



# Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

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Concept Stage | Date Prepared/Updated: 26-Jun-2018 | Report No: PIDISDSC23618



**BASIC INFORMATION**

**A. Basic Project Data**

Country Nigeria	Project ID P165296	Parent Project ID (if any)	Project Name Nigeria Affordable Housing Project (P165296)
Region AFRICA	Estimated Appraisal Date Oct 26, 2018	Estimated Board Date Jan 17, 2019	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Federal Ministry of Finance	Implementing Agency Family Homes Fund	

**Financing (in USD Million)**

Financing Source	Amount
International Development Association (IDA)	150.00
	150.00
<b>Total Project Cost</b>	<b>150.00</b>

Environmental Assessment Category  
F - Financial Intermediary Assessment

Concept Review Decision  
Track II-The review did authorize the preparation to continue

Other Decision (as needed)

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**B. Introduction and Context**

Country Context

The Nigerian economy experienced a sharp slowdown in growth in 2016 driven by a large contraction in the oil sector, with tepid signs of recovery in 2017. The economy contracted 1.6 percent in 2016, compared to a growth rate of 2.7 percent in 2015. Annual inflation increased sharply to 18.6 percent in 2016, falling only slightly to 15.4 percent y-o-y at the end of December 2017 but remaining at double the Central Bank target. The consolidated government’s fiscal stance has also deteriorated and deficits have been largely financed from domestic sources leading to crowding out of private sector credit. Economic growth recovered slightly to around 0.8 percent in 2017, driven mainly by the restoration of oil production (to 2.1 mbpd – oil and gas GDP growth is estimated at 7.6 percent for 2017) and supported by continued strong growth in agriculture, evidence of a slight improvement in non-oil growth.



Meanwhile, the Central Bank of Nigeria (CBN) pursued a tight monetary policy in order to preserve exchange rate stability which has contributed to high interest rates. The official exchange rate was set at N305/US\$. However, the convertible Investors and Exporters window, to which the parallel market rate remains aligned, traded at a 20 percent premium over the official exchange rate at N360/US\$. Broad money growth decreased to 2 percent in December 2017, compared to 18 percent in 2016. While the monetary policy rate was maintained at 14 percent since July 2016, the CBN reduced liquidity through issuing significant amounts of CBN bills. As a result, the interbank call rate averaged 23 percent in 2017, peaking at 65 percent in April.

The growth slowdown has led to increased vulnerabilities in the financial sector. Bank solvency ratios have declined from 14.8 percent to 10.5 percent over the December 2016 – October 2017 period, largely driven by challenges faced by four small and medium-sized undercapitalized banks (of which one is insolvent). Some of these banks have been supported by frequently appealing to the CBN's liquidity window. Asset quality deteriorated over the past year, with Non-Performing Loans (NPLs) almost tripling from 5 percent in June 2015 to 15.6 percent in October 2017. This has contributed to reducing capital adequacy ratios (CAR) from 17.7 percent in December 2015 to slightly above the Basel II regulatory requirement of 8 percent at the end of Q3 2017, although for the 5 largest banks it is above 15 percent. Various proactive measures were introduced to contain risks to financial stability, including increased provisioning, strict limits on net FX positions, prohibition of dividend payments (for banks with NPLs higher than 5 percent), and regulatory forbearance on provisioning and breaches of single obligor limits.

Poverty and unemployment rates have also increased. The national poverty rate is 53.5 percent, and unemployment and under-employment rates continued to increase in the first three quarters of 2017. By the third quarter, 18.8 percent of the Nigerian labor force was unemployed and a further 21.2 percent was under-employed.

In response to these significant economic and social challenges, the Federal Government has launched an ambitious Economic Recovery and Growth Plan (ERGP) for the period 2017–2020. The ERGP sets out actions to restore macroeconomic stability in the short term and implement structural reforms and social sector programs to diversify the economy and set it on a path of sustained inclusive growth over the medium to long term. The ERGP sets an ambitious target of 7 percent real GDP growth by 2020. To this end, the ERGP has three broad strategic objectives: (a) restoring growth; (b) investing in our people; and (c) building a globally competitive economy.

