Document of
The World Bank

Report No: ICR00002968

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-42190)

ON A

CREDIT

IN THE AMOUNT OF SDR 138.10 MILLION
(USD200.00 MILLION EQUIVALENT)

TO

THE FEDERAL REPUBLIC OF NIGERIA

FOR THE

LAGOS METROPOLITAN DEVELOPMENT AND GOVERNANCE PROJECT

March 24, 2014

Urban Development and Services Practice 2 (AFTU2)
Country Management Unit AFCW2
Africa Region

CURRENCY EQUIVALENTS

Exchange Rate Effective March 14, 2014

Currency Unit = Naira
SDR 1.00 = USD 1.55
USD 1.00 = 165.15 NGN

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BD	Bidding Documents
BER	Bid Evaluation Reports
CDM	Clean Development Mechanism
CEA	Component Executing Agencies
CMC	Citizens' Mediation Centers
COS	Central Office of Statistics, Lagos
CPS	Country Partnership Strategy
DBO	Design Build Operate
DPL	Development Policy Loan
DPO	Development Policy Operation
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plans
GIS	Geographic Information Systems
ICR	Implementation Completion and Results Report
IDA	International Development Association
IFMIS	Integrated Financial Management System
LASEPA	Lagos State Environmental Protection Agency
LASG	Lagos State Government
LASURA	Lagos State Urban Renewal Authority
LASURA	Lagos State Urban Renewal Authority
LASURB	Lagos State Urban Renewal Board
LAWMA	The Lagos Waste Management Authority
LG	Local Government
LUTP	Lagos Urban Transport Project
M&E	Monitoring and Evaluation
M&E	Monitoring and Evaluation
MEPB	Ministry of Economic Planning & Budget
MOE	Ministry of Environment
MOU	Memorandums of Understanding
MPP&UD	Ministry of Physical Planning and Urban Development
MTEF	Medium-Term Expenditure Framework
MTR	Mid-Term Review

NEEDS	Nigeria’s National Economic, Empowerment and Development Strategy
OP	Operational Policy
OPD	Office of the Public Defender
PAD	Project Appraisal Document
PAP	Project Affected Person
PCU	Project Coordination Unit
PDO	Project Development Objectives
PFM	Public Finance Management
PFMU	Project Financial Management Unit
PSC	Project Steering Committee
PSP	Private Sector Participation
PTA	Parent Teacher Associations
ROW	Right of Way.
RPF	Resettlement Policy Framework
SBMC	School Board Management Committees
SHoA	State House of Assembly
SIL	Sector Investment Loan
SNUWSRP	Second National Urban Water Sector Reform Project
SWM	Solid Waste Management
TA	Technical Assistance
ToR	Terms of Reference
TTL	Task Team Leader
WBI	World Bank Institute

Vice President:	Makhtar Diop
Country Director:	Marie Francoise Marie-Nelly
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ICR Team Leader:	Kremena Ionkova

FEDERAL REPUBLIC OF NIGERIA

LAGOS Metropolitan Development and Governance Project

CONTENTS

A. Basic Information			
Country:	Nigeria	Project Name:	Lagos Metropolitan Development and Governance Project
Project ID:	P071340	L/C/TF Number(s):	IDA-42190
ICR Date:	10/15/2013	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	FEDERAL GOVERNMENT OF NIGERIA
Original Total Commitment:	XDR 138.10M	Disbursed Amount:	XDR 90.11M
Revised Amount:	XDR 138.10M		
Environmental Category: B			
Implementing Agencies: Project Coordination Unit for the Lagos Metropolitan Development and Governance Project			
Cofinanciers and Other External Partners: N/a			

B. Key Dates				
Process	**Date**	**Process**	**Original Date**	**Revised / Actual Date(s)**
Concept Review:	08/28/2002	Effectiveness:	02/16/2007	02/16/2007
Appraisal:	01/23/2006	Restructuring(s):	n/a	07/05/2011
Approval:	07/06/2006	Mid-term Review:	n/a	n/a
		Closing:	09/30/2013	09/30/2013

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Moderately Unsatisfactory
Risk to Development Outcome:	High
Bank Performance:	Moderately Unsatisfactory
Borrower Performance:	Moderately Unsatisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	**Ratings**	**Borrower**	**Ratings**
Quality at Entry:	Moderately Satisfactory	Government:	Moderately Unsatisfactory
Quality of Supervision:	Moderately Unsatisfactory	Implementing Agency/Agencies:	Moderately Unsatisfactory
Overall Bank Performance:	Moderately Unsatisfactory	**Overall Borrower Performance:**	Moderately Unsatisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	Yes	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Unsatisfactory		

D. Sector and Theme Codes		
	Original	Actual
Sector Code (as % of total Bank financing)		
Flood protection	27	5
Other social services	11	65
Solid waste management	37	15
Sub-national government administration	25	15

Theme Code (as % of total Bank financing)		
Municipal governance and institution building	17	6
Other accountability/anti-corruption	33	2
Public expenditure, financial management and procurement	17	7
Urban services and housing for the poor	33	85

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Makhtar Diop	Gobind T. Nankani
Country Director:	Marie Francoise Marie-Nelly	Hafez M. H. Ghanem
Sector Manager:	Alexander Bakalian	Eustache Ouayoro
Project Team Leader:	Hassan Madu Kida	Deepali Tewari
ICR Team Leader:	Kremena Ionkova	
ICR Primary Author:	Camilo Lombana-Córdoba	

F. Results Framework Analysis

Project Development Objectives

The project's objective is to increase sustainable access to basic urban services through investments in critical infrastructure.

Revised Project Development Objectives

The PDO was not revised.

(a) PDO Indicator(s)*

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Direct project beneficiaries in the 9 slums (number) of which female (percentage)			
Value quantitative or Qualitative)	0	1600000 44% women	1600000 48% women	1550000 48% women
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. % achievement)	Core indicator added as restructuring. Achieved at 97% of target.			
Indicator 2 :	People in urban areas provided with access to improved water sources under the project			
Value quantitative or Qualitative)	0	112500	112500	95000
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. % achievement)	The project built facilities to provide access to improved water sources for a population of 122,500. However, at project closing, around 15 facilities were out of working order. Functioning facilities were supplying 95.000 people with improved water source. Taking this into consideration, 85% of target was achieved. Original indicator at appraisal was *increase in the percentage of population with access to safe water in selected slums*. Baseline at appraisal was 26% and end of project target at appraisal – 90%.			
Indicator 3 :	People in urban areas provided with access to all-season roads within a 500 meter range			
Value quantitative or Qualitative)	320.000	600000	1200000	750000
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. % achievement)	Achieved at 62.5 % of target. Original indicator at appraisal was *percentage of households with tarred roads in front of their house in the 9 selected slums.* Baseline at appraisal was 29% and of project target – 0%.			
Indicator 4 :	Additional classrooms built or rehabilitated at the primary (and secondary) level			
Value quantitative or Qualitative)	0	450	450	280
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. % achievement)	New indicator added at restructuring. Achieved at 62% of target. At project closing 70 additional classrooms were under construction. Lagos State Government (LASG) has committed to complete these classrooms with own funding.			

