1. **Country and Sector Background**

1. The population of Nigeria is about 140 million with more than 75 million living in urban areas. The urban growth rate (4.5 percent per year) is above the national average (three percent per year). There are two mega cities (Lagos, Kano) and five cities with population between five and 10 million. It is estimated that the country’s urban areas contribute over 65 percent of GNP, illustrating both their importance and also their potential for contributing further to economic growth.

2. Lagos is the largest city in sub-Saharan Africa (SSA) and the sixth largest city in the world, with a population of over 15 million, which is growing at six percent per annum. The megacity of Lagos has grown beyond the physical boundaries of the state of Lagos, spilling over
into the adjoining state of Ogun. Although the smallest state in Nigeria, Lagos is by far the most densely populated. By 2015, the population of the megacity is projected to be about 25 million, making it the third-largest in the world. Lagos’s seaport and international airport handle more than 70 percent of the nation’s cargo. It contains the largest manufacturing sector and provides employment for over 45 percent of the skilled manpower of the country. The commercial sector is similarly dominant with a vibrant local trading tradition. During the last twenty years, the level of efficiency and productivity in the metropolitan area has been adversely affected by growing weakness in the physical infrastructure necessary to support basic needs of the population and production sectors. While Lagos is no longer the federal capital, its role as gateway to the country is still unquestioned.

3. Key issues in the city transport system are: (a) insufficient and poorly managed services and infrastructure; (b) lack of clear and coherent policies; and (c) weak, and disorganized institutions. The central urban transport context can be described as follows: a growing urban population inadequately served by the transport system, declining standards of public transport, overlaps and conflicts among the agencies responsible for planning and implementing transport solutions, massive growth in the use of minibus services, growing dependence on private transport (cars and motorcycles), inadequate and deteriorating transport infrastructure, and poor facilities for non-motorized transport (walking and bicycling).

2. Objectives

4. The project is fully blended and co-financed with a GEF Grant.

5. The project’s development and global environment objectives are fundamentally the same: to improve the capacity to manage the transport sector in the Lagos metropolitan area and enhance efficiency and effectiveness of the public transport network, through a combination of traffic engineering measures, management improvements, regulation of the public transport industry, and expansion and enhancement of the Bus Rapid Transit (BRT) system. The specific project development objective is to:

   a) Improve mobility along prioritized corridors, and
   b) Promote a shift to more environmentally sustainable urban transport modes.

6. The specific global environmental objective is:

   a) Promote an incremental shift to more environmentally sustainable urban transport modes among users with relatively high carbon footprint.

3. Rationale for Bank Involvement

7. The Bank is currently financing a US$150 million Lagos Urban Transport Project to support government’s efforts to facilitate a “transformation” in the operations of urban transport towards greater inclusion of sustainability parameters (i.e. safer, cleaner, reliable, and affordable). The credit closes on June 30, 2009. Bank’s continued involvement in the sector will ensure: (a) consolidating and building on the achievements of the past five years. The LUTP
has fulfilled its development objective but needs of Lagos megapolis are huge and it is critical that Bank continues to support and strengthen the government agenda both through knowledge transfer and investments; (b) scaling-up the results achieved in Lagos and working towards supporting initiatives in other large cities (Kano, Abuja); (c) providing confidence to the private sector and minimizing its perceived risks; (d) supporting Nigeria’s contribution to the global efforts on climate change mitigation.

4. Description

Component 1: Institutional development: This component focuses on capacity strengthening of Lagos Metropolitan Area Transport Authority (LAMATA) for continuing to provide an overall vision and a strategic planning basis for transport planning, regulation, monitoring, and administration and coordination of sector-wide management; and building capacity of bus operators. This component would finance goods, works, consultants’ services, training, and operating cost for LAMATA to carry out its functions and for goods, training and consultancy services for bus operators. The GEF will also finance studies and training to develop public transport delivery capacity in Kano.

Component 2: Public transport and traffic management: This component would finance BRT infrastructure construction and supervision, including interchange and traffic management, at Oshodi-Mile 2-Obalende, investments in Intelligent Transport Systems (ITS), and improvements in safety; pedestrian facilities; mass transit alternative analysis studies along five corridors; and development of bus feeder system including stations and terminals. The GEF component will specifically finance BRT consultation, communications, and media strategy for better acceptance of the new approaches. The French Agency for Development (AFD) component will finance BRT investments along Oshodi-Mile 12-Ikorodu corridor.