### Sectoral and Institutional Context

**Demand for affordable housing in Nigeria is large and growing in the face of a sizable deficit and there is a dearth of existing interventions to support closing this gap.** The housing deficit has been estimated at up to 17 million<sup>1</sup>, and is growing at about 20 percent a year. Estimates of output in the formal housing sector range from no more than 100,000 per year to an optimistic 200,000 per year, which covers only a fraction of the at least 700,000 units required per year to keep up with growing population and urban migration. Further, most new housing production caters to upper income households, leaving an acute housing shortage for middle and lower income households. The greatest need for affordable housing is lower income households in urban areas. Almost 50% of the Nigerian population lives in cities and about 80% of this urban population lives in substandard conditions.

**While the macroeconomic conditions in Nigeria are the most important impediment to affordable housing, there are significant market failures impacting the supply and demand for housing that also need to be addressed.** Among the biggest constraints include access to land (due to slow title verification, high cost of registration and lengthy process of achieving “governor’s consent” to property transfer), lack of infrastructure and service provision, difficulties with construction permitting, high cost of development finance, high construction costs, and lack of skilled labor. On the demand side, major constraints include access to end user financing, lack of disposable income for housing, and the cost and time of foreclosing.<sup>2</sup>

<sup>1</sup> World Bank (2016). Nigeria: Developing Housing Finance. UKAID.

<sup>2</sup> Source: KPMG Mortgage Industry Overview (2015) in “Best Practices: Affordable Housing in Nigeria”. Inclusive Business Action Network (IBAN).



**Private investment will be critical to transforming the affordable housing sector in Nigeria.** The government does not have the resources to close the monumental deficit of affordable housing. Property developers cite the need for public support to address the demand and supply market failures before private capital will come in. Demonstrating a successful (and profitable) model to the private sector will be critical to unlock private investment.

**The ERGP includes an ambitious new affordable housing initiative, the Family Homes Fund (FHF), which will employ a public-private partnership financing scheme to catalyze the large-scale housing production necessary to close the affordable housing gap.** FHF is a market oriented initiative of the FMOF established in September 2016 and is owned by the Federal Government of Nigeria (FGN) and the Nigerian Sovereign Wealth Fund (NSWF). The Fund will operate as a Public Private Partnership and targets to raise NGN 1 trillion (approximately US\$2.5 billion). The Fund aims to match the NGN 500 billion allocations from FGN (including seed capital from FGN in the amount of NGN 100 billion per year for 5 years) with a similar sum raised through private funding. The Fund will be professionally managed to catalyze funds from the private sector, pension funds, insurance funds, multilateral agencies, and impact investors.

### **Previous and current efforts to support the housing ecosystem**

**The Government of Nigeria, in partnership with the World Bank and other development partners, has taken significant strides to unlock housing constraints, and is currently deepening these efforts.** Unlocking the potential in the housing market requires multiple and interrelated market functions to work effectively: (a) conducive macro policies that provide for stable and low inflation, (b) access to long-term finance, (c) reduced cost to business transactions in land registration and foreclosure, and (d) good quality and efficient building and construction. The ongoing World Bank Nigeria Housing Finance Program (US\$300 million, FY14) adopts a programmatic approach to address the core constraints to expanding housing finance and seeks to enable the sector to reach its full potential.

**The World Bank-financed Housing Finance Development Program (NHFP, approved in FY14) outlined a phased approach to tackling housing finance constraints with the first phase aiming to increase access to housing finance by deepening primary and secondary mortgage markets.** The project has three main components and a technical assistance component:

- i. ***Establishment of the mortgage refinance company.*** The Nigeria Mortgage Refinance Company (NMRC), was created in 2013 as a partnership between private financial institutions, development finance institutions, and the ministry of finance. It has issued standard corporate bonds into the capital markets and also has a sukuk issue under preparation. The sole objective of NMRC is to provide long term market based financing to mortgage lenders.
- ii. ***Establishment of a mortgage guarantee product.*** This product is targeted at lower income borrowers.
- iii. ***Introduction of Housing Microfinance (HMF).*** This component aims to support the development and piloting of new and or emerging formal HMF products and to demonstrate a sustainable business case for these activities.

