov et al.'s estimate, that is 0.015 percentage point. The overall return to investment in the business environment result area can be computed as a combination of the two types of returns. Results are shown in Table A11.
5. **Skills development: The OGSTEP's skills development component has several features comparable to skills development programs in India and Nigeria.** The two relevant programs are Skills Strengthening for Industrial Value Enhancement Operation (STRIVE) in India and the IDEAS Project which is currently under preparation in Nigeria. In general, benefits of investment in skills development are quantified in terms of additional income for participants. The main quantifiable benefits from these operations are: (i) an increase in the employment rate of graduates from the industry training institutions; (ii) a quality wage premium over and above the current premium; and (iii) an increase in the wage premium related to apprenticeship training. The estimated annual IRR for STRIVE was at least 8 percent and a positive NPV, with results robust to sensitivity analyses across various scenarios. Similarly, the estimated IRR for the IDEAS project varies between 5 and 15 percent with positive NPV under conservative scenarios³² of labor market outcomes. It should be noted that some authors, such as McKenzie (2017)³³, consider skills development programs to be high cost-low return undertakings. In this project, indirect costs are assumed to be zero, given that the focus will be working with student and apprentices who are already in the current system. The estimates of IRR and NPV, as shown in Table A11, are based only on direct costs associated with the project.
6. **Improved public sector management:** Benefits from the US\$5 million investment in improved public sector management are quantified in terms of savings to the Ogun State's capital expenditure budget. Savings are expected to occur through a more efficient public procurement systems, facilitated by the setting up of public procurement institutions as well as improved statistics and monitoring of public development programs. The analysis assumes that these reforms would conservatively save at least 5 percent of the State's US\$88.5 million capital expenditure budget annually.
7. **The EFA shows the project is feasible with high rates of returns and positive NPVs as summarized in Table A11.** The EFA results show an overall EIRR of 29.5 percent, with Net Present Value of nearly US\$131 million. The EIRRs vary from 22.2 percent for investments in the public sector reforms to more than 46 percent for investments in improved business environment in the State. Returns to investments in

³¹ This follows Djankov, S., McLiesh, C. and Ramalho, R.M., 2006. "Regulation and Growth". Economics Letters, 92(3), pp.395-401.

³² The assumptions include: (a) 35 years of working life; (b) current employment rate of youth in the age-group 15-34 years is 70 percent; (c) the employed and self-employed earn the unskilled wage of NGN25,000 per month in current money; (d) indirect project cost are assumed to zero and only direct project costs considered; and (e) variation in monthly wage from NGN2,500 to NGN5,000.

³³ McKenzie, D., 2017. How effective are active labor market policies in developing countries? a critical review of recent evidence. *The World Bank Research Observer*, 32(2), pp.127-154.



improved agri-food value chains and skills development are also high, nearly 28 and 24 percent, respectively. Accounting for the shadow price of carbon further increases the EIRR to investments in agriculture to more than 37 percent. As shown in Table 4.1, the estimated NPV are also positive for all results areas individually, but also for the entire project. The overall NPV accounting for the shadow price of carbon is estimated at nearly US\$151 million.

Table A9: Sectoral and Aggregate Rates of Return and Net Present Values

Results areas	Amount Allocated US\$ million	Rates of Return (%)			Net Present Value (US\$ million)		
		Financial	Economic without SPC**	Economic with SPC** L/H	Financial	Economic without SPCc	Economic with SPC L/H
Agriculture	90.0	25.7	27.5	37.4/54.1	43.5	46.7	66.3/85.8
Business environment	62.5	43.5	46.1	-	47.7	49.3	-
Skills development	82.5	22.2	23.7	-	27.3	29.9	-
Public sector reform	5.0	20.5	22.2	-	4.7	5.3	-
Entire project	250.0*	27.6	29.5	33.0	123.2	131.3	150.8

*Including US\$10 million for project management; **SPC: Shadow Price of Carbon; L represents the low SPC value and H the high value, as per the WBG's Guidance note on shadow price of carbon in economic analysis, September 2017.