Component 3: Road network improvement and management: This component would finance routine maintenance of the declared road network; periodic maintenance of about 12 km of strategic roads which are degraded but structurally still intact to ensure that they remain in a maintainable condition; and rehabilitation of about 5 km of strategic roads identified to be structurally damaged. Under this component, LAMATA will further enhance capacity of the Pavement Management System.

Component 4: Project management and system monitoring: This component would finance technical assistance, equipment, vehicles, office equipment, and other operational support for monitoring project progress and, on an ongoing basis, transport system supply, demand and performance; institutional, technical, procurement, and financial audit; project outcome monitoring in terms of transport (including safety), environment, social, and capacity development indicators.

5. Financing

<table>
<thead>
<tr>
<th>Source</th>
<th>($m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BORROWER/RECIPIENT</td>
<td>15.0</td>
</tr>
<tr>
<td>International Development Association (IDA)</td>
<td>190.0</td>
</tr>
<tr>
<td>Global Environment Facility (GEF)</td>
<td>4.5</td>
</tr>
</tbody>
</table>
6. Implementation

8. LUTP 2 will be implemented by LAMATA, which has been implementing the on-going LUTP. LAMATA is a corporate body with an independent board responsible for formulation, coordination and implementation of urban transport policies and programs in the Lagos metropolitan area. It was created by an act signed into law on January 13, 2002 and formally launched on December 2, 2003. The edict establishing LAMATA prescribes a 13-member Board of Directors for the Authority. The Board, which is fairly representative of the Authority’s stakeholders, comprises representatives of transport operators, transport unions in Lagos State, the organized private sector, the general public, local government areas, and transport related Lagos State Government agencies. The only full time member is the Managing Director, who heads the management team.

7. Sustainability

9. The project would focus on ensuring sustainability of the critical legal and institutional structures necessary to support long-term implementation of an integrated reform program. The LAMATA has been established to assist in planning, regulating and procuring urban public transport services and help establish local and national capacity for market regulation, supported by a nucleus of professionals. This would ensure institutional sustainability of the BRT, the NMT facilities, and the limited competitive regime. In addition, setting up institutions within a framework common to the whole transport sector would provide a sustainable basis to manage an effective and efficient transport system in the long run.

10. A transport fund has been set up with dedicated funding sources (license fees, concession fees, other road user charges) to finance investments in public transport in the city. The state government is financing construction/rehabilitation of two commuter lines as part of the integrated inter-modal transport plan for the city.

8. Lessons Learned from Past Operations in the Country/Sector

- Setting up a strong institutional basis for coordinated planning and regulation is critical to the success of urban transport projects.

- Interactions with the borrower and beneficiaries should take place in a context of their choosing.

- Allow a measure of flexibility in the design and set reasonable targets.

- Implementation of BRT is a big challenge and requires considerable up-front discussions and consensus building.

- Provide opportunities to learn from successful implementation of the reform program.
- A good project monitoring system is necessary for effective management.
9. **Safeguard Policies (including public consultation)**

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental Assessment</strong> <em>(OP/BP 4.01)</em></td>
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<td>Natural Habitats <em>(OP/BP 4.04)</em></td>
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<td>Pest Management <em>(OP 4.09)</em></td>
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<td>Physical Cultural Resources <em>(OP/BP 4.11)</em></td>
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<td>Involuntary Resettlement <em>(OP/BP 4.12)</em></td>
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<td>Indigenous Peoples <em>(OP/BP 4.10)</em></td>
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<td>Forests <em>(OP/BP 4.36)</em></td>
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<td>Safety of Dams <em>(OP/BP 4.37)</em></td>
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<tr>
<td>Projects in Disputed Areas <em>(OP/BP 7.60)</em></td>
<td>[ ]</td>
<td>[x]</td>
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<tr>
<td>Projects on International Waterways <em>(OP/BP 7.50)</em></td>
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<td>[x]</td>
</tr>
<tr>
<td>Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects <em>(OP/BP 4.00)</em></td>
<td>[ ]</td>
<td>[x]</td>
</tr>
</tbody>
</table>

10. **Policy exceptions and readiness.**

11. There are no policy exceptions.

11. **List of Factual Technical Documents**

- Environmental and Social Management Framework – July 2009
- Environment Impact Assessment for the Proposed Road Rehabilitation at Aboru Road under LUTP2 Road Network Efficiency Improvement Programme – July 2009
- Environment Impact Assessment for the Proposed LAMATA Corporate Head Office – July 2009
- Comment on the Response to GEF Secretariat Review – November 21, 2008
- GEF Secretariat Review for Full/Medium-sized Projects – November 19, 2008

12. **Contact point**

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