



1. Project Data :
OEDID: L2925
Project ID: P002099
Project Name: Infrastructure Development Fund
Country: Nigeria
Sector: Other Urban Development
L/C Number: L2925
Partners involved :
Prepared by: Alcira Kreimer, OEDST
Reviewed by: Yves Albouy
Group Manager: Roger Slade
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2. Project Objectives, Financing, Costs and Components :
<ul style="list-style-type: none"> Establishment of a mechanism for financing urban infrastructure using merchant banks to identify, appraise, supervise, and cofinance sub-projects executed by the States, Total loan amount was US\$69.5 million, of which US\$7.5 million was cancelled. The loan was extended three times from its original closing date of December 31, 1994, to the final closing on June 30, 1997. The project included: (a) a line of credit for five selected Nigerian merchant banks, (b) funding for FMWH to implement training, consultant services, and studies and (c) vehicles and equipment to support IDF activities .

3. Achievement of Relevant Objectives :
Implementation of wholesaling mechanism for infrastructure financing was not established, State governments did not become more creditworthy, and the transparency of State fiscal affairs did not improve . Soon after Board approval of the Loan, the Nigerian banking system, including the merchant banks, went into crisis, eliminating the possibility of developing a role for the capital market in public infrastructure financing .

4. Significant Achievements :
The implementation of physical objectives was achieved, including 92 km. of urban roads, 122 km of drainage, 28 km of water transmission mains and 91 km of water distribution pipelines in three states . The approach used of assisting States that demonstrate initiative and commitment has been positive . Funds were channelled to States that promptly submitted proposals and arranged for counterpart funds to be earmarked .

5. Significant Shortcomings :
The country's severe macroeconomic and governance problems defeated attempts to improve the efficiency and sustainability of infrastructure provision .
Almost all the works suffered from construction delays due to poor performance of contractors and consultants, governance problems, turnover of State administrations, and weak management by some States and merchant banks. Despite the extent of the works constructed, they generally have not produced a substantial improvement in the quality of urban services because (a) in many cases the investments were too limited in scope and too widely scattered to make an impact and (b) operation and maintenance of the facilities has been inadequate or non-existent.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	
Institutional Dev .:	Partial	Modest	Partial achievement of ID objectives that were not very ambitious/relevant but translated into a modest impact
Sustainability :	Unlikely	Unlikely	

Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Deficient	Unsatisfactory	Borrower performance was satisfactory in project preparation but deficient in implementation
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

- More emphasis should have been given to the risk assessment of the proposed operation, and to the potential problems posed by a much too innovative approach, particularly in view of macroeconomic context in the country .
- The scale of the project was too large and its objectives were not realistic . In the future, the use of pilot projects may help to test new approaches for infrastructure financing .
- Future projects should be dimensioned also on the basis of a realistic assessment of in -country monitoring capacity and Bank's supervision capacity
- The project's investments were too dispersed among many States and urban centers to have an impact . In the future more attention should be devoted to the impact that can be achieved by focusing on smaller regions .
- Lessons concerning the institutional and financial framework include (i) the need for a Federal-level urban policy, (ii) the importance of improving the monitoring capacity of the Ministry of Finance, (iii) the need to improve the financial and managerial capacity of the Urban Development Bank, and (iv) the importance of restoring capable local governments

8. Audit Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR :

The ICR examines project achievements and shortcomings in detail, and it makes an accurate assessment of the absence of policy incentives to achieve financing for urban infrastructure .