8. **Sensitivity Analysis:** The sensitivity analysis for the enterprises under this project was carried out to see how the IRR and the NPV will change if (a) benefits were reduced by 20 percent, (b) costs increased by 20 percent, or benefits are delayed by one year. Results show the estimated returns to the investments remain relatively high, with the minimum EIRR declining from 22.2 percent to 16.5 percent when the benefits from public sector reforms are delayed by one year (Table A12). Overall, the EIRR is expected to decline from 29.5 to 21.4 and 20.0 percent, respectively when costs increase (or benefits decline) by 20 percent. The overall EIRR would fall to nearly 21 percent when the benefits of the project are delayed by one year.



Table A10: Sensitivity of the Rates of Return when Costs Increase and Benefits are Reduced or Delayed

Results areas	Economic Rates of Return (%)			Financial Rates of Return (%)		
	(a)*	(b)*	(c)*	(a)*	(b)*	(c)*
Agriculture	18.2	19.6	19.5	17.0	18.3	18.5
Business environment	30.1	32.3	28.5	28.5	30.7	27.4
Skills development	16.9	18.0	18.2	15.7	16.8	17.1
Public sector reform	14.7	15.8	16.5	13.5	14.6	15.4
Entire project	20.0	21.4	20.9	18.7	20.1	19.9

* (a) 20 percent benefits decrease; (b) 20 percent cost increase; and (c) delayed benefits by one year.

9. **Additional project design features would guarantee a reasonable minimum return to project-supported investments.** Specifically, the PIM requires that project-financed business plans (under the Strengthening agri-food value-chains sub-component) are financially and economically viable. In that respect, specific technical feasibility analyses and ex-ante economic and financial analyses will be included in the business plans prior to approval. An acceptable hurdle rate will be required to ensure that at least a minimum return is generated from the specific investments in the agri-food value chains or infrastructure included in the business plans. Ex-post analyses will also be carried out during implementation in order to confirm or revise ex-ante estimates.
10. **Indirect benefits:** The project is expected to significantly raise the incomes of beneficiaries and boost the economy of the State. The support to agri-food value chains would primarily generate increases in incomes stemming from the increment in the cropped area and adoption of productivity-enhancing and climate resilient farm practices. These include adoption of new technologies (including climate smart agriculture), use of more intensive cultivation practices, expansion of non-farm enterprises, and improvement in advisory services and access to markets. The incremental benefits would also be derived from diversification into non-farm activities, facilitated by stronger integration of the farm and non-farm economies. The project should also contribute to improve nutrition through increased agricultural production and better utilization of food facilitated by targeted training of farmers, especially women.
11. **In addition to the direct impact on incomes of graduates and apprentices, the skills development program is also expected to generate broader productivity-enhancing spillover benefits.** This further justifies public intervention. The project would generate positive externalities related to reduction in individual and household poverty, increased productivity of local firms, and better social outcomes, especially for disadvantaged female youth. The project is also expected to have spill-over effects on the local economy and households through more productive earners. The gender focus of the project aims to reduce a spectrum of social challenges that are driven by the disadvantages faced by female students, early drop-out from the formal education system, early marriage and high fertility.



12. **The indirect benefits in the agriculture and skills development results areas would be further enhanced by general improvement in the business environment and in overall public sector performance.** The combination of improved conditions for doing business and improved public sector management would enhance confidence in the State economy, which would in turn encourage the private sector to commit to long term investments that would create jobs and enhance economic growth prospects in the State.
13. **The project can also be expected to generate robust fiscal impacts in the State, especially in the longer term.** The project's expected positive fiscal impact would derive from increased output, income, and employment, resulting in increased tax revenues. In addition, through the multiplier effect mechanism, the increased economic activities in rural and urban areas would trigger increased demand for goods and services, which is expected to generate additional income and employment effects. Furthermore, the project's success in reducing poverty will reduce the fiscal burden of alternative interventions for the poor.



