

CIF 2014-2016

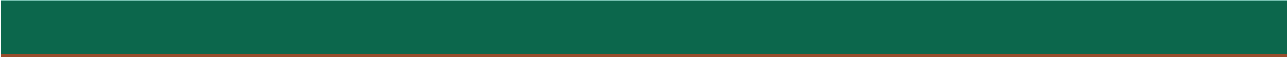
---

# Nigeria

---

COUNTRY INTERVENTION FRAMEWORK 2014-2016

---



<b>1</b>	<b> </b>	<b>KEY ELEMENTS FOR AFD'S STRATEGY IN NIGERIA</b>	<b>2</b>
1.1		A country facing demographic and economic challenges	3
1.2		The will to play in the league of emerging countries	5
1.3		A country barely dependent on Official Development Assistance (ODA) flows	6
1.4		Economic relations between France and Nigeria	8
<b>2</b>	<b> </b>	<b>ASSESSMENT OF AFD'S ACTIVITY AND ADDED VALUE IN NIGERIA</b>	<b>9</b>
2.1		Assessment and lessons learned	10
<b>3</b>	<b> </b>	<b>AFD'S INTERVENTION STRATEGY</b>	<b>11</b>
3.1		Strategic orientations	12
3.2		Operational implementation	14
3.3		Financial production	16
<b>4</b>	<b> </b>	<b>INDICATORS FOR THE STRATEGY</b>	<b>17</b>
	<b> </b>	<b>Figures</b>	
Figure 1:		Logical framework for AFD's operations in Nigeria	13
Figure 2:		Structure of commitments for 2014-2016	16

# 1

---

## Key elements for AFD's strategy in Nigeria

---

# 1

## Key elements for AFD's strategy in Nigeria

### 1.1 | A country facing demographic and economic challenges

#### 1.1.1 A federal republic

The Federal Republic of Nigeria has been functioning as a democracy since 1999. Nigeria is a multi-party federal republic with a presidential system, covering a territory of 923,768 km<sup>2</sup>. The bicameral legislature is based on the model of the USA Congress and comprises the Senate (109 seats) and the House of Representatives (360 seats).

Developing democracy is not always an easy process in a federation that comprises 36 Federal States and 774 local government areas (LGAs) in which other forms of power coexist (customary and religious). However, the general elections, which were held between March and April 2015, were organized in a transparent manner and allowed a democratic transition between the country's two main parties.

The Mo Ibrahim Foundation's Index of African Governance ranks Nigeria in 37<sup>th</sup> position in 2014 (41<sup>st</sup> in 2013) out of 52 African countries.

Besides, both the Federal and the State levels are experiencing corruption problems. In 2014, the Transparency International rating placed Nigeria in 136<sup>th</sup> position out of 175 countries (144<sup>th</sup> in 2013).

#### 1.1.2 Demography and rapid urbanization

Nigeria, a country with over 173 million inhabitants in 2013,<sup>1</sup> recorded a population increase of 5 million inhabitants in 2013 alone. This strong growth of almost 3% a year is occurring in a context where 45% of the population is

under 15. According to the World Bank (WB), the population could reach 230 million by 2030.

The average annual rate for the increase in the urban population stands at approximately 5% and 46%<sup>2</sup> of Nigeria's population was already living in urban areas in 2013 (against 16.2% in 1960), including over 30% in cities with more than one million inhabitants. The city of Lagos State (12.5 million inhabitants according to World Bank data in 2014) gains an additional population every year equivalent to that of the City of Bordeaux (France).

#### 1.1.3 Rapid growth, but with insufficient job creation

Gross Domestic Product (GDP), the calculation of which had not changed since 1990, was reassessed in 2014. It was reassessed by USD 262bn at USD 451bn in 2012, and USD 521bn in 2013, after more account was taken of the services sector (banks, telephone and insurance companies, films...), making Nigeria Africa's largest economy. Per capita income has risen from USD 1,555 to USD 2,689, well ahead of India and Ghana, and close to Morocco and most South American countries.

Real GDP growth<sup>3</sup> has averaged over 7% over the past decade. It is today driven by the non-oil sector, which is confirmed by the GDP rebasing. Indeed, in 2012, the bulk of Nigeria's new GDP was composed of services (51%, against 26% according to the former calculation method), agricultural, forestry and fisheries production (22%, against 33%), and extractive and mining production

1. World Bank, <http://www.worldbank.org/en/country/nigeria>, using UN statistics, which are probably largely overestimated.