Indicator 5 :	Health facilities constructed, renovated and/or equipped			
Value quantitative or Qualitative)	0	10	10	7
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. % achievement)	New indicator added at restructuring. Achieved at 70% of target. At project closing 2 additional health facilities were under construction. LASG has committed to complete the centers with own funding.			

*Other PDO-level indicators at appraisal that were removed at restructuring include: (i) Increase in the percentage of generated garbage in Lagos that arrives for disposal at landfills; (ii) Reduction in percentage of households reporting flooding inside homes in the Local Governments (LG) where the selected drainage basins lie. All indicators at appraisal had a baseline and defined target.

(b) Intermediate Outcome Indicator(s)*

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Length of Roads constructed			
Value (quantitative or Qualitative)	0	55	55	8.7
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. % achievement)	At project closing 31 additional km of roads were under construction. LASG has committed to complete the roads with own funding. Achieved at 16% of target. Original indicator was *number of km of new roads paved in the 9 slums.* Original target was 48.			
Indicator 2 :	Parent Teacher Associations and School Board Management Committees that are implementing School Maintenance Plans.			
Value (quantitative or Qualitative)	0	30	30	0
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. % achievement)	New indicator introduced at restructuring. Not achieved.			
Indicator 3 :	Constructed and operational (number) water facilities			
Value (quantitative or Qualitative)	0	85	85	75
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. % achievement)	At completion, 75 water facilities out of 90 built were operating satisfactorily. Taking this into consideration, 88% of target was achieved. Original indicator was *number of new boreholes in the 9 selected slums.*			
Indicator 4 :	Public Finance Management (PFM) law enacted			
Value (quantitative or Qualitative)	No	No	No	Law Enacted
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. % achievement)	Achieved fully. Original indicator was *public finance management reforms.*			
Indicator 5 :	Integrated Financial Management System deployed and utilized (IFMIS)			
Value (quantitative or Qualitative)	No	No	No	IFMIS Implemented
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. %	The Integrated Financial Management System (IFMIS) was deployed but its utilization remains partial.			

achievement)	Same indicator at appraisal and restructuring.			
Indicator 6 :	Multi-year perspective in fiscal planning, expenditure policy and budgeting introduced			
Value (quantitative or Qualitative)	No	No	No	Adopted
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. % achievement)	Achieved fully. Same indicator at appraisal and restructuring.			
Indicator 7 :	Citizens' Mediation Centers (CMC) Supported by Project			
Value (quantitative or Qualitative)	0	10	30	8
Date achieved	01/23/2006	10/12/2006	07/05/2011	09/30/2013
Comments (incl. % achievement)	Achieved at 27% of target. New indicator introduced at restructuring.			

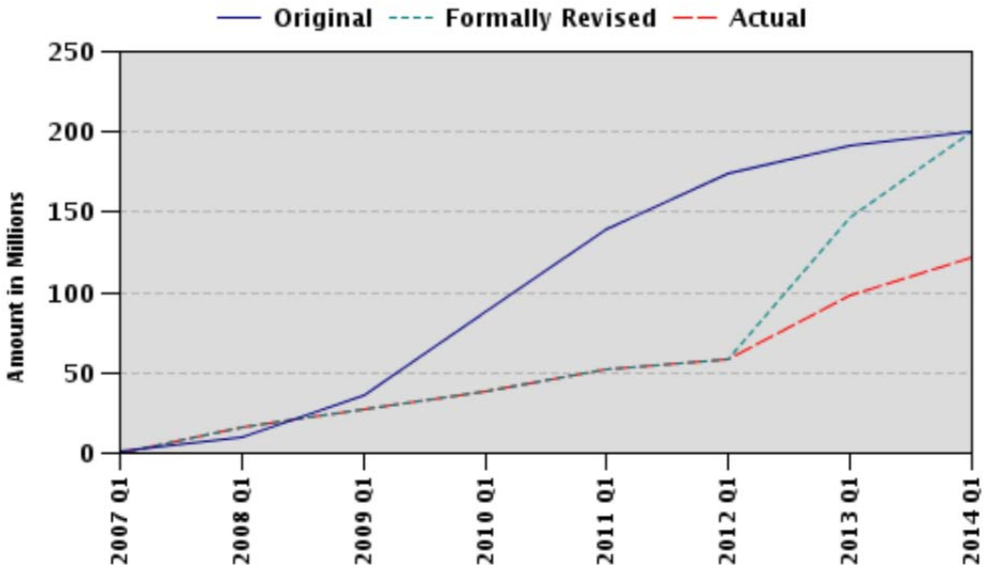
* Other intermediate indicators at appraisal that were removed at restructuring include: (i) Kilometers of drains cleaned in Easter Lagos; (ii) Km of drains rehabilitated and reconstructed in the two selected drainage channels; (iii) Collection: percentage increase in garbage collection by PSP operators managed by the Lagos Waste Management Authority (LAWMA); (iv) Transfer stations: percentage of garbage piles in metropolitan Lagos removed; (v) Landfill: percentage of solid waste disposed in managed landfills. All indicators at appraisal had a baseline and defined target.

G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	10/12/2006	Satisfactory	Satisfactory	0.00
2	04/12/2007	Satisfactory	Satisfactory	0.00
3	10/15/2007	Satisfactory	Satisfactory	15.91
4	04/14/2008	Satisfactory	Satisfactory	19.78
5	10/11/2008	Moderately Satisfactory	Moderately Satisfactory	27.21
6	04/13/2009	Moderately Satisfactory	Moderately Satisfactory	31.69
7	11/30/2009	Moderately Satisfactory	Moderately Satisfactory	38.85
8	06/14/2010	Moderately Satisfactory	Moderately Satisfactory	48.36
9	03/22/2011	Moderately Unsatisfactory	Moderately Unsatisfactory	54.58
10	12/13/2011	Moderately Satisfactory	Moderately Satisfactory	73.64
11	07/11/2012	Moderately Unsatisfactory	Moderately Unsatisfactory	85.13
12	01/14/2013	Moderately Unsatisfactory	Moderately Unsatisfactory	106.85
13	10/11/2013	Moderately Unsatisfactory	Moderately Unsatisfactory	123.85

H. Restructuring
The project was restructured on 07/05/2011 (Level II restructuring).

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1. At the time the project was conceived, Nigeria was Africa's most populous country, and the continent's second-largest economy. It had an estimated population of about 136.5[1] million people, about half of whom lived in urban areas, and accounted for almost one fifth of Africa's population. Nigeria's per capita GDP was an average of USD390. Nigeria's economy was highly dependent on oil; 76 percent of Government revenues and 95 percent of export earnings were derived from it[2].