Table A11: Key Assumptions of the Economic and Financial Analyses

	Crops value chains						Animal protein value chains			
Gross Margin Analysis Items	Rice	Maize	Cassava	Tomato	Soyabean	Sesame	Poultry*	Aqua-culture**		
Yields (tons per ha)	4.6	4.4	35.5	29.6	4.6	1.4	0.9	1.1		
Unit price (naira per kg)	350	200	28	100	100	350	2,000	900		
Revenue ('000 naira)	1,621	889	994	2,964	463	486	1,800	945		
Variable Costs ('000 naira)	256	217	254	268	217	144	595	234		
Gross Margin ('000 naira)	1,365	672	741	2,696	246	342	1,205	712		
* Costs for 400 birds; ** Costs of 10m x 10m fish pound										
	Number of crops farmers/hectares (one hectare per farmer)						Number of poultry and aquaculture			
Type of farming	Rice	Maize	Cassava	Tomato	Soyabean	Sesame	Poultry*	Aqua-culture**	Total number of ha	Total number of farmers
Irrigation	1,250	1,250	0	1,500	500	500	0	0	5,000	5,000
Rainfed	9,000	9,000	13,500	4,500	4,500	4,500	4,000	6,000	45,000	55,000
Total	10,250	10,250	13,500	6,000	5,000	5,000	4,000	6,000	50,000	60,000
* Costs for 400 birds; ** Costs of 10m x 10m fish pond										

Incremental On-farm Adoption Rates of Improved Technologies: Year 1 to Year 5

Year	Adoption Rate (%)
Year 1	0%
Year 2	5%
Year 3	10%
Year 4	15%
Year 5	20%

Additional Assumptions for EFA

Assumptions underlying the financial analysis . The project life is five years, but the streams of net benefits will flow for 20 years. The total project costs were distributed over the life of the project for the analysis. A12% discount rate was used for the financial analysis. The farm budgets for the representative enterprises were obtained using domestic market prices as at 2018 constant prices to remove the effects of inflation. The project is expected to result in a 20% increase in yield for crops and income for other enterprises over the project life due to the adoption of improved technologies and availability of high-quality inputs for all the value chain enterprises. The increase is assumed to be gradual rising from 0% in year one to 20% in year 5. It is assumed that all outputs of the value chains will be sold at the prevailing market prices.

Assumptions underlying the economic analysis . In addition to the above assumptions, both the output and input markets are competitive, and, therefore, this analysis used shadow prices for the international market prices of tradable goods as reflection of opportunity costs. The analysis used domestic market prices of non-tradable goods as true reflection of opportunity costs because most inputs and outputs for the analysis are non-traded. The volume of output generated, and the volume of inputs used by the project were not large enough to influence changes in the domestic market prices of outputs and inputs. Shadow prices were used for traded goods, but they are insignificant from market prices as the difference between the official and parallel markets for foreign exchange are insignificant. The economic analysis treats tax and subsidies as transfer payments. For the financial analysis, such adjustments are unnecessary because taxes have been treated as costs and subsidies as revenue.