2. World Bank estimate based on the UN's Urbanization Prospects.

3. African Economic Outlook, 2012, African Development Bank (AfDB), Organisation for Economic Co-Operation and Development (OECD), United Nations Development Programme (UNDP), United Nations Economic Commission for Africa (UNECA).

(20%, against 39%). The share of the manufacturing sector (7%, against 2%) remains limited, although it has risen significantly, as is the case with other economic activities, including finance, telecommunications, construction, real estate and solid minerals.

Over the past five years, an annual average of 1.8 million new jobseekers have arrived on the labor market. Despite strong growth, driven in recent years by the non-oil sector (services in particular), unemployment has continued to rise and officially stands at 7.5%, but is, in reality, thought to stand at about 20% in the North-West and 9% in the South-West. According to the World Bank, the 15-24 year-old age bracket is estimated to be particularly affected, with an unemployment rate close to 38%.

#### **1.1.4 Lack of infrastructure and under-exploitation of agricultural potential as impediments to development**

Nigeria's economy is not sufficiently diversified and remains dependent on trends in world oil prices, the sale of which provides it with 82% of its budgetary revenues and over 90% of its foreign currency liquidity.

Indeed, Nigeria has oil reserves estimated at between 34 and 40 billion barrels (*i.e.* almost 41 years of exploitation at the current rate, according to a World Bank estimate) and some 4,500 billion m<sup>3</sup> of natural gas, *i.e.* the 8<sup>th</sup> largest in the world in terms of reserves and largest in Africa.

The private sector (including the banking sector) is rapidly developing, despite an environment that generally remains difficult, and is in particular marked by a relative deterioration in the business climate. In 2015, Nigeria ranked 170<sup>th</sup> out of 183 on the Doing Business index, whereas it was 125<sup>th</sup> in 2010. Furthermore, growth in the non-oil sector is constrained by a real energy crisis and by the dilapidated state of the road network. Indeed, Nigeria has an installed power generation capacity of 8,644 MW. But the highest level of power generation ever reached in Nigeria only stands at 4,500 MW for a demand estimated at 10,000 MW. In addition, only 20% of the 193,000 km of existing roads are paved, while 70% of them are badly damaged.

It is for these reasons that the formal non-oil industrial sector remains weak – although it is progressing – and only contributes less than 7% to GDP. Furthermore, while almost two-thirds of the population still mainly earn their income from agriculture, this sector's contribution to GDP is on a downward trend, while only half of the 63 million hectares of farmland is currently exploited.

#### **1.1.5 Significant environmental challenges**

Nigeria is faced with several environmental problems, which include drought and desertification in the north, soil and coastal erosion in the south with, in addition, oil pollution in the Niger Delta, in particular due to gas flaring and oil spillages following thefts.

Moreover, the escalation of exceptional climate events affects agricultural activities and has an impact on food security in the country and sub-region.

#### **1.1.6 Rise in poverty and social and regional disparities**

Nigeria's Human Development Index (HDI) ranks it in 152<sup>nd</sup> place out of 187 countries classified in 2014. The main social indicators have deteriorated and the Millennium Development Goals (MDGs) for 2015 will not be achieved in Nigeria, in particular in the fields of maternal health and education.

One of the major challenges that needs to be addressed is that of health, which is especially reflected in the low level of life expectancy in Nigeria: 52 years in 2012, against 46 years in 1990. Nigeria is lagging behind the average of Sub-Saharan African countries (56 years in 2012). Similarly, only 64% of the population had access to a source of drinking water in 2012, a much lower level than in the rest of Sub-Saharan Africa. The primary school enrolment rate stood at 85% in 2010, whereas it was close to an average of 100% in the same year for Sub-Saharan Africa as a whole.

Despite the growth in GDP and given the strong population growth, poverty has once again gained ground. While it is true that the absolute poverty index<sup>4</sup> fell from 48% of the population in 2004 to 46% in 2010, over 68% of the population is living with less than 1.25 dollars a day

4. Nigeria Poverty Profile 2010 Report, National Bureau of Statistics, February 2012.

and 85% with less than 2 dollars a day. This means that over 100 million people were living in extreme poverty in Nigeria in 2010, against 86 million in 2004. There are, in addition, great disparities between the north and south, and between rural and urban areas. The geopolitical areas of the North-West and North-East (centers of activity of the Boko Haram terrorist group) and rural areas are the most affected by poverty (with poverty rates of over 60% and of 53%, respectively). Conversely, Lagos State has managed to significantly reduce its poverty rate over the same period from 44% in 2004 to 23% in 2010.