**The NHFP provides a critical platform for scaling up the mortgage market in a sustainable way by leveraging capital markets.**

**The Housing Finance Project has registered some successes, but also faces challenges related to difficult macro-economic environment and limited supply of housing for mortgages.** This program has registered early successes mainly in addressing the long-term finance constraint by the establishment of the Nigeria Mortgage Refinancing Company (NMRC), which completed its first bond issue in July 2015 and second issue in May 2018. NMRC has been active on multiple fronts to improve the overall market environment, including setting uniform underwriting standards for the industry, drafting a model foreclosure law for states to consider adopting and implementing, and launching a mortgage awareness program. It is now working on underwriting standards for informal incomes and Islamic finance. NMRC has involved in multiple initiatives such as these at both Federal and State level and has taken on a catalytic role



for change in the housing sector. The main challenge it has faced since establishment has been the contraction in the economy from 2016 to 2017 which had a marked effect on the housing market and the flow of new mortgage loans. Alongside this a fall in domestic revenues for FGON, has led to increased borrowing from capital markets, placing upward pressure on domestic interest rates, which reduces affordability and attractiveness of the mortgage instrument. At the same time, domestic housing production has underperformed due to high interest rates but also weak developer sector, limiting the production of mortgages that could be refinanced by NMRC. Progress towards development of mortgage guarantee product and piloting housing microfinance have been delayed and are currently underway. It is expected that the feasibility assessment and business plan for the mortgage guarantee product and initial piloting of housing microfinance loans will be achieved by the project closing at the end of 2018.

**Complementing HFPs focus on housing finance, there is significant donor support tackling the land administration constraints to affordable housing in Nigeria.** In particular, the DFID Growth and Employment in State program #3 (GEMS3) which closed in 2017 has been the primary source of technical assistance to support land administration in Nigeria. GEMS3 supported land reform both at the federal level and in 4 states (Kano, Kaduna, Jigawa, Kogi). At the national level the GEMS3 Land Transparency Initiative worked to upgrade the national land policy. While the project worked closely with the PLTCR, lack of coordination at the federal level hampered its progress. On the other hand, state level activity proved exceptionally successful. The flagship program supported by GEMS3 in the 4 states was the introduction of Systematic Land Title Registration (SLTR) a process by which most rights to land in a particular area are ascertained and then documented in an official register of land titles. The SLTR process seeks to ascertain all legal rights and interests, including encumbrances and restrictions, which are already documented and registered; and minor interests (such as profits and licenses) which may not be documented or registered. A new DFID project (LINKS) is under preparation and should be operational by early 2019. LINKS, which is focused on Kano, Kaduna and Jigawa, will continue the land administration work initiated by GEMS3 and include a specific focus on affordable housing land policy and land administration reforms.

**The World Bank has built upon the foundation laid by GEM3 in select states.** In Kaduna, the \$350M Economic Transformation World Bank program for results which was approved by the World Bank Board in June 2017 proposes to build on GEMS3 efforts to simplifying the registration of property, and supporting the Systematic Property Registration Program (SPRP) implemented by Kaduna Geographical Information Services (KADGIS) in urban areas, as well as the strengthening of KADGIS capacity. The PforR will help ensure that the SPRP not only promotes income generation, but strengthens citizens' property rights in an inclusive manner. In addition, there is a World Bank implemented EFO funded by DFID to support the development of an economic and financial proposal for the sustainable roll-out of SLTR: i.e. developing policy, legal and institutional recommendations for financially and politically sustainable SLTR and sustainable land administration systems that can be implemented in Jigawa, Kano and Kaduna. The \$350 million Ogun Agricultural Production and Industrialization project under preparation is also leveraging the lessons learned in GEMS3 to support improving land administration in the State. Furthermore, a new IFC advisory program, the four-year "Nigeria Improving Business Environment for Prosperity" Technical Assistance Program (NIBEP) funded by the UK Foreign Commonwealth Office will support improving the enabling environment for private investment in Nigeria. The project aims to support the Nigerian government in its effort to streamline the business environment and enhance its investment policy and promotion efforts at the national and subnational level and will include a specific focus on land policy and land administration reforms with an initial focus on providing complimentary technical assistance to the World Bank Ogun state project.

**There has also been donor support to developing the construction sector in Nigeria.** The German International Cooperation (GIZ) has been supporting training and stakeholder engagements within the sector for years. GIZ has a technical training program that invite experts from Germany to provide technical inputs to the sector to lower construction costs and improve quality. In June 2016, GIZ, in close collaboration with the Federal Ministry of Power, Works and Housing (FMPWH), organized the first Affordable Housing Summit. The Summit had more than 600 key industry participants and received input from several key dignitaries including the Honorable Minister, FMPWH, the



Head of Civil Service of the Federation representative of the Secretary to the Government for the Federation, the Head of SEDIN Program of the German Development Corporation (GIZ), President of Real Estate Developers Association of Nigeria (REDAN), and other notable captains of the real estate industry.