Annex 6: Ogun State Debt Sustainability Analysis³⁴

1. **This review analyzes trends and patterns in Ogun State's public finances during the period 2013-2017 and evaluates the fiscal sustainability in the medium-term.** The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the Ogun State. A fiscal sustainability assessment is conducted, including scenario and sensitivity analysis, in order to evaluate the prospective performance of Ogun State's public finances as well as the contribution of the project to its investment program and financing opportunities.
2. **Ogun State exhibits a solid financial position that appears sustainable in the medium term.** A solid financial position results from the State's strong performance in terms of mobilizing IGR—underpinned by the successful tax administration reforms introduced recently—and its low level of public debt. Given the World Bank's own forecasts for the Nigerian economy and reasonable assumptions concerning Ogun State's revenue and expenditure policies going forward, the medium-term outlook for public finances appears sustainable, and in compliance with the Nigeria's FSP agreed between the Federal Governments and all States.
3. **Aggregate state revenue remained stable in recent years, despite a sharp decline in federal transfers (Chart A1 and Table A12).** Federal allocations to Ogun State showed a steady decline during the review period due to lower crude oil receipts since 2013. However, lower federal transfers were more than offset by a significant improvement in state IGR flows since 2012. Aggregate state revenue grew by 6.7 percent on average, in real terms, during 2012 - 2016. As a percentage of Gross State Domestic Product (GSDP), total state revenue increased from 4.6 percent in 2014 to 5.4 percent in 2016.
4. **State expenditure remained stable during the period (Chart A2).** Between 2013 – 2017, real aggregate expenditure grew by 5.4 percent per year on average. As a percentage of GSDP, aggregate spending increased from 5.2 percent in 2013 to 5.8 percent in 2017. During the period, the bulk of expenditure went to recurrent spending – personnel costs, overheads, debt charges and CRF charges – representing 62.9 percent of total spending on average, allocated towards education (48 percent), administrative costs (18 percent) and health care (13 percent). On the other hand, the composition of capital spending by function was mainly concentrated in infrastructure and the housing sector, which accounted for 50 percent and 27 percent respectively, followed by agriculture (8 percent), education (6 percent) and general administration (6 percent).

³⁴ The DSA envisages re-payments of the Budget Support Facility (BSF) as well as all other liabilities and assumed repayment based on historical trends of amortization payments.



Chart A1: Revenue (% of GSDP)

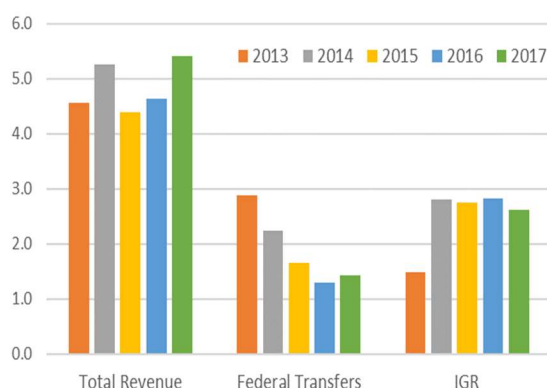


Chart A 2: Expenditure (% of GSDP)

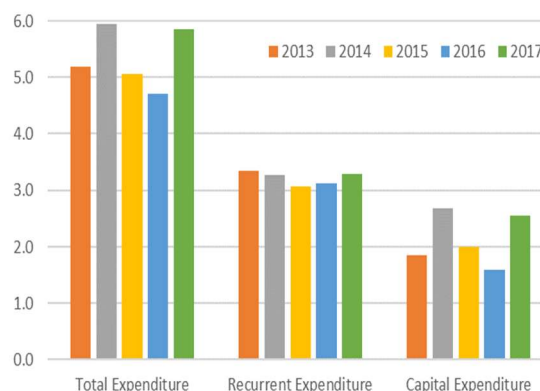


Table A12: Percentage Distribution of State Revenue by Source, 2013 – 2017

	2013	2014	2015	2016	2017	Average
Federal Transfers	63.4	42.8	37.5	27.8	26.4	39.6
Statutory Allocation	53.7	35.4	29.1	20.2	19.3	31.6
VAT	9.6	7.4	8.4	7.6	7.0	8.0
IGR	32.7	53.4	62.4	61.0	48.4	51.6
Capital Receipts	2.0	0.5	0.1	2.1	0.1	1.0
Other Revenue	1.9	3.3	-	9.1	25.1	6.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ogun State Financial Statements, various years. * Other Revenue includes Federal Government of Nigeria (FGN) grants and Paris Club refunds.