### 1.1.7 Fragile social cohesion

From a socio-political perspective, Nigeria has a composite society: Muslim, Christian, animist and syncretistic, speaking some 250 dialects, divided into three main ethnic groups (Hausa-Fulani, Ibo and Yoruba). In order to facilitate the representation of populations<sup>5</sup> and their participation in the socio-political dialogue, the Constitution of 1999 defined six geopolitical areas (North-West, North-Central, North-East, South-West, South-South and South-East).

The economic imbalances between the north and south exacerbate the traditional conflicts and violence which claim numerous victims (over 1,000 deaths in 2013, over 4,000 deaths in 2014, according to Amnesty International) and directly threaten the country's economy, stability and integrity. This situation affects Nigeria's image abroad and has a negative impact on foreign direct investments.

## 1.2 | The will to play in the league of emerging countries

### 1.2.1 Reforms dynamics initiated in 2003 and maintained since

The successive governments since the establishment of democracy in 1999 have focused on the same priorities: electricity and energy, food security, wealth and employment creation, transport, land reform, security and education. These reforms were set out in the National Economic Empowerment and Development Strategy (NEEDS) under the Obasanjo administration, in President Yar'Adua's 7-point agenda, and were repeated in Vision 2020 and the "Transformation Agenda" under President Jonathan.

### 1.2.2 Main priorities of the Vision 2020

#### Human capital development:

- Education system: facilitate primary school enrolment for children, increase the number of classrooms and education facilities, improve the efficiency and competence of teachers;
- Health sector: implement the National Strategic Health Development Plan (NSHDP);
- Working conditions and productivity: create 5 million new jobs over the next three years and set up trades training centers.

5. The 1995 Federal Character Act makes the representation and fair rotation of these areas compulsory in federal functions, including the army and police.

**Three priorities for the real economy:**

- Agriculture and food security: increase wealth creation via an import-substitution policy, improve national added value, exploit and use available agricultural resources efficiently and facilitate the dissemination of appropriate technologies;
- Manufacturing industry: promote private investments, the use of raw materials and local production inputs and interaction with other sectors of the economy, improve the competitiveness of manufactured goods, and turn the manufacturing industry into a source of foreign currency;
- Oil and gas: encourage private investments in the upstream and downstream sectors of the oil and gas industry, reform the oil industry via the Petroleum Industry Bill (PIB) and promote clean exploration and exploitation methods, reduce gas flaring in order to reduce pollution, increase incomes and the gas supply to households and power plants, develop local inputs that contribute to the oil industry.

**The issue of infrastructure:**

- Electricity: increase the power generation and transmission capacity by privatizing the electricity sector;
- Information and communication technologies: develop a 10-year strategic plan to promote the knowledge economy;
- Transport: promote a move towards an integrated and sustainable multimodal transport system, with a focus on the railway sector and inland waterways.

**1.2.3 Geopolitical ambitions set to match Nigeria's potentials**

At regional level, Nigeria wishes to fully play its role as the largest economic power within the Economic Community of West African States (ECOWAS). Beyond the continent, the federation's foreign policy is oriented towards the BRICS (Brazil, Russia, India, China and South Africa). The Nigerian Government is looking towards the country joining the G20 by 2020, in particular via its Vision 2020.

**1.3 | A country barely dependent on Official Development Assistance (ODA) flows****1.3.1 Nigeria's great cautiousness towards external debt**

In 2012, the amount of ODA for Nigeria only accounted for approximately 1% of the federation's GDP, *i.e.* a much lower level than the other Sub-Saharan African countries.<sup>6</sup> Nigeria is keen to maintain its independence and is also very cautious towards external borrowing.

Since the treatment of its debt at the Paris Club in 2005 (two-thirds cancelled), the level of external debt has indeed remained limited (less than 3% of GDP). Since 2010, it has also been controlled by a parliamentary process to validate the public external debt (borrowing plan) of both the Federation and the States.

**1.3.2 Few lenders and increasing importance of emerging donors**

The World Bank (WB) is the leading donor in Nigeria. To date, it has operated under the terms of the International Development Association (IDA). In July 2013, it initiated a 3-year transitional period with a gradual blending of resources from IDA and IBRD (International Bank for Reconstruction and Development). The World Bank's annual commitments in Nigeria amount to approximately USD 1bn (11% of IDA resources and an outstanding amount of USD 5.4bn). It proposed to double its commitments in Nigeria (USD 2bn a year) when it submitted its new strategy for 2014-2017 to its Board.