2. In spite of Nigeria's relatively strong economic track record, the country was facing significant development challenges, and still remains off-track for meeting some of the Millennium Development Goals. There were and continue to be large disparities in poverty between and within regions and states (i.e., currently 63.4 percent of the total population and over 75 percent of agricultural households in the North live below the poverty line, with income of less than USD1.25 per day).

3. Nigeria's urbanization rate of 5.5 percent per annum was one of the highest in the world. It crossed the 50 percent urbanization mark in 2012, making its urban population the largest of any low income country, except India. By 2020, 53.9 percent of Nigeria's poor, as defined by income poverty, will be city dwellers. Unlike most African countries dominated by one or two large cities, Nigeria has a broadly dispersed network of cities, except for Lagos.

4. When the project was designed, Lagos was a mega city of dominant economic importance not just for Nigeria, but West Africa as well. Lagos' population was larger than that of 37 individual countries in Africa. With an estimated population of 11.14 million in 2003 (about 17 million at present); Lagos's population growth rate of 4.8 percent per annum was a remarkably high growth rate for a mega city. It had the largest concentration of multinationals and financial institutions of the country, was home to almost 60 percent of Nigeria's non-oil economy, and was the premier manufacturing and port city in West Africa.

5. At the time of appraisal, almost 70 percent of Lagos' population lived in slums[3] in extremely poor environmental surroundings. Knee-deep floods sweeping raw sewage and refuse inside densely packed homes were frequent in neighborhoods where overcrowding was the norm. While the average residential density for Lagos was about 260 people per hectare, the population density in slums was between 790 and 1240 people per hectare.

6. Regular flooding of large parts of the city was an important infrastructure problem for Lagos, as these floods caused enormous damage to property and infrastructure, exacerbated traffic congestion, and were a public health hazard. Tackling the problems of floods represented an overwhelmingly complex task, partly because of the resource needs, but also because of institutional capacity needed to develop and apply modern planning tools for the management of

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[1] Source: 2005 World Development Indicators, CD-Rom, World Bank

[2] Currently, Nigeria remains highly dependent on oil, which accounts for over 95 percent of exports, nearly about 75 percent of consolidated government revenues, and over 30 percent of GDP

[3] Community Infrastructure Upgrading Program, SNC-Lavalin International, 1995

a complex drainage system. Benefits from improvements in the drainage system, also required concurrent improvements in the solid waste management (SWM) system.

7. Housing prices in Lagos were high due to the non-availability of long-term finance, high transaction costs for obtaining land titles and/or certificates of occupancy, regulatory and planning controls for building and construction that constrained the efficient utilization of land, as well as high inflation rates in the Nigerian economy. The impact of these distortions has been exacerbated because of its small land mass in comparison to the land mass of other States. Slums have been therefore, a consequence of both market and government failures.

8. On the political side, project preparation coincided with the period when a democratically elected civilian government came to power in Nigeria in 1999. The newly elected government was confronted with numerous and pressing development challenges: widespread poverty; weakened governance environment due to a prolonged period of military rule; social and political unrest; external debt arrears; infrastructure deficit; an oil-driven economy contributing little towards direct employment; and lack of sound diagnostic tools to develop a comprehensive program for priority reforms and for targeting investments to improve livelihoods of poor people.

9. **Rationale for IDA involvement.** The Project rationale derives from IDA's experience with integrated development in large cities in China, India, Indonesia, Brazil and Pakistan. Experience highlights that cities need a sustained flow of services to contribute to growth, not just infrastructure stock. Service delivery requires substantial institutional reforms, including the facilitation of private sector participation. These reforms take time. The ability to support sizable investment over lengthy periods of time gives IDA the comparative advantage to both facilitate and sustain reform processes during the transition, thereby enhancing prospects for the effectiveness of public expenditures. Another advantage is IDA's substantial knowledge acquired over two decades of engagement with Lagos. Recommendations of the Bank's 1982 Urban Sector Review were supported by USD304.2 million of infrastructure investments through three operations between 1985-1999. Since 2003, crosssectoral analytic work and policy dialogue under the Lagos Strategy further enhanced IDA's knowledge to provide cohesive, multi-sectoral, and strategic support for integrated metropolitan development. This also enabled IDA to facilitate dialogue with diverse stakeholders on key policy issues, including service delivery. The support under the Lagos Urban Transport Project (LUTP) and the Second National Urban Water Sector Reform Project (S SNUWSRP) were deliberately conceived along with LMDGP, to upgrade Lagos across sub-sectors.

10. **Contribution to higher level objectives**. This Project was consistent with the objectives and approach of the Country Partnership Strategy (CPS) 2005-2009 that supported Nigeria's development priorities. The CPS aimed to achieve the following results: (i) improved service delivery for human development; (ii) improved environment and services for nonoil growth; and (iii) improved transparency and accountability for better governance, Lagos is one of the lead States of the CPS, and the proposed Project supported results packages (i) and (iii) above.

1.2 Original Project Development Objectives (PDO) and Key Indicators

11. The Project's objective is to increase sustainable access to basic urban services through investments in critical infrastructure. Progress towards achieving the objective of the Project was measured through: (i) increase in the percentage of population with access to safe water in the selected 9 slums; (ii) reduction in the percentage of households reporting flooding in the LGs where the selected drainage basins lie; (iii) increase in the percentage of generated garbage in

Lagos that arrives for disposal at landfills; and (iv) reduced deviation between actual expenditures and the approved budget.

1.3 Revised PDO and Key Indicators, and reasons/justification

12. The project was restructured on July 5, 2011 (Level II restructuring). The PDO was not changed. Changes were introduced to activities under project components and the results framework was revised. Some indicators were modified, some were introduced and some were removed as discussed further in this ICR. The table below presents the original and revised results frameworks.