5. **Ogun State public debt amounted to NGN158 billion as of end-2017 and has been increasing rapidly since the collapse of oil prices.** Public debt outstanding at end-2017 was equivalent to 137 percent of current revenue—defined as FAAC statutory allocation plus IGR.³⁵ While total liabilities were NGN92 billion at end-2014 (or 82 percent of current revenue), the bailouts and other financing support received from the Federal Government in the aftermath of the oil-price collapse explain most of increase in the level of public debt during the period 2015-2017. The currency depreciation observed in 2017 also raised the local-currency value of foreign loans, albeit to a lower extent.
6. **Ogun State holds a low-cost, low-risk debt portfolio.** The debt portfolio carried an average, implicit interest rate of 10 percent in 2016-2017 and the interest payments represented just 7 percent of total

³⁵ Current revenue is deemed to be a measure of government income that is stable, does not create financial liabilities, and is not earmarked for certain projects or expenses, as opposed to capital revenue—which basically reflects borrowings and creates debt obligations—and other revenue—which records transfers from the Federal Government, e.g., for road construction and rehabilitation projects.



expenditure.³⁶ In addition, the debt portfolio is narrowly exposed to currency, interest rate, and rollover risks. Exposure to currency fluctuations is limited because the foreign currency-denominated liabilities are only 20 percent of the total stock. Most internal loans and all external loans are fixed-rate obligations, thus not affected by changes in interest rates. As these loans have maturities running from 10 to 40 years and include financing from the Federal Government and multilateral organizations, rollover risk associated with potential deterioration of domestic financial conditions is negligible.

7. **An assessment of Ogun State's medium-term fiscal sustainability is predicated upon a gradual recovery of the Nigerian economy that will increase FAAC statutory allocation.** According to the World Bank's own forecasts, the Nigerian economy is expected to gradually recover in the period 2018-2022, with real GDP expanding at an average annual rate of 2.3 percent and domestic inflation decreasing below 10 percent by 2022. Such a moderate recovery will be supported by higher oil prices in global markets, an increase in domestic production, prudent fiscal policy, and the stabilization of the exchange rate relevant for international public-sector financial transactions at its current level. Oil and gas revenue, as well as shared resources such as custom duties and VAT, would then increase relative to the depressed levels observed in 2015-2017, thus improving Ogun State's revenue position.
8. **Fiscal sustainability analysis is also predicated on the continuation of recent efforts to mobilize local revenue sources, and on unchanged policies concerning personnel and other operating expenses.** At local level, the tax administration reforms adopted by the Ogun Government to strengthen resources provided by IGR, are expected to continue in the next few years and will benefit from the overall economic recovery.³⁷ On the other hand, no new policies are anticipated with regard to personnel and overhead costs, which are thus likely to preserve their historical trends.
9. **Alternative policy options concerning the Ogun State's public investment program are explored in two scenarios.** A Status Quo Scenario assumes the Ogun Government slightly expands its public investment program by accelerating the execution of existing projects funded through disbursements of already-contracted external loans. These disbursements are expected to be US\$10 million per year in 2018-2022, compared against US\$7 million in 2016 and nearly zero in 2017. In turn, capital expenses will increase to an average of US\$235 million per year in 2018-2022, starting from US\$200 million in 2016-2017. A **Project Scenario**, instead, considers a significant scaling up of the public investment program for promoting local development, supported by the World Bank Group operation on top of other projects already being executed. The disbursements are thus projected at US\$10 million in 2018 and US\$60 million per year in 2019-2022, while the capital expenses reach US\$235 million in 2018 and average US\$285 per year in 2019-2022. Key fiscal and debt variables are forecasted for both scenarios, following simple projection criteria presented in Table 2 and Table 3.

³⁶ Ogun State's Financial Accounts report total expenditure including amortization payments, which we exclude in order to follow GFS standards.

³⁷ Some new initiatives may further increase IGR and improve the revenue position; however, the sustainability assessment does not include these initiatives because of the analytical challenges—including data constraints—associated to the quantification of their revenue impact.