6. USD 11 per capita in Nigeria, including the debt cancellation, against an average of USD 55 per capita in Sub-Saharan Africa.



The World Bank operates in all infrastructure sectors (transport, water, electricity), but also in education, health, environment and agriculture.

The African Development Bank (AfDB) has annual commitments of some USD 240m, including USD 90m for its African Development Fund (ADF) window (in the process of being reduced as Nigeria will soon no longer be eligible for it) and USD 150m for its AfDB window. AfDB mainly finances infrastructure (roads, including regional roads, electricity, water and guarantees to State-owned banks, such as the Bank of Industry or Nigeria Exim Bank). Finally, the Islamic Development Bank is among the donors who lend to Nigeria (USD 224m a year on terms similar to IDA), but does not have a representation in the country (water, irrigation, education, Zungeru hydropower plant).

The emerging donors, including China and India, are increasingly present in Nigeria, especially in the telecommunications and infrastructure sectors (electricity, rail and air transport for China).

### 1.3.3 Grants donors focus on social sectors

The United States Agency for International Development (USAID) became in 2013 the leading donor operating through grants (USD 490m) with large support to the health, education, agriculture and power sectors. The UK Department for International Development (DFID) remains a major donor, active in all sectors, with an annual budget of around EUR 400m of grants. The EU's National Indicative Programme (NIP) amounts to EUR 512m for 2014-2020, *i.e.* an annual budget of EUR 73m focused on governance, health and access to electricity. Germany's *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) operates in the fields of economic development and support for SMEs in three target States (Niger, Plateau and Ogun),

with a disbursement rate of some USD 60m a year. It has set up a major program to support renewable energies with EU cofinancing. The Japan International Cooperation Agency (JICA), for its part, has a grant assistance program of some USD 20m a year (water, electricity, agriculture). It is also worth noting the rapid development of operations financed by the Bill and Melinda Gates Foundation (USD 190m in 2013) in the health sector (polio vaccination), agriculture and food security.

### 1.3.4 Active strategic coordination among donors

The National Planning Commission (NPC) is responsible for defining strategies and coordinates donors extending grants, while the Federal Ministry of Finance is in charge of relations with donors who operate through loans. In addition, treasury management activities are handled by the Debt Management Office (DMO).

The coordination effort among donors or "development partners" focuses on strategic programming *via* the definition of a Country Partnership Strategy (CPS) initiated by the World Bank and DFID in 2005, and subsequently by the Country Assistance Framework (CAF),<sup>7</sup> which covers 2013-2015 and has mainly been led by the World Bank.

Operational coordination among donors remains rather weak (except in the health sector where the coordination group is very active), although a number of groups were reactivated in 2014.

It should be noted that a group of partners operating in northern Nigeria (World Bank, DFID, USAID and UN) has set up a "development of the North" subgroup in order to provide a rapid donor response to this region's development challenges, particularly in the north-east.

7. The CAF is a common strategy document for operators developed by the main development partners (USAID, WB, DFID, UN, EU, AfDB, AFD, GIZ and IMF). Nine thematic groups have been created or reactivated to strengthen coordination on sector issues (health, power, agriculture, etc.).

---

## 1.4 | Economic relations between France and Nigeria

---

France and Nigeria have strong and longstanding economic ties. In 2011, Nigeria, through the activity of Total Group (EUR 1bn to EUR 2bn of annual investments in Nigeria), was the 5<sup>th</sup> largest oil supplier to France. These ties today make Nigeria France's main trading partner in Sub-Saharan Africa. In 2013, the volume of trade between the two countries stood at EUR 5.3bn, unevenly divided, with 74% of imports to France (mainly crude oil) and 26% of exports to Nigeria.

France accounts for between 8% and 12% of the stock of Foreign Direct Investment (FDI) in Nigeria. There are about a hundred French companies working in oil-related services (Technip, Vallourec, DBN/entrepose, Ponticelli, etc.), but also in other sectors, such as the cement industry (Lafarge is the 2<sup>nd</sup> largest French investor in Nigeria and accounts for 30% of domestic production), industrial gases (Air Liquide), electrical equipment (Alstom, Schneider Electric and GE France), services (SDV-Bolloré, Accor, Sodexo, Air France, etc.) and construction (Bouygues). France wants to increase its trade with Nigeria, while diversifying the business sectors in which French companies operate. The volume of exports could rapidly reach the level of USD 2bn a year.