### **Family Homes Fund**

**The genesis of the FHF initiative stems from a recognition that the housing sector appears unable to deliver affordable homes at significant scale, and most housing production is targeted to high income earners.** Government-run housing programs have largely failed to fill this gap due to unsustainable financing mechanisms (heavy subsidies), lack of transparency, and failure to leverage market mechanisms. FMoF has requested IDA funding up to US\$250 million, or around 10 percent of fund target.

**FGN and relevant institutions broadly support FHF and are actively engaged in a coordinated manner to identify and execute solutions to key constraints.** There is broad support of the FHF mission led by the Office of the Vice President (OVP). The FHF team and the OVP Infrastructure team make up the secretariat for the Affordable Housing program and are working together on this. In particular, the Senior Special Assistant on Infrastructure is working closely with FHF, Ministry of Finance and the Ministry of Power Works and Housing to ensure there is a coordinated effort to implement the Affordable Housing program of FHF. The VP set up 4 task forces to assist FHF with any project implementation issues: i) Land and Infrastructure which is engaging with state governments, FCT MDAs, and identifying other sources of unencumbered land to build FHF land bank; ii) Offtake which is identifying initial target groups to purchase the FHF affordable homes; iii) Construction which is evaluating the construction process and exploring: a) innovations and process improvements that can lead to cost reduction; b) avenues to scale up; and c) ways to improve the construction value chain; and iv) Finance which is identifying and developing suitable financing models for the program. Three of the task forces (except for the Finance task force which is chaired by the Minister of Finance) are chaired by the State Minister of Housing Suleiman Hassan (see Annex 3 for more details).

**Amid growing political pressure to accelerate its rollout, the Family Homes Fund initiative is still in an early phase of development, but has registered early successes in terms of building a land bank and fostering collaboration and active support from key stakeholders** (see paragraph above). Since its initial announcement in September 2016, FHF has developed a business plan, and has been building a land bank and has acquired land across fifteen states including FTC, Kaduna, Kano, Lagos, Ogun, Anambra, etc. FHF has projects in pipeline with eight of these states and estimates to build 3,800 units on these pilot projects, which were to be finished by Q2/Q3 of 2018. FHF has also obtained approval for the planning of an additional 4,639 units with seven of these states, with estimated completion in the Q1 of 2019. Other activities regarding operationalization of FHF are currently ongoing, including the development of technical and tender documents, the establishment of minimum standards and appraisal system, the design of eligibility criteria, etc. The FHF Board and a new CEO have been appointed. Annex 1 provides further details on FHF's mandate, challenges it seeks to overcome, and target beneficiaries.

### Relationship to CPF

The project will support the Country Partnership Strategy (CPS) for Nigeria FY14-17<sup>3</sup> and the First Strategic Cluster: “Federally Led Structural Reforms for Growth and Jobs”, which aims at maintaining non-oil growth through diversifying financial markets. Developing housing finance system will deepen the banking system and promote non-oil growth. As already noted,

<sup>3</sup> The Nigeria CPS FY14-17 has been extended to FY20 to align with elections scheduled for February 2019.



the scheme is also an integral part of the Nigeria Economic Recovery and Growth Plan, and one of several initiatives designed to mobilize private capital through Government seed funding. The estimated preliminary impact is 80,000 jobs directly linked with the scheme and a further 250,000 jobs created indirectly through industries and services linked to the housing sector. This is one of 34 'must win' initiatives put forward as part of the plan, covering many aspects of the Nigerian economy.

### C. Proposed Development Objective(s)

To increase access to mortgage finance for targeted underserved households.

#### Key Results (From PCN)

Number, volume and portfolio quality of mortgages facilitated by help-to-buy scheme supported under the project  
Increase in home volumes by developers supported under the project.

### D. Concept Description

**In line with the phased approach outlined in NHFP, the proposed second phase project seeks to support FHF's initiative to catalyze affordable large-scale housing production.** The World Bank strongly supports FHF's market-oriented approach to solving Nigeria's housing deficit, which if successful can serve as a vehicle to drive reform in Nigeria's inefficient institutional framework towards more market-friendly and sustainable programs. FHF's success is predicated on successfully addressing a plethora of affordability constraints (see Table 1 below). It seeks to exert its market power to overcome obstacles such as availability of well-located and serviced land and to drive the professionalization of the local developer and construction industry.