Table A13: Projection Criteria. Source: World Bank

	Main Drivers of Forecast
Revenue	
Statutory Allocation from FAAC	
Statutory Allocation	Oil Price, Oil Volume and Exchange Rate
VAT Allocation	Real GDP and CPI Inflation
Internally Generated Revenue	
Direct Taxes, Licenses, Royalties, Fees, Fines, Sales, Earnings, Rent on Gov't Buildings, Rent on Land and Others, Investment Income, Extraordinary Items.	Real GDP and CPI Inflation
Other Revenue	Assumed to be N30,000 million in 2018-2020
Capital Receipts	
Grants Subventions & Donations	Assumed to be zero
Borrowings	
Internal Loans	Assumed to be N20,000 million a year, and indexed by CPI Inflation
External Loans	Status Quo Scenario: Assumed to be US\$10 million per year in 2018-2022 for disbursements of existing projects. PforR Scenario: Additional US\$50 million in 2019-2022 associated to PforR.
Expenditure	
Personnel Cost	Real GDP and CPI Inflation
Overhead Cost	
Overhead Costs Excluding Cons.Rev.Fund Charges	Real GDP and CPI Inflation
Consolidated Revenue Fund Charges	Real GDP and CPI Inflation
Public Debt Charges	Historical average interest rates and estimated redemption profile of loans.
Capital Expenditures	Status Quo Scenario: Additional US\$10 million per year in 2018-2022. PforR Scenario: Additional US\$50 million per year in 2019-2022.

Table A 14: Projection Results. Source: World Bank's Forecasts

		Status Quo Scenario					PforR Scenario				
	2017 Act.	2018 Proj.	2019 Proj.	2020 Proj.	2021 Proj.	2022 Proj.	2018 Proj.	2019 Proj.	2020 Proj.	2021 Proj.	2022 Proj.
Revenue	154,596	166,378	188,349	210,682	201,251	218,985	166,378	188,349	210,682	201,251	218,985
Federal Transfers	40,806	48,853	56,436	62,151	67,761	70,014	48,853	56,436	62,151	67,761	70,014
Statutory Allocation	29,914	36,114	41,603	44,900	48,332	48,332	36,114	41,603	44,900	48,332	48,332
VAT	10,892	12,739	14,833	17,251	19,429	21,682	12,739	14,833	17,251	19,429	21,682
IGR	74,836	87,525	101,913	118,531	133,490	148,971	87,525	101,913	118,531	133,490	148,971
Capital Receipts (Aids and Grants)	210	0	0	0	0	0	0	0	0	0	0
Other Revenue	38,744	30,000	30,000	30,000	0	0	30,000	30,000	30,000	0	0
Expenditure	167,293	185,542	202,677	222,487	240,587	259,378	185,542	219,040	238,963	257,176	276,081
Recurrent Expenditure	94,080	109,079	126,214	146,024	164,124	182,915	109,079	126,327	146,250	164,463	183,368
Personnel Cost	45,806	53,573	62,379	72,551	81,708	91,183	53,573	62,379	72,551	81,708	91,183
Overhead	19,141	22,386	26,066	30,317	34,143	38,102	22,386	26,066	30,317	34,143	38,102
Consolidated Rev. Fund Charges	18,029	21,086	24,552	28,556	32,159	35,889	21,086	24,552	28,556	32,159	35,889
Public Debt Charges (Interest & Other Charges)	11,104	12,034	13,216	14,600	16,114	17,741	12,034	13,329	14,827	16,453	18,194
Capital Expenditure	73,213	76,463	76,463	76,463	76,463	76,463	76,463	92,713	92,713	92,713	92,713
Operating Balance	60,516	57,299	62,135	64,659	37,128	36,070	57,299	62,022	64,432	36,788	35,617
Fiscal Balance (defined as FAAC + IGR - Expenditure)	-51,651	-49,164	-44,328	-41,804	-39,336	-40,394	-49,164	-60,691	-58,281	-55,925	-57,097
Financing	24,916	12,091	13,922	15,887	17,146	18,253	12,091	30,172	32,137	33,396	34,503
External	-583	2,596	2,596	2,596	2,596	2,596	2,596	18,846	18,846	18,846	18,846
Gross Borrowing	31	3,250	3,250	3,250	3,250	3,250	3,250	19,500	19,500	19,500	19,500
Amortization	-614	-654	-654	-654	-654	-654	-654	-654	-654	-654	-654
Domestic	25,499	9,496	11,326	13,292	14,550	15,657	9,496	11,326	13,292	14,550	15,657
Gross Borrowing	30,546	20,000	22,780	25,878	28,466	31,028	20,000	22,780	25,878	28,466	31,028
Amortization	-5,047	-10,504	-11,454	-12,586	-13,915	-15,370	-10,504	-11,454	-12,586	-13,915	-15,370
Debt Stock	137,889	152,135	166,057	181,945	199,091	217,343	152,135	182,307	214,445	247,841	282,343
External	32,849	37,599	40,195	42,790	45,386	47,981	37,599	56,445	75,290	94,136	112,981
Domestic	105,040	114,536	125,863	139,155	153,705	169,362	114,536	125,863	139,155	153,705	169,362
Memorandum Item:											
Use of Liquid Assets (+ indicates accumulation)	12,218	-7,072	-406	4,083	-22,190	-22,141	-7,072	-519	3,856	-22,529	-22,594
Public debt (% of FAAC+IGR)	137	112	105	101	99	99	112	115	119	123	129
Domestic Loans (% of public debt)	66	75	76	76	77	78	75	69	65	62	60
External Loans (% of public debt)	21	25	24	24	23	22	25	31	35	38	40
Arrears (% of public debt)	13	0	0	0	0	0	0	0	0	0	0
Interests and Charges (% of public debt)	10.8	8.7	8.7	8.8	8.9	8.9	8.7	8.8	8.1	7.7	7.3
External Loans (drawdown) (US\$ million)	0	10	10	10	10	10	10	60	60	60	60
Capital Expenditures (US\$ million)	240	235	235	235	235	235	235	285	285	285	285
Current Revenue (FAAC+IGR)	115,642	136,378	158,349	180,682	201,251	218,985	136,378	158,349	180,682	201,251	218,985