Table 1: LMDGP Results Framework

Revised Indicator	Same	New	Modified	Removed	Original Indicator
PDO Level Results Indicators					
Indicator One: Direct project beneficiaries in the 9 slums (number) of which female (percentage)		X			
Indicator Two: People in urban areas provided with access to improved water sources under the project.			X		**Indicator One:** Increase in the percentage of population with access to safe water in selected slums.
				X	**Indicator Two:** Increase in the percentage of generated garbage in Lagos that arrives for disposal at landfills.
Indicator Three: People in urban areas provided with access to all-season roads within a 500 meter range.			Changed "tarred" for "all-seasons" roads and "in front of their house" for "500 meter range"		**Indicator Three:** Percentage of households with tarred roads in front of their house in the 9 selected slums.
				X	**Indicator Four** : Reduction in percentage of households reporting flooding inside homes in the LGs where the selected drainage basins lie.
Indicator Four: Additional classrooms built or rehabilitated at the primary (and secondary) level.		X			
Indicator Five: Health facilities constructed, renovated and/or equipped.		X			
Intermediate Result Indicators: Component A - Infrastructure					
Indicator One: Length of Roads constructed.			Changed "paved" by "constructed"		Number of kilometers of new roads paved in the 9 slums.
Indicator Two: Parent Teacher Associations and School Board Management Committees that are		X			

Revised Indicator	Same	New	Modified	Removed	Original Indicator
implementing School Maintenance Plans.					
Indicator Three: Constructed and operational (number) water facilities.			Changed "borehole s" by "water facilities"		Number of new boreholes in the 9 selected slums.
				X	Kilometers of drains cleaned in Eastern Lagos.
				X	Kilometers of drains rehabilitated and reconstructed in the two selected drainage channels.
				X	Collection: Percentage increase in garbage collected by Private Sector Participation (PSP) operators managed by LAWMA.
				X	Transfer Stations: Percentage of garbage piles in metropolitan Lagos, removed.
				X	Landfill: Percentage of solid waste disposed in managed landfills.
Intermediate Result Indicators: Component B – Public Governance and Capacity Building					
Indicator Four: PFM law enacted.			Changed "reforms" by "law enacted"		Public Finance Management Reforms.
Indicator Five: IFMIS deployed and utilized.	**X**				Deployment and effective utilization of the computerized IFMIS.
Indicator Six: Multi-year perspective in fiscal planning, expenditure policy and budgeting introduced.	**X**				Introduction of multi-year perspective in fiscal planning, expenditure policy and budgeting.
					Increased credibility of the budget.
Intermediate Result Indicators: Component Three – Urban Policy and Project Coordination					
Indicator Seven*:* Citizens' Mediation Centers Supported by Project.		**X**			

1.4 Main Beneficiaries

13. The main beneficiaries are more than 1.6 million people[4] living in the nine selected slums (Agege, Ajegunle, Amukoko, Badia, Iwaya, Makoko, Ilaje, Bariga, Ijeshatedo Atire), which were to benefit from improved water supply, improved solid waste management, better sewerage facilities, improved drainage, and improved health and living conditions. The slum upgrading was

[4] The project restructuring increased the total number of beneficiaries from 1.1 million as stated in the PAD to 1.6 million

to improve the public health condition for the population and especially women and children who benefited mostly from the upgraded health and educational facilities.

14. Other beneficiaries included Component Executing Agencies (CEAs), such as the Lagos State Urban Renewal Authority, the Lagos Waste Management Authority, the Lagos State Environment Protection, the Central Office of Statistics-Lagos, and the Office of the Public Defender, expected to benefit from the project through technical assistance, consultancy services and staff training.

1.5 Original Components

A. Infrastructure (USD165.35 million)

15. A.1 Upgrading (USD40.15 million). This sub-component was to build the capacity of the Lagos State Urban Renewal Authority (LASURA) to assess, develop, plan, and coordinate the execution of a city-wide upgrading program through the execution of the subprojects in nine of the largest slums, covering 760 hectares and housing over 1.1 million people. In addition to Training (USD0.20 million) and Operating Costs (USD0.08 million), the Project was to support: (i) technical assistance (TA) for LASURA to develop a city-wide upgrading program; (ii) LGs to strengthen maintenance of tertiary infrastructure; (iii) TA for the Ministry of Physical Planning and Urban Development (MPP&UD) to develop slum prevention policies; (iv) delivery of an HIV/AIDS awareness campaign; (v) a Social Sustainability program to increase ownership of upgrading investments; and (vi) Conflict Resolution.

16. A.2 Drainage (USD61.38 million). This sub-component was to develop a long-term technical solution to flooding. In addition to Training (USD0.20 million) and Operating Costs (USD0.04 million), this sub-component was to support: (i) the highest priority civil works investments to mitigate flooding; (ii) the establishment of an efficient Geographic Information Systems (GIS) database management system using satellite imagery with relevant GIS software; (iii) a rational reassessment of drain designs to develop a prioritized construction program; (iv) a deferred maintenance program to clear the large volumes of solid waste, silt, and vegetation built up over the years; (v) the development of a routine maintenance program to mitigate the extensive flooding that annually plagues the city; (vi) TA and training for the Office of Drainage Services (ODS); and (vii) Conflict Mitigation.

17. A.3 Solid Waste Management (USD63.81 million). The Project was to finance: (i) civil works for the construction of 2-4 transfer stations, and the upgrading of two landfill sites; (ii) communal depots; (iii) TA for the Lagos State Waste Management Authority (LAWMA) to develop appropriate solid waste collection routes, contract instruments for private sector collection, and contract instruments for the management and operations of transfer stations and landfills, in addition to design, build, operate (DBO) contracts for disposal and transfer to be financed by IDA; (iv) TA for Lagos State Environmental Protection Agency (LASEPA) and Ministry of Environment (MOE) to enable them to better discharge their functions; and (v) evaluations of the efficiency of the SWM system thrice during implementation.

B. Public Governance and Capacity Building (USD5.97 million)

18. B.1 Public Finance Management Reforms (USD3.97 million). To support budget preparation, expenditure management reform, and expenditure tracking in specific sectors; the Project was to finance: (i) an update of the public finance legislation; (ii) consolidation of the

MTEF; (iii) improve budget execution and treasury management; (iv) consolidation of the IFMIS for implementation by economic infrastructure and social service ministries.

19. B.2 Economic Intelligence and Service Delivery (USDl.70 million). The Project was to support the Central Office of Statistics, Lagos (COS) to (i) consolidate/institutionalize the initiative of surveys of firms and households; and (ii) enhance economic performance and service delivery monitoring.

20. B.3 Leadership Enhancement Program (USD0.30 million). Leadership training program designed for mixed cohorts, including managers and political appointees from the public sector, the business community and civil society.

