ICR Review

Operations Evaluation Department

Report Number : ICRR10032

1. Project Data :	
OEDID:	L2963
Project ID :	P002073
Project Name :	Highway Sector Loan
Country:	Nigeria
Sector:	Highways
L/C Number:	Ln 2963-UNI
Partners involved :	None
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2. Project Objectives, Financing, Costs and Components :

Objectives : (i) Protect existing road assets; (ii) Carry out an appropriate road maintenance program; (iii) Improve efficiency and effectiveness through better contracting and design; and, (iv) Improve road safety. **Components :** (a) Road improvement: strengthening, rehabilitation and new construction; (b) Road maintenance: to provide routine maintenance on all federal roads (28000km) by contract and force account; (c) Road safety: to build up capability in data collection, accident analysis, and traffic safety training to identify and correct hazardous locations on the road network; and (d) Institutional development: consulting services for a broad program of institutional development. **Costs:** The total project costs were estimated to be US$955.4 million for which a Bank loan of US$250 million was approved in 1988. A total of US$108.3 was cancelled in three instalments, US$50 million in 1993, US$40 million in 1996 and US$18.3 in 1997.

3. Achievement of Relevant Objectives :

The project's objectives were not achieved because only a small part of the loan's components were carried out. Specifically, in the road improvement component, less than half of the targeted kilometers were completed; in the road maintenance component the achievement of the targeted objective is unclear; in road safety, proposals for improving 10 hazardous locations on the federal network were made but no action was taken; and in institutional development no progress was made. In spite of the meager results and substantial cancellations, US$ 9.9 million of the originally scheduled US$11.0 million for consulting services and technical assistance was spent.

4. Significant Achievements :

Some roads were rehabilitated and maintained and ten bridges were built under difficult circumstances, but there are no significant achievements.

5. Significant Shortcomings :

All the components of the loan have significant shortcomings. These can be traced to the optimistic and imprecise Staff Appraisal Report. It took little or no cognizance of past experience in Nigeria and prepared a project whose quality at entry was poor, the Bank's specific role and key components in the project being undefined. Past experience shows the project to have been too demanding, its risks not well identified and the institutional component too complex. Bank decisionmakers failed in appraising and implementing a project unsuited to Borrower capacity and conditions.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	
Institutional Dev .:	Negligible	Negligible	
Sustainability :	Unlikely	Unlikely	
Bank Performance :	Deficient	Unsatisfactory	
Borrower Perf .:	Deficient	Unsatisfactory	

Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

That the management should intervene in projects in trouble. This is especially true if the difficulties are of such nature, as they were in Nigeria, that they cannot be adequately managed either by the Bank or the borrower. There are no other lessons that can be supported by the evidence.

8. Audit Recommended? ● Yes ○ No

Why? Given the Bank's past and current experience in Nigeria's transport sector, and before the Bank continues lending for it, a thorough review of lending to Nigeria's transport sector must be undertaken. A program audit, covering projects approved since 1980 and, importantly, all the ongoing projects, is one good approach to evaluate past experience and map out interventions that can have a reasonable chance of success.

9. Comments on Quality of ICR :

The ICR is satisfactory, but it would have been better if more attention was paid to the following issues: (1) The economic analysis. The high ERRs are doubtful because of the low fuel costs -- and hence benefits are calculated for a higher traffic volume than would be the case if fuel were fully costed. The method employed is, however, common to most ICRs and not solely a fault of this particular ICR. It cannot be rectified quickly. Work is being undertaken to address this issue in the context of improving the Bank's economic analysis methods. (2) The achievements, whether by contractors or the force account, should have been discussed in greater detail (for example, there is no discussion of routine maintenance by the force account; the ICR only comments on what little was accomplished, or planned to be accomplished, by contract). (3) The reasons for the cancellations, especially the first two, amounting to US$90 million, should have been discussed. (4) The ICR puts the primary blame for the lack of success on broad country factors rather than focusing on what could have been done to make the project (and its contracts) successful. The circumstances were complex, but the specific difficulties in institutional development, the many failed contracts and the intensive supervision --27 supervision missions-- surely provided rich material for study and lesson learning. Consequently, and because this was not done, there was no evaluation of how the Bank dealt with the difficult circumstances and no lessons learned -- even from mistakes. Finally (6) the Borrower's lack of response to the ICR should be noted in the main text