Annex 7: Ogun State Development Plan

1. **The Ogun State Development Plan 2018-2030 “Mission to rebuild” (SDP) was developed to position the state to leverage its inherent advantages (location and resources) to attain sustainable, inclusive growth.** The SDP is anchored on five cardinal programs:
 - i. Affordable Qualitative Education
 - ii. Efficient Health Care Delivery
 - iii. Affordable Housing and Urban Renewal
 - iv. Agricultural Production and Industrialization
 - v. Rural and Infrastructure Development / Employment Generation
2. **As highlighted by the SDP, agriculture production and industrialization will play a leading role in generating jobs and revenues for the State.** The SDP lays out the government’s efforts to increase food production, increase the supply of raw materials to agro-processing industries and increase domestic and foreign investment in the State. The SDP also acknowledges the need for a skilled and literate workforce to successfully increase agricultural production and industrialization. The SDP explains how the Education, Science and Technology Sector of Ogun State has the mandate to equip students to live effectively in the modern world of Science and Technology and outlines the importance of revamping the Technical and Vocational education framework for scaled implementation and increased employability of TVET graduates. Furthermore, the SDP outlines the government’s recognition that good public sector governance contributes to successful outcomes and is therefore committed to strengthening its institutions.
3. **Program Expenditure Framework.** The project will support a subset of the overall expenditure program of the State that is related to the two cardinal objectives on Agricultural production and Industrialization and Affordable Qualitative Education with an additional focus on sector specific public sector management. The part of the expenditures relating to agricultural production and industrialization along with skills and governance will serve as the Government’s expenditure program to be supported by this operation. The costing of the project’s results areas (see below) shows an average government investment of US\$202 million per year, assuming no significant change in budget allocation to these results areas over five years. With a total project financing of US\$250 million, OGSTEP financing will cover an equivalent of 25 percent of the budget of the key results areas over the five years of the project.
4. **The SDP’s focus areas supported by this project can also be translated into specific budget items, as shown in Table A.16.** If Ogun State continues to allocate and fully expend the 2018 salary budget, this would correspond to a total amount of more than US\$87 million per year, cumulating to more than US\$435 million over five years. This amount is close to double (174 percent) the US\$250 million financing for this project. The EEP base is therefore sufficiently large to cover disbursements to be made under this project. The Ogun State Teaching Services Commission represents a large share (about 80 percent) in the total EEP, because of the large of teachers’ salaries in total State expenditures on salaries. However, the EEP associated with the project’s results areas is sufficiently large that only a fraction of the verified expenditures associated with the teachers’ salaries will be required for disbursement documentation.