C. Urban Policy and Project Coordination (USD12.13 million)

21. Under this component the Project was to finance: (i) knowledge management to strengthen metropolitan policy dialogue, including consultations around specific infrastructure, growth, and metropolitan development issues facing Lagos; (ii) communications to inform and educate all stakeholders about the potential benefits of LMDGP; (iii) conflict resolution; (iv) strengthening of the capacity of Citizens' Mediation Centers (CMC) and the Office of the Public Defender (OPD); (v) systematic monitoring of processes and intermediate results of LMDGP; (vi) and operating costs of the Project Coordination Unit (PCU).

1.6 Revised Components

22. At restructuring, the original components were preserved but the scope of the individual activities was changed, as follows:

- Drainage physical investment support (Component A.2.(i)) was limited to ongoing work on two drainage channels and on tertiary drainage and minor bridges, necessary to facilitate access to the schools and health centers being built. The main activities that were dropped included: (i) deferred maintenance program to clear the entire drainage network, and (ii) design and comprehensive rehabilitation of two drainage systems based on analysis of the basins' hydraulics.
- Physical investments in solid waste management (Component A 3. (i) and (ii)) were limited to works already carried out on dumpsite cleaning and communal waste depots construction, and excluded all planned work on transfer stations and sanitary landfill, which constituted the bulk of the sub-component allocation.
- The restructuring included the scale up of the urban upgrading subcomponent (Component A. 1. (i)) by increasing the number of schools and health centers to be constructed and scaling up road construction in the same nine slums.
- The Public Governance and Capacity Building component was scaled up to better support the first Lagos Development Policy Operation (DPO1) activities and to the achievement of triggers for the Second Lagos Development Policy Operation (DPO2)[5].

[5] Under the first Lagos Development Policy Operation (DPO), the Lagos Ministry of Finance was to prepare a report on the status of Oracle Financial system and adopt a plan for full utilization of the modules purchased and for future roll-out to all Ministries, Departments and Agencies. The Second Lagos DPO will continue to support policy measures for achieving fiscal and debt sustainability over the medium-term, as outlined in the first DPO, with some minor

- The Urban Policy And Project Coordination Component, renamed to Urban Policy Dialogue, Communication, Coordination and Support to Citizen Mediation Centers and Office of Public Defender (Component C of the Project) was marginally scaled up to cater for increased expenses and further support to citizens mediation centers.

1.7 Other significant changes

23. **Reallocation of credit proceeds**. At restructuring, credit proceeds amounted to USD219.6 at the SDR exchange rate of June 23, 2011 as opposed to the original credit amount of USD200 million. The restructuring re-allocated credit proceeds as follows:

- Sub-Component A.1 Upgrading: increased from the original USD40.2 to USD138.42 million with more schools, roads and health centers to be constructed/rehabilitated
- Sub-Component A2 Drainage: reduced from the original USD61.4 to USD32.55 million Sub-Component A.3 Solid Waste Management: reduced from the original USD63.8 to USD11.60 million
- Component B Governance: increased from USD6.0 to USD14.30 million to better support the Lagos Development Policy Operation (DPO)
- Component C Urban Policy and Project Coordination: increased from USD12.1 to USD16.42 million to cater for increased operating expenses and further support to citizens mediation centers
- At the time of the reallocation an amount of USD5.25 million was allocated as contingency.

24. **Cancellation of credit amount**. At project end the Government requested the cancellation of SDR27.86 million (USD43 million). As of March 27, 2014 USD31.07 million has not been disbursed, out of which approximately USD3 million are earmarked to cover ongoing compensation payments. The remaining undisbursed funds will be canceled. The following table presents the current financial information.

Table 2. Financial Information LMDGP (USD million Mar 27, 2014)

a	Signed Amount	213.19
b	Disbursed	139.12
c	Cancelled Amount (As per GoN letter)	43.00
d	Undisbursed (including USD 3million for compensation)	31.07

25. **Closing Date**. The original Closing Date was 09/30/2013. This Closing Date was not extended despite a request by the Government dated 04/15/2013. The extension was not granted due to the MU ratings of the DO and IP ratings at the time of the request.

adjustments. These measures will ensure that government spending is aligned with the strategic priorities articulated in the state's medium-term development strategy, and that fiscal risks are properly monitored and managed.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

26. **Soundness of the background analysis and lessons learned.** Preparation of LMDGP started in 2000 following a Government request for an urban project to complement the Lagos State's efforts on poverty alleviation. Between 2001 and 2005, project preparation stalled due to an insufficient IDA allocation and competing investment priorities. Initially the project was intended to include urban, water and transport sectors but was later split into three separate projects. The background analysis for LMDGP was extensive and sound. It included a wealth of consultations, community engagement, stakeholder analysis and relationship building, as well as a geo-referenced household survey and technical studies informed by newly acquired satellite imagery[6]. The project was designed to address the single most serious infrastructure issue of Lagos (drainage and flood control) comprehensively from a technical, financial, and community perspective. Earlier lessons learned were studied and taken into consideration[7]. The Bank assisted Lagos to develop policy notes on solid waste management, urban upgrading and drainage service. These were formally endorsed by the State and provided the guiding principles for LMDGP.

27. **Assessment of project design.** Project activities supported fully the achievement of the PDO and were aligned with the results indicators. However, LMDGP was very ambitious. It spanned over multiple sectors with multiple executing agencies, priorities, reporting lines, and constituencies. In addition to being horizontally complex, complexity was added by the vertical hierarchy of stakeholders – communities, local governments, the Lagos State, and the Federal Government. As it turned out during implementation, it was very difficult to align such a multiplicity of agencies under one project umbrella More specifically, the Bank team was often overstretched and under-resourced, much needed coordination between the Component Executing Agencies (CEA)[8] was lagging, the intended policy dialogue was overtaken by the persistent need to align stakeholders and advance implementation and over time, the local governments' attention faded affecting the sustainability of new assets.

28. Institutional arrangements reflected the project's multi-sectorial nature. The aim was to place implementation above the influence of a single CEA. The PCU was therefore set up as an independent body with oversight from a broad-based Project Steering Committee (PSC) reporting directly to the Governor. Intended to guard against corruption and concomitant problems, the PSC was envisaged as a strong body of statesmen and representatives from the civil society and the private sector. As it turned out during implementation, this set up was rather vulnerable to the

[6] Activities carried out as part of the background analysis included: (i) an evaluation of a pilot upgrading project in Badia to identify lessons learned and reflect those in the design of LMDGP; (ii) nine slum areas were surveyed to identify development priorities for local communities followed by validation workshops with participation of local governments, (iii) a social assessment to evaluate the viability and sustainability of specific upgrading projects proposed by the communities, (iv) an Urban Forum open to all stakeholders to discuss urban upgrading policies for Lagos, (v) satellite imagery and GIS software and hardware to determine the areas within the slums with most acute needs; (vi) a poverty and service delivery assessment of Lagos which provided a baseline for monitoring service delivery against public expenditure and was linked to the GIS, (vii) a toolkit developed to guide the scaling up of upgrading interventions, (viii) studies and consultations related to drainage to provide a better baseline information, estimate potential benefits and facilitate maintenance financing.