**Leveraging its expertise in housing finance and institution building, the World Bank proposes to provide strategic support during FHF's initial phase in 3 areas:**

1) institution building, including establishment of world-class governance standards and necessary professional capacities to undertake its ambitious mandate. World Bank support in these areas is fundamental to building the credibility needed by FHF to ensure its autonomy and sustainability by attracting private capital.

2) financing of the flagship financial product offered by FHF, the "help-to-buy", which will facilitate access to mortgages;

3) financing technical assistance (TA) aimed at identifying sustainable solutions to the more complex binding constraints/market failures for which FHF is addressing with temporary solutions during the demonstration of success phase. This TA is expected to build the knowledge basis upon which next generation activities can be programmed, either through subsequent WB financing, other development partners, or from FHF funds.

### Component 1: Help to Buy support (US\$ 120 million)

**This component will provide support on the offtake financing for units produced by Family Homes Fund.** This allows FHF to enter into agreements with developers on production of affordable housing units with an important incentive to ensure that the housing stock built can be rapidly sold. The *help to buy* scheme will help homebuyers in raising the initial 20 per cent deposit required on the purchase of a home by matching the 10 percent contribution of the homeowner with a loan for the remaining 10 percent. The loan would be on interest only terms for an initial 5 year



period and from years 5-15 would see capital repayments increase on an annual basis, thereby spreading the real repayment cost of the loan over a longer period. This will provide some help in tackling high inflation/high interest rate systems where the real repayment on a loan is concentrated in the initial few years. The loan will be administered through the mortgage lender while FHF will take on the credit risk. Overall the scheme will be self-financing and ***not require subsidized funding***. The IDA line of credit will provide financing at a concessional rate which will allow a Help to Buy fund to be established, reduce administration costs and provide for credit risk impairments. Please see Annex 4: Choice of Help-to-Buy instrument and alternatives considered.

## **Component 2: Technical assistance and capacity building (US\$30 million)**

### **2(a) Land administration support**

While FHF will have access to accelerated land administration processes, for the affordable housing ecosystem to achieve scale in the medium term, it is critical to address bottlenecks in land administration that make land supply for housing and mortgage origination difficult and costly. This technical assistance aims to work with select “leading” states (maximum of 3) already implementing progressive land administration policies to support their efforts to (1) assess key constraints in land administration system for registering residential property and mortgage registration and identify actions to address them in both short- and long terms; (2) implement short-term measures to improve the performance of residential property registration as well as mortgage registration.

### **2 (b) Supporting access to well-located, serviced land**

This sub-component aims to help address binding constraints in the supply of affordable housing, including access to well-located, serviced land in in select cities in participating states. It will be achieved through studies to assist the diagnosis of binding constraints in the supply of affordable housing in each participating city, as well as action plans and concrete measures to address these constraints. These could include (i) the formulation/revision of selected urban planning, zoning and development control instruments; (ii) infrastructure and capital investment planning and financing; (iii) streamlining construction and building permits; (iv) feasibility studies on Land Value Capture and other land-based financing mechanisms; and (v) financial structuring for affordable housing PPPs, among others.

### **2 (c) Strengthening the construction value chain**

This will support the improvement in the capacity and skills of the construction sector to facilitate the increase in volume developers in the country. It will also support the development of bulk procurement programs to drive down the cost of building materials. The sub-component will also support innovations to affordable housing including: designs to maximize space and layout, and components and the adoption of modern methods of construction and new technology that would contribute to the reduction of building and maintenance costs. This TA will also support an international design competition for construction of low cost housing units adapted to Nigerian market and materials. The team is working closely with the IFC who is working to support the program objectives via a combination of investment and advisory services catered to the Nigerian developers/contractors, by leveraging both the Private Sector Window (PSW) and the Creating Markets Advisory Window (CMAW). The IFC MAS team envisages providing: i) technical assistance to developers to improve their skills, capacity and introduce new building methods; and ii) joint ventures with international developers focused on sharing knowledge and technology. This component will also supplement the PSW funding and work with states that are not covered under the PSW.