Nigeria's economic strength is today coupled with its emergence on the international, African and world political scene. Nigeria is a key interlocutor for France in Africa and Nigeria knows that it can rely on France's support to help it achieve its objective of joining the G20.

During the visit made to Abuja by the French Prime Minister, François Fillon, on 22 May 2009, a Memorandum of Understanding was signed, defining an enhanced strategic partnership. Several recent ministerial visits have given more substance to this partnership.

The quality of the bilateral relation that has been built is demonstrated by the fact that the French President, François Hollande, was the only non-African Head of State to attend the celebration of the centenary of the "amalgamation" of Nigeria North and South on 27 February 2014 (abolition in 1914 of the partitioning established at the time of the British colonization). On this occasion, the President reaffirmed his commitment to developing a balanced partnership with Nigeria, as with the other African countries, promoting trade between the two countries. Finally, given the weight and role as a driving force of Nigeria's economy in the region, regional economic integration is promoted and encouraged *via* Nigeria's action within ECOWAS.

# 2

---

## Assessment of AFD's activity and added value in Nigeria

---

# 2

## Assessment of AFD's activity and added value in Nigeria

### 2.1 | Assessment and lessons learned

The Country Intervention Framework (CIF) 2010-2012, drafted following the visit by the French Prime Minister François Fillon in 2009, provided for the allocation of financing for 24 projects, for a total amount of financing approvals of EUR 743m under the form of sovereign concessional loans.

Only USD 413m were allocated between 2010 and 2013.

Two projects were approved in 2010, and were subsequently signed in November 2011 (urban transport) and 2012 (urban water). A 3<sup>rd</sup>, approved in October 2012, was signed in August 2013 (rural roads). Finally, a 4<sup>th</sup> USD 170m project to reinforce Abuja's electricity supply was approved by the AFD Board of Directors meeting in November 2013 and signed on 27 February 2014 during the presidential visit.

Geographically, AFD operates in eight of the thirty-six Federal States<sup>8</sup> (including the Federal Capital Territory) and almost exclusively in the form of sovereign concessional loans (excluding the study fund and a non-sovereign project in the microfinance sector) and in project aid.

In the agriculture and rural development sector, the national program designed to open up the production areas (mainly through the rehabilitation of rural roads) in four States was approved in early October 2012 and signed in August 2013 for USD 60m. This program is cofinanced by the World Bank (WB) and 54% has been disbursed.

The 2<sup>nd</sup> National Urban Water Sector Reform Program (NUWSRP II) for major and secondary cities, which was approved in April 2010, was finally signed in November 2012. This program concerns water supply in two States for a total amount of USD 78m. The percentage of disbursement stood at 22% at the end of 2014.

In the infrastructure sector, the urban transport project in Lagos, which is cofinanced with the World Bank, was approved in January 2010 for USD 100m. 90% of this project has been disbursed and it should reach completion in 2015.

In the electricity sector, the implementation of the USD 170m power transmission project, signed in February 2014, started in early 2015.

Finally, a EUR 5m non-sovereign non-concessional loan was allocated to LAPO Microfinance Bank and signed under a partnership with Lafarge for access to affordable housing.

8. Adamawa, Cross River, Enugu, FCT, Lagos, Niger, Ogun, Osun.

# 3

---

## AFD's intervention strategy

---

# 3

## AFD's intervention strategy

### 3.1 | Strategic orientations

AFD's operational activity in Nigeria will firstly include the priorities set out in the French Framework Document for Cooperation and Development (October 2010), which defines differentiated partnerships and makes Sub-Saharan Africa a priority, given the geographical proximity and the scale of the development challenges.

AFD's operational orientations in Nigeria are in line with the MoU signed in May 2009 between the French and Nigerian governments, which sets two priorities:

- Support the non-oil productive sector (agriculture, SMEs/micro-enterprises, microfinance...);
- Infrastructure development (energy, water/sanitation, transport, housing, public services...).

Finally, AFD's strategy in Nigeria for 2014-2016 will seek to build on its local presence in Nigeria since 2008 and focus on priority sectors for the Nigerian authorities where AFD can leverage its expertise.