[7] These encompassed the need for a broad-based stakeholder consensus, community participation in project appraisal and an autonomous Solid Waste Agency.

[8] Such as LASURA, LAWMA, the Office of Drainage Services (Drainage), etc.

level of Government commitment. When commitment weakened, the PCU was left without effective oversight affecting implementation negatively.

29. The design of individual project components was solid and included: (i) a hydraulic model to guide investments in the drainage system and address routine flooding; (ii) investments to resolve the major bottleneck for waste transportation and disposal in Lagos in parallel with introduction of environmental controls at the largest dumpsite; (iii) an incremental approach to upgrading rather than a full area renewal; (iv) assistance towards performance management for better public finance and budgeting; and (v) policy dialogue for continuous stakeholder engagement and consensus building. Additional activities included the Citizen's Mediation Centers and, conflict resolution and HIV campaigns, both contributing to the strengthening of the community component of the project.

30. **Adequacy of Government commitment.** At appraisal, the State Government appears to have been fully involved and committed to project objectives and activities. During the early stages of implementation, State Commissioners participated at the PSC which used to fulfill its function of a high-level coordination and oversight body. Over time, Government's interest declined and by the end of the project, the PSC was attended by low-level officials without decision taking authority. The multi-faceted nature of the project became its greatest weakness. Not a single agency associated directly with the project or 'owned' its objectives.

31. **Assessment of risks**. The overall risk at project preparation was rated *substantial*. Two important risks that were identified at appraisal materialized despite the mitigation measures in place. These included (i) ineffective coordination of metropolitan functions (moderate); and (ii) conflicts around the locations of infrastructure improvements not resolved proactively (moderate). The assessment of risks did not flag and/or sufficiently mitigate the complexity of the project involving multiple sectors and agencies.

2.2 Implementation

32. **Implementation phases**. The project faced numerous challenges over the course of implementation. Implementation can notionally be divided into three phases which overlapped with the time in office of the three Team Task Leaders (TTLs) that led the Bank's implementation support teams. The first phase (2007-2009) was characterized with active supervision, complementary activities being added to the project (two carbon purchasing agreements were signed for Olushosun landfill site under the Clean Development Mechanism (CDM) and a World Bank Institute-supported comprehensive training program), appearance of initial setbacks related to fiduciary and safeguards compliance, and multiple attempts by the Bank's team to place the project on a successful implementation path. The second phase (2009-2011) was characterized by a problematic project performance, a seemingly non-proactive supervision by the Bank, issues with safeguards compliance, and project restructuring. The third phase (late 2011-2013) was marked by a multiplicity of corrective measures, including retroactive RAPs, technical audits and measures to repair non-performing assets developed under the project and bring them to working order and enhanced management support.

33. **Change in enabling environment.** During the initial implementation stage, the project enjoyed strong political support from the State Government and a formidable commitment by the Bank's team. There was a highly cooperative environment that not only allowed the project to set ambitious goals, but allowed an excellent implementation start with broad stakeholder engagement and support. However, as the project progressed, and Governor and Bank's teams changed around 2008, the linkages that had been built began to weaken. The new State

leadership, determined to transform Lagos, was supported by a strong revenue growth[9], both internally generated and from federal transfers. Significant State funds were mobilized to finance a massive drainage rehabilitation program, waste clean-up and collection, as well as other programs such as crime prevention, beautification, etc., all outside of LMDGP. These interventions were not always following accepted international practice but showed immediate results. Striking progress for instance was made in the solid waste sector and Lagos became remarkably cleaner. As a result, the funding under the LMDGP lost primacy. In parallel, major issues related to divergent views on safeguards and resettlement policies emerged and slowed down any momentum left from the preparation stage.

34. **Project restructuring.** The project was restructured once (level II restructuring) as discussed in Section 1.6 above. Due to difficulties with social safeguards compliance, and the fact that LASG was making substantial investments from own resources[10], activities under the drainage and solid waste management[11] components were scaled down to already implemented works. The balance of project funds was reallocated mainly to Component 3 (slum upgrade). Although the restructuring cancelled the components intended to control flooding, which was the core activity in terms of impact, the PDO was not changed. The restructuring was not utilized to correct other aspects of the project that were problematic (implementation arrangements, weak use of Monitoring and Evaluation systems) or re-engage the State Government in an effective policy dialogue about the evolving city environment. It took nearly two years to restructure the project, which further complicated implementation.

35. **Mid-term review (MTR).** A MTR was not carried out for this project. It was replaced by the restructuring process as described above.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

36. **M&E Design**. The PDO, project activities and performance indicators prior to restructuring were aligned. The indicators were devised to adequately capture progress under respective components and activities. Baseline values were determined at appraisal for both PDO and intermediate indicators. In addition, a city-wide baseline of non-income poverty was established as a sound foundation for target indicators. The Project Appraisal Document (PAD) made specific provisions how the M&E data will be collected. The positions at the PCU included an M&E specialist and support staff proficient in the use of information technology. Following restructuring, the indicators were revised and aligned with the revised project activities.

37. **M&E Implementation**. Reporting on physical progress of the project, expenditures, and the achievement of results was not satisfactory. During the first year of implementation, an M&E

[9] Federal transfers grew from N36 billion in 2004 to N82 billion in 2008, while internally generated revenue (IGR) grew form N36 billion to N137 billion during the same period. (WB, 2010).

[10] LASG' capital spending raised to an estimate 4 percent of Gross State Domestic Product (GSDP) in 2008, up from 0.8 percent in 2005, representing an eight-fold increase in real terms over this period.

[11] The SW interventions were affected by different views of the Lagos State and the Bank regarding priorities for the sector. This component was scaled down on safeguards grounds since the rehabilitation at the landfill would have involved large scale resettlement and loss of livelihood.

Workshop was delivered by the Bank's Results and Learning Group and focused on concepts and approaches to results-based monitoring, especially for flood control within the Lagos setting. Despite this workshop and follow-up trainings, data collection was poor throughout the life of the project. Data was not made available on time, the Bank was often unable to assess the evolution of works undertaken by different CEAs, and the progress towards achieving the objectives of the project. When information was available, it was often of questionable quality. Disconnect between various reports, particularly reports on physical progress and disbursements, made it difficult to keep track of contract execution and achieving of targets. The position of the M&E officer was vacant for lengthy periods of time impacting data collection and utilization.