### **2 (d) Technical assistance and capacity building for FHF**

This component will provide technical assistance and advisory services to strengthen FHF management and operations, including: i) Governance of FHF- the key to sustaining the future of FHF in the long term is the adoption and implementation of world-class governance practices; ii) Safeguards-developing and implementing a robust





environmental and social safeguard system; iii) Design and develop Help to buy mortgage support initiative and put in place administrative systems that are critical for the transparency and accountability of FHF's operations i.e. a solid eligibility and vetting procedures, efficient and accurate data collection system, a robust M&E system, an integrated grievance redress mechanism, etc; iv) Develop FINTECH or other solutions that increase efficiency of transactions and promote a lower market interest rate; iv) Assessments of the impact of the policy environment on the cost of construction; and v) development of a national affordable housing policy under the leadership of the Vice-President led Task Force. This component will also support analytical and advisory services designed to address some of the key analytical challenges in the operationalization of FHF. Given the incipient phase of FHF organizational development, the TA activities will focus on immediate and developing analytical needs, such as market viability assessments to determine the suitability of prospective locations. The component will also support the development of an intensive monitoring and evaluation system, which will go beyond project M&E framework to document and learn from experiences of early housing developments in order to inform and refine FHF operations going forward.

## **SAFEGUARDS**

### **A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The project seeks to address market failures on both the demand and the supply side in order to unlock private investment in affordable housing. On the demand side the project will support a financial instrument to help improve affordability by reducing the down payment burden. On the supply side, which is arguably much more complex, the project will lay the groundwork for a systematic reduction/elimination of the impediments to housing supply by supporting diagnostics and providing technical assistance.

It is envisaged that the transactions covered under the Family Home Fund (FHF) will be in services or investments with little or no environmental or social risks associated with them. According to OP/BP 4.03, this project is categorized as FI-2. This is based on the understanding that the proposed portfolio is envisaged to comprise of subprojects that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of subprojects with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

The Participating Financial Institution (PFI), including NMRC, will be required to (i) develop and operate an Environmental and Social Management System (ESMS) that incorporates relevant aspects of Performance Standard 1 on Assessment and Management of Environmental and Social Risks and Impacts that is commensurate with the level of environmental and social risk in its portfolio and prospective business activities supported by the World Bank loan; (ii) apply relevant aspects of Performance Standard 2 to its employees; (iii) ensure that all subprojects supported by the World Bank comply with applicable national and local laws and regulations The project must avoid supporting activities on the WBG Exclusion List.

### **B. Borrower's Institutional Capacity for Safeguard Policies**

The Family Home Fund (FHF) an initiative of the Federal Ministry of Finance (FMoF) was established in 2016 and is owned by the Federal Government. Though FHF has, since its inception been involved in housing development



projects, but these activities were not associated with world bank project environmental and social (E&S) risks and impacts. To strengthen institutional arrangement and ensure effective implementation of E&S risk management measure therefore, training and capacity building needs will be evaluated during appraisal with a view to developing understanding of the E&S risk as well as specifics for implementing risk screening and mitigation measure appropriate for the nature of financing.

Mechanisms for consultation and disclosure, with an emphasis on potentially affected people

No E&S framework is required to be prepared prior to appraisal under OP/BP4.03 for projects involving Financial Intermediaries. As per OP/BP4.03, FIs that participate in the project are required to develop and operate an ESMS (which is a system owned and internalized by the FIs as part of their lending process) that is commensurate with the level of E&S risks in its portfolio and prospective business activities). In accordance with BP4.03, disclosure requirements for projects involving FIs are as

The FI is expected to disclose through the FI’s website, if a website exists, and to permit, in writing, the Bank to disclose at the Bank’s InfoShop and local PIC, the following elements of the FI’s ESMS:

- a) The FI’s policy statement which describes specific objectives, metrics, and aspirations that the FI has set with regard to its environmental and social performance;
- b) The FI’s procedures for screening and assessing risks and impacts of subprojects or individual transactions; and
- c) After Bank review, the summary of the environmental and social assessment that is required for any subproject considered high risk in accordance with the ESMS (for Subcomponents 2(a) and 2(b)).

FHF and NMRC will put in place and maintain a procedure for external communications to receive any concerns and feedback from the public regarding any aspects of their operations, for example, concerns related to their investment activities and/or a borrower/investee in portfolio. Additionally, under Components 2 and 3, real estate developers will conduct consultations and disclosure activities in line with the relevant requirements of the World Bank Performance Standards.