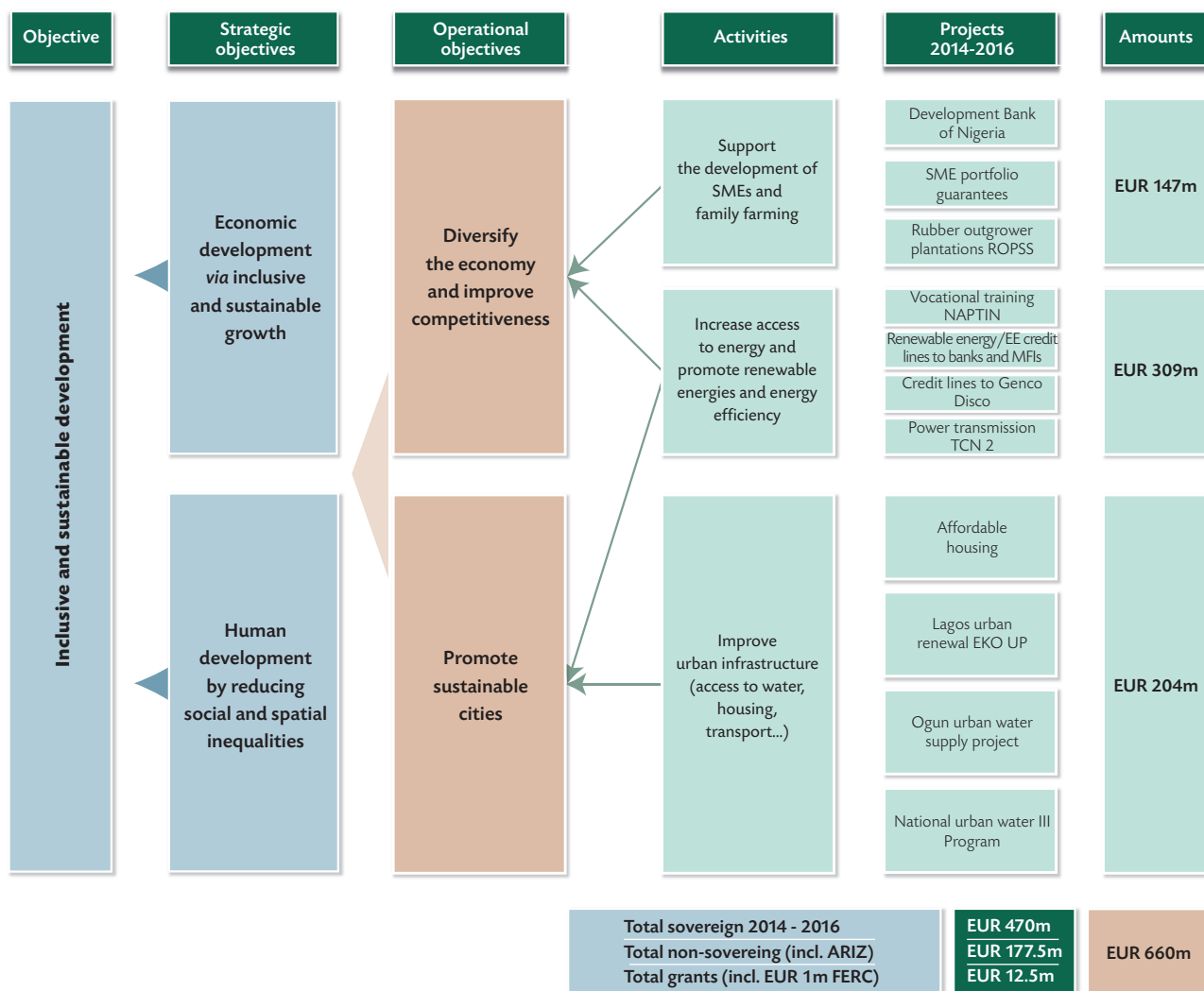
The objective of AFD's operations is to **contribute to inclusive and sustainable development in Nigeria** by supporting economic development and strengthening human capital.

Two operational objectives in line with the strategic priorities of the Nigerian authorities have been identified:

- **Diversify the economy and improve competitiveness;**
- **Promote sustainable cities.**

FIGURE 1

LOGICAL FRAMEWORK FOR AFD'S OPERATIONS IN NIGERIA



## 3.2 | Operational implementation

Achieving these two objectives involves financing activities and projects grouped into three priority sectors.