38. **M&E Utilization**. There is no evidence of consistent use of data to inform decision making during project implementation. This could be due to the overall issues affecting the PCU performance, the lack of information and the poor quality of it when available.

2.4 Safeguard and Fiduciary Compliance

39. **Environmental and social safeguards.** The project triggered Operational Policy (OP) 4.01 (Environmental Assessment) and OP 4.12 (Involuntary Resettlement) and was classified as category B. Both policies were related to activities under Component 1. An Environmental and Social Impact Assessment (ESIA), and a Resettlement Policy Framework (RPF) were prepared and disclosed in-country and in the Bank's Infoshop in June 2005. Avoiding or minimizing resettlement and disruption of livelihoods was in the spirit of the project. Nevertheless, small scale resettlement was expected under the drainage sub-component (in the magnitude of 40 instances). Medium to large scale resettlement and loss of income was expected under the waste sub-component (hundreds of scavengers and site dwellers mostly at the Olushosun dumpsite). By design, project funds were provisioned for compensation. At Negotiations, the State Government confirmed its commitment to apply the principles of the RPF in all instances of city upgrade regardless of the source of funding. An inter-Ministerial Technical Committee on safeguards was established with assistance under the project for better monitoring and compliance.

40. Despite the above provisions, social safeguards compliance turned problematic. Initially, bidding documents (BDs) and bid evaluation reports (BERs) under the drainage sub-component were prepared and submitted to the Bank without corresponding RAPs despite multiple guidance on OP4.12 provided by the Bank. Drainage works worth USD28 million could not be cleared due to lack of compliance and resulted in expiration of bid validity. Eventually, RAPs were prepared for drainage works (drainage systems 2 and 5) as well as for the waste component (Olushosun dumpsite). However, these RAPs were not implemented after the exclusion of the drainage and waste sub-components from LMDGP. More generally, the dialogue on safeguards with Lagos State evolved substantially from the time of preparation. There were material differences about the principles of the RPF. The State was uninterested to apply these principles on a large scale and in a slum setting. Even though compliance with OP 4.12 was achieved under parallel Bank projects (within the transport portfolio for instance), material differences remained within the LMDGP and related to the notion of informality among poor and low-income squatters, many of which migrants. While technical solutions could have been found to substantially limit the number of potential Project Affected Persons (PAPs) under the drainage component[12], it appears

[12] The Bank team has assumed that silt and waste removed from the drainage channels could be transported by barges in the monsoon season or from access points at every 100 meters or so in the dry season. Such solutions would have required minimum resettlement. The ROW was 15 meters on both sides of the drains which would have triggered

that the State was uninterested to explore them. This could have been a function of the increase in own resources allowing the State to finance drainage works itself or fundamental policy difference about OP 4.12 in a slum setting.

41. Following restructuring, safeguard policies applied to the slum-upgrade sub-component. Compliance remained problematic. The Bank initiated a social safeguards audit, with the following findings: (i) lack of clarity among project stakeholders on the rationale, objectives and processes of safeguard policies[13]; (ii) weak documentation of implementation processes; community and asset mapping and socio-economic censuses were missing or not readily available; consultations were not properly conducted; (iii) decisions affecting community livelihoods were taken on an informal and ad hoc basis without consultation, restoration or compensation; and (iv) works have proceeded and triggered demolition in several cases without prior RAPs. Due to lack of compliance, in June 2012, the Bank suspended all activities related to new sub-projects until an action plan to redress the situation was put in place. Corrective measures included five (5) retroactive RAPs, including the one for the Badia area, and six (6) retroactive Environmental and Social Management Plans (ESMP). The total number of PAPs was 2605 tenants and 319 landlords. By the end of LMDGP, all retroactive RAPs were implemented successfully.

42. *Demolitions in Badia* (See Box: Request for Inspection Panel, Demolitions in Badia). Two major demolitions took place in the Badia area of Lagos. The first one occurred in 2012 in connection with the construction of a canal and a road where PAPs were in the Right of Way (ROW). A retro RAP was prepared and implemented (one of the 5 RAPs mentioned in the previous paragraph). A second demolition occurred in 2013, in a section of Badia East. This demolition was not related to LMDGP-financed activities. Nevertheless, the Bank engaged in a dialogue with the State requesting that the RPF is applied in the case of Badia East. Assistance was provided and mitigation measures were initiated, which included consultations, valuation of assets, preparation of a RAP. At the time of the ICR, the Government, the community and the NGOs representing it seemed to have reached an amicable agreement.

Box 1: Request for Inspection Panel[14], Demolitions in Badia

Summary of the Request

A request for inspection of the Nigeria – Lagos Metropolitan Development and Governance Project was placed by the Social and Economic Rights Action Centre (SERAC), the NGO acting on behalf of affected people of the Badia area, on September 30, 2013. The Requesters stated that the house demolitions carried out by the Lagos Government on February 23, 2013, in East Badia constituted a violation of the Bank social safeguards polices and that the Bank should ensure that the affected people be appropriately compensated.

- Upon receiving the complaint on September 30, 2013, the Inspection Panel had decided to postpone the

massive resettlement. Even a 5 meter access road along only one side of the drains would have been an easier solution in terms of resettlement compared to access roads on both sides of the drains, which is what Lagos State asked for.

[13] Awareness among PAPs on their rights seemed to be low; contractors seemed unclear about their responsibilities; ad hoc compensations including by contractors seemed to have taken place.

[14] The Inspection Panel is an independent complaints mechanism for people and communities who believe that they have been, or are likely to be, adversely affected by a World Bank-funded project

registration of the Request in order to provide an opportunity for the all parties (Requesters, Bank staff and Lagos Government) to work together to redress the livelihoods affected by these demolitions. The Panel had taken this decision in line with its new "Pilot approach" to support early solutions in the Inspection Panel process.

- *The February 23, 2013 Demolitions:* While these demolitions were not undertaken as part of project implementation, the affected people were clearly identified as beneficiaries of the LMDG project. In early March 2013, the Bank advised the Government of Lagos State to adopt and apply the provisions of the project Resettlement Policy Framework. After contacting the Government of Lagos and the NGO acting on behalf of the affected people (Social and Economic Rights Action Centre SERAC), the Bank agreed with the Lagos Government on the urgent need to prepare a detailed and time-bound action plan to address the impacts on livelihoods of the project affected people. In September 2013, the Government and representatives of the community agreed on the list of affected people and the compensation levels. In October 2013, a meeting was held with the Lagos Government to review the RAP implementation plan including: (i) review of compensation levels, (ii) completion of list of beneficiaries, (iii) RAP support to the livelihoods of the affected people; (iv) the RAP complaints handling mechanism and; (v) the timetable for implementation. The Lagos Government presented its revised plan in late November 2013 which was approved by the community representatives on December 30, 2013.