**C. Environmental and Social Safeguards Specialists on the Team**

Joseph Ese Akpokodje, Environmental Safeguards Specialist  
Amos Abu, Environmental Safeguards Specialist  
Michael Gboyega Ilesanmi, Social Safeguards Specialist  
Elijah Abiodun Siakpere, Social Safeguards Specialist

**D. Policies that might apply**

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Performance Standards for Private Sector Activities OP/BP 4.03	Yes	OP/BP 4.03, and more specifically, provisions related to private sector activities involving Financial Intermediaries, will be applied to the project in lieu of WB safeguards policies. Specifically, OP/BP4.03 will



apply to Subcomponent 1(a) – Activity (c) and Subcomponents 2 and 3, as follows:

Applicable E&S requirements for Subcomponent 1(a) – Activity (c) (to be included in all relevant legal agreements under the project):

- (i) Applicable national and local laws and regulations of Nigeria.
- (ii) List of Excluded Activities for Mortgage Finance (to be prepared before appraisal)
- (iii) World Bank Performance Standards will, through their content and scope of coverage of E&S issues, inform the design and development of E&S risk management tools and solutions that are specifically tailored and appropriate for housing finance (as described in the sections above). This will include relevant provisions of the WBG Environment, Health, and Safety (EHS) Guidelines.

Applicable E&S requirements for Subcomponents 2 and 3 will be confirmed based on the design of the “tripartite agreement” model as mentioned above and included in all relevant legal agreements under the project.

Applicability of Performance Standards provisions to the ESMS for FIs

ESMS will incorporate, as appropriate for the project circumstances, relevant principles and elements of an ESMS described in Performance Standard 1 (PS1) on Assessment and Management of Environmental and Social Risks and Impacts, (as required by OP/BP4.03), in terms of its structure and key components.

In addition, private sector financial institutions will manage the working conditions of their own workforce in accordance with relevant aspects of Performance Standard 2 on Labor and Working Conditions, as required by para. 17(b) of BP 4.03.

Natural Habitats OP/BP 4.04	No
Forests OP/BP 4.36	No
Pest Management OP 4.09	No
Physical Cultural Resources OP/BP 4.11	No



Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	TBD	Application of this policy with regard to Component 2 & 3 of the project will be further assessed during project preparation. However, during implementation, effort will be made to ensure that refinancing mortgages originating from properties built on land from which government, its agencies or developers may have removed communities, squatters or encroachers without proper compensation will be avoided under the program.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	This policy will not apply as no project activities involving international waterways are expected.
Projects in Disputed Areas OP/BP 7.60	TBD	Use of this policy will depend on the exact nature of activities to be financed, and their locations. During preparation, efforts will be made to understand these issues, and subsequent triggering of the policy. If potential activities involving disputed areas are identified, they will be excluded from financing under relevant components of the project.

### E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Oct 26, 2018

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

of FHF’s ESMS, will be prepared following the appraisal. Appropriate E&S risk screening and management policies and procedures will also be prepared and implemented by Participating Financial Institutions (PFIs) as a condition/eligibility criteria of accessing financing from FHF, whenever this becomes relevant. Assessment of adequacy of PFIs’ E&S policies, procedures, and capacity to implement them will be a direct responsibility of the FHF, as detailed in their ESMS.

The Bank will review FHF’s ESMS and determine their adequacy based on the risk profile of corresponding project components. In addition, the Bank will assess proposed arrangements for capacity building. Based on this assessment, strengthening of current systems may be recommended and should follow the principle of continuous improvement to ensure that ESMS enables FIs to meet applicable E&S requirements. For this project, such assessment and recommended improvements will be included in the Appraisal PID/ ISDS, as well as the Project Appraisal Document (PAD). Once the key recommended improvements are completed, the Bank would approve the ESMS in a memorandum, following which these will be disclosed as per OP/BP4.03 provisions stated in Section B above.



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**APPROVAL**

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**Approved By**

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30-Jun-2018



Practice Manager/Manager:	Rashmi Shankar	30-Jun-2018
Country Director:	Rachid Benmessaoud	11-Jul-2018

**APPROVAL**

Task Team Leader(s):	Michael Corlett, Feyi Boroffice
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**Approved By**

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