### 3.2.1 Support the development of SMEs and family farming

Support to private sector small and medium-sized enterprises (SMEs) continues to be one of AFD's priorities in Nigeria in order to combat chronic unemployment. Between 2008 and 2013, AFD Group (mainly via PROPARCO, AFD's private sector financing arm) provided USD 200m of financing in the form of loans through banking intermediation to seven major local banks (Zenith, Access, GTB, Fidelity, FCMB, AFC and Stanbic IBTC). For 2014-2016, AFD will continue to support SME development in a context where the restructuring and consolidation of the banking sector, which followed the crisis in 2009, are now conducive to setting up new credit lines to banks (PROPARCO) or granting guarantees for their loans to SMEs. In addition, AFD will support the Federal Ministry of Finance in the creation of the Development Bank of Nigeria dedicated to SME financing in order to improve access to credit for SMEs. The creation of this institution is also supported by the World Bank, AfDB and KfW.

There are also real opportunities for operations in the microfinance sector by supporting the financial inclusion strategy (2012). PROPARCO will examine the opportunity of supporting Microfinance Institutions (MFIs), as was the case with Microcred (Planet Finance Group).

Furthermore, by supporting agricultural and rural development, AFD's aim is to assist both the process to diversify the economy and efforts to reduce regional and social

imbalances between the north and south of the country, and between urban and rural populations. The challenge that needs to be faced is to increase the productivity of family farming, which is still mainly subsistence farming, while containing rural exodus. AFD's agricultural development operations will aim to structure agricultural value chains, particularly for exports, such as rubber plantations, via the support to small-holders' plantations.

### 3.2.2 Scale up access to energy and promote renewable energies and energy efficiency

Nigeria is part of the first wave of Sub-Saharan African countries targeted by the UN SE4All initiative.<sup>9</sup> The Nigerian government, which has made access to energy the priority of its development policy, has recently invited AFD to get involved in this challenge in a more proactive manner, particularly in the power transmission sector, which is the weak link in the electricity sector and continues to be controlled by the State.

In this context, AFD will support the development of the power transmission grid by assisting the State-owned company Transmission Company of Nigeria (TCN) and its efforts to transfer the electricity generated to the main distribution centers. A first project to reinforce the supply to the federal capital Abuja was already approved by AFD's Board in 2013. A second project is expected to be presented in 2016.

Depending on the actual pace of the implementation of the ongoing privatization process and the bankable opportunities that arise, AFD will seek to improve the efficiency of distribution grids and to support renewable

9. SE4All (Sustainable Energy for All) is an initiative launched by the United Nations Secretary-General in September 2012. By 2030, the objective is to provide access to energy for all and double energy efficiency, as well as the share of renewable energies in the global energy mix.



energy generation initiatives, with a focus on hydropower and solar energy, as well as energy efficiency. These projects may be supported by credit lines to commercial banks or by direct financing from PROPARCO and/or AFD.

In addition, AFD has engaged in operational discussions to strengthen the training capacities in this sector, especially with the National Power Training Institute of Nigeria (NAPTIN), while developing partnerships in the form of public-private partnerships (PPPs). There is indeed a marked lack of a workforce of skilled technicians, which considerably jeopardizes the success of the sector reform (recent privatization of generation and distribution).

These projects for access to energy (generation, transmission and distribution), energy efficiency and to support vocational training could be cofinanced by the European Union (EU), particularly under the National Indicative Programme of the 11<sup>th</sup> EDF in Nigeria (energy is the 2<sup>nd</sup> focus sector, for a total amount of EUR 150m), or simply under the regional investment facilities like ITF<sup>10</sup> for Sub-Saharan Africa.

### 3.2.3 Improve essential urban infrastructure

The urban development sector is a priority for the Nigerian Government. Its aim is to improve living conditions in cities, where some 50% of Nigerians already live.

#### 3.2.3.1 Provide access to drinking water and sanitation and ensure its sustainability

The water sector will continue to be a priority for AFD in Nigeria for 2014-2016, since 40% of the population still does not have access to drinking water. Several possible approaches will be explored: financing the implementation of the National Urban Water Sector Reform Program (NUWSRP), improving the management of public water companies, and promoting public-private partnerships.

#### 3.2.3.2 Upgrade slums and improve waste management

AFD will cofinance an urban development project in Lagos, which involves upgrading several informal neighborhoods, developing waste treatment facilities and building the capacities of the public agencies in Lagos responsible for implementing these policies.