Total five-year salaries corresponding to the project-supported results areas will still be enough to support the US\$250 IDA financing, even if only 50 percent the Ogun State Teaching Services Commission's salary expenditures are considered toward the EEP. As discussed earlier, the EEP will be expanded to include the Ogun State IPA, which is a new agency with budget allocation in 2018. The inclusion of additional budget lines in the EEP will further reduce the minimum contribution from the teachers' salaries that will be required to generate sufficient eligible expenditures corresponding to the US\$250 million IDA financing.

Table A15: SDP Focus Areas Estimated Five-Year Budget

Project's results areas	2018 Current Expenditures (Naira, billions)	2018 Capital Expenditures (Naira, billions)	Total (2018) (Naira, billions)	Total (2018) (USD, millions)
Business Environment	1.9	11.6	13.6	44.7
Agriculture	1.8	15.4	17.2	56.4
Education (Secondary Schools and TVET)	22.4	4.4	26.8	87.7
Land	0.4	0.9	1.3	4.4
Budget & Planning	0.6	2.0	2.6	8.4
Total Project's result areas	27.2	34.3	61.5	201.6
Total Ogun State Development Program	121.1	222.9	344.0	1127.8

Source: OgMoBP, 2018 Budget, 305N to US\$ Interbank rate

Table A16: Allocations to the Expenditure Program's Items in the Ogun State Budget, 2018

Object Code Classification	Expenditure Element Description of Object Classification	Amount (Naira)	Amount (US\$)	5-Year Cumulative Amount (US\$)
021500100100/21010101	Ogun State Ministry of Agriculture – Salaries	835,000,000	2,737,705	13,688,525
021510200100/21010101	Ogun State Agricultural Development Programme - Salaries	480,000,000	1,573,770	7,868,852
021511000100/21010101	Ogun State Agricultural Services Corporation – Salaries	125,000,000	409,836	2,049,180
021511300100/21010101	Ogun State Agricultural Development Corporation - Salaries	45,000,000	147,541	737,705
022200100100/21010101	Ogun State Ministry of Commerce and Industry - Salaries	320,000,000	1,049,180	5,245,902
051700100100/21010101	Ogun State Ministry of Education, Science and Technology - Salaries	1,000,000,000	3,278,689	16,393,443
051705400200/21010101	Ogun State Teaching Service Commission - Salaries	22,250,000,000	72,950,820	364,754,098
026000100100/21010101	Ogun State Bureau of Land and Survey - Salaries	315,000,000	1,032,787	5,163,934
026000200100/21010101	Ogun State Ministry of Urban & Physical Planning - Salaries	140,000,000	459,016	2,295,082
026000200200/21010101	Ogun State Urban Regional Planning Board - Salaries	245,000,000	803,279	4,016,393
023400100100/21010101	Ogun State Ministry of Works & Infrastructure - Salaries	375,000,000	1,229,508	6,147,541
023400400100/21010101	Ogun State Road Maintenance Agency - Salaries	60,000,000	196,721	983,607
023400200100/21010101	Ogun State Ministry of Rural Development - Salaries	100,000,000	327,869	1,639,344
053500100100/21010101	Ogun State Ministry of Environment - Salaries	175,000,000	573,770	2,868,852
053501600100/21010101	Ogun State Environmental Protection Agency - Salaries	105,000,000	344,262	1,721,311
	Total	26,570,000,000	87,114,754	435,573,770

Source: OgMoBP, 2018 Budget, 305N to US\$ Interbank rate.