#### 3.2.3.3 Promote access to housing

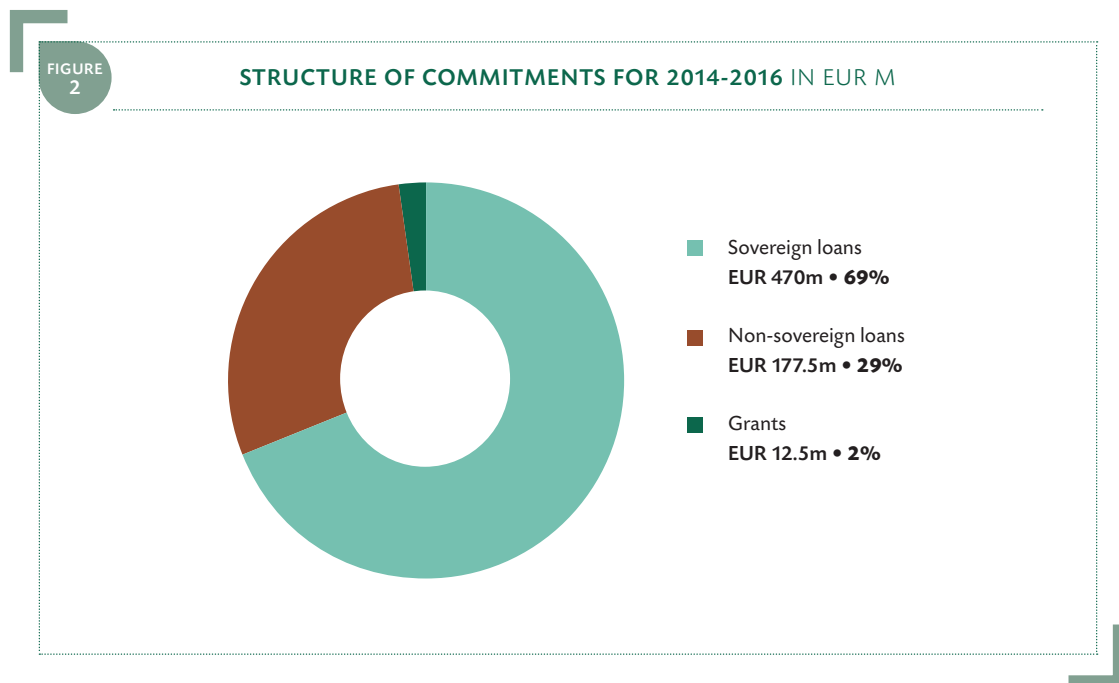
Nigeria has a housing shortage of 17 million units. The financial market for mortgage loans and housing loans is very underdeveloped, mainly due to the lack of long-term resources and the prohibitive interest rates applied, especially for middle and low-income households. Under a partnership with Lafarge, AFD has set up financing to promote access to credit for low-income populations via a microfinance bank (LAPO MfB). The aim is to build, improve or refurbish housing in Ogun State. AFD is planning to build on, and renew, this particular experience and its general knowledge of financing affordable housing in Africa in order to support and reinforce the initiatives developed under the implementation of the National Housing Policy (2012).

10. The EU-Africa Infrastructure Trust Fund (EU-AITF) is an instrument to support the more extensive EU-African Partnership for Infrastructure program. It aims to increase investments to support regional infrastructure in Africa by combining long-term loans with grants from the European Commission and EU Member States..

### 3.3 | Financial production

For 2014-2016, AFD plans to allocate EUR 660m (excluding fund delegations/cofinancing and PROPARCO).

These provisional commitments break down as follows: EUR 470m for sovereign loans (69%), EUR 177.5m for non-sovereign products (29%) and EUR 12.5m euros for grants (2%).



# 4

---

## Indicators for the strategy

---

# 4

## Indicators for the strategy

In terms of monitoring the results of its strategy for operations in Nigeria, and in addition to the resource indicators (commitments, disbursements), AFD has decided to focus its attention on indicators that are directly related to the defined objectives and activities:

### **Support the development of SMEs and family farming:**

- Number of family farms supported by the programs financed by AFD;
- Investments supported in the private sector;
- Number of companies (SMEs) benefiting from AFD support or financing.

### **Scale up access to energy and promote renewable energies and energy efficiency:**

- Number of people connected to the electricity distribution grid or gaining access to electrification;
- New installed renewable energy capacity and energy savings;
- Number of young people received by initial vocational training systems supported by AFD.

### **Improve urban infrastructure:**

- Number of residents in disadvantaged neighborhoods with improved or secured housing;
- Number of people gaining sustainable access to an improved drinking water source.







Agence Française de Développement (AFD)  
5, rue Roland Barthes – 75598 Paris cedex 12  
France  
Tel.: + 33 1 53 44 31 31

[www.afd.fr](http://www.afd.fr)



*Shaping sustainable futures*