Update – March 28, 2014

- The Government has recognized and acknowledged its continued obligation to implement the mitigation measures spelled out under the Bank's safeguard instruments notwithstanding the closure of the project.
- Project funds have been set aside for compensations under this RAP, which takes into account the Government's estimate and includes a margin for any additional claims that may surface during the RAP implementation.
- The Lagos Government started the distribution of the compensation payments in mid-February 2014 and will continue until the end of May 2014. In addition, the government has committed to providing livelihood restoration support programmes such as training for beneficiaries upon completion of compensation payments
- The Bank is providing a close supervision of the implementation of the RAP by: a) regular visits to Lagos by project team and management, and b) mobilizing an experienced local consultant paid by the Bank to provide assistance to the Lagos Government in ensuring close adherence to Bank resettlement policies.

43. **Procurement.** The procurement risk at project appraisal was rated high before mitigation measures, and moderate following agreed mitigation. Identified mitigation measures included, among others: (i) establishing the PCU under the office of the Executive Governor to facilitate a direct reporting line, (ii) establishing a PSC to provide civil society and private sector oversight to the project, (iii) recruiting the Procurement officer and the Project Director competitively, and (iv) training staff on Bank procurement procedures. Despite these measures, procurement remained an area of concern throughout the life of the project and was rated MU between 2008-2009, and again, between 2012-2013. By project end, post procurement reviews elevated procurement risk from moderate to substantial. In addition to substantial delays in evaluating proposals and bids, issues during implementation included: (i) changes to the procurement plan excluding activities agreed earlier with the Bank and including new ones; (ii) amendments to terms of references (ToRs) after they have been cleared by the Bank that affected issues such as social safeguards, timing of deliverables and total costs; (iii) multiplicity of contracts slightly under the prior review threshold thus limiting competition without a clear benefit for the project; (v) lack of effective communication between the procurement team and the rest of the PCU; (v) inadequate procurement documents filing; (vi) lack of sufficient and adequately trained procurement staff, and high staff turnover, (vii) contracts not grouped properly leading to a multiplicity of small contracts that not only added time to the already delayed processes, but also increased transaction costs and heightened the risk of errors made during the evaluation. Overall, the procurement performance was problematic, and contributed to delays that affected project implementation.

44. **Financial Management.** The FM risk at project appraisal was rated *high* before mitigation and *moderate* following agreed mitigation measures. Identified inherent risks were

offset at design by adoption of robust FM arrangements, including the establishment of a Project Financial Management Unit (PFMU) in the office of the Account-General's Office, adoption of sound financial procedures, and inclusion of qualified staff trained in Bank procedures. During project implementation, the PFMU deployed a full team to work in the office of the PCU to ensure that both offices would work as a single team. Although performance was uneven over the life of the project, FM practices were largely acceptable and met the requirements of the Bank. The project's internal controls were considered adequate. Annual project audits contained unqualified audit opinion on the project financial statements throughout the project's life. Financial management reports were prepared and submitted generally on time. On a few occasions in 2012 the FM performance was downgraded due to instances of outstanding un-retired advances, inadequate documentation for incurred expenditures, failure to register all awarded contracts in the FM reports, inconsistencies on the contract identification numbers in different reports prepared by the PCU, and evidence of ineligible expenses related to top-up, fuel and telephone allowances. The PCU team was generally open to suggestions and, in most cases, followed the recommendations given by the Bank to improve monitoring of financial resources.

2.5 Post-completion Operation/Next Phase

45. A number of civil works contracts awarded under LMDGP were not completed by project closure. The estimated value of such contracts is in the magnitude of USD23 million. The Lagos State Government has demonstrated commitment to complete the outstanding work; to this end the state has allocated NGN3.2 billion (USD20.0 million equivalent) in its 2014 budget. Memorandums of Understanding (MOUs) have been signed with respective line agencies for their utilization, including staffing and supplies.

46. LMDGP gave support to the DPL agenda in PFM, particularly the rollout of the Oracle system, and since then, good progress in implementing a medium-term expenditure framework (MTEF) that includes a top-down resource envelope (medium-term fiscal strategy or MTFS) and bottom-up sector spending plans (medium-term sector strategy or MTSS) has been achieved.

47. The policy dialogue initiated by LMDGP in areas related to financial management and budgeting, served as a base to the development of two DPL that supported policy measures for achieving fiscal and debt sustainability over the medium-term. Additionally, the Bank will continue supporting the dialogue with LASG on metropolitan development and urbanization challenges.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

48. Even though the PDO was not formally revised at restructuring, the outcome rating is a weighted composite of ratings before and after restructuring. This was done in view of the significant changes in the PDO indicators at restructuring.

49. **Relevance of objective before and after restructuring**. The relevance of objective before and after the restructuring is assessed as **High.** The PDO was relevant to conditions in Nigeria at the time of appraisal and remains consistent with current development priorities. At appraisal, the PDO was aligned with the Country Partnership Strategy (CPS) that supported *Nigeria's National Economic, Empowerment and Development Strategy* (NEEDS). At the time of

the ICR, the PDO is consistent with current Government priorities as evidenced by: (i) the *Lagos State Development Plan* (2012-2025) and its Pillars on infrastructure, social development and security, and sustainable environment; (ii) the *Nigeria Vision 2020*, which primary objectives are to create an enabling environment for green and inclusive economic growth; diversify the Nigerian economy; create employment opportunities; and reduce poverty; and (iii) Nigeria's *Transformation Agenda* (2011-2015) which focuses on governance, sustainable and inclusive growth. The PDO supported the CPS for the period FY2010-FY2013 and especially it's Pillar I on sustainable and inclusive non-oil growth and Pillar II on governance. The PDO is also aligned with the proposed CPS for the period FY2014-FY2017 and its Pillar 2 on inclusion, as well as the cross cutting Pillar on governance and public sector management.

50. **Relevance of design and implementation before restructuring**. Planned project activities supported the achievement of the PDO – *to increase sustainable access to basic urban services through investments in critical infrastructure*. Drainage, waste and social facilities under the slum-upgrade sub-component were critical infrastructure directly related to livelihoods and productivity. Access to basic urban services was severely impacted by flooding, waste accumulation, lack of or deplorable conditions of schools, clinics, water points, etc. Sustainability was to be achieved through a combination of (i) technical solutions (hydraulic modelling for drainage, communal depots and transfer stations for solid waste), (ii) predictability and transparency in maintenance financing (addressed through the governance component), and (iii) citizen's involvement (through communication and dialogue, improved outreach and support for the project). Project activities were aligned with the results indicators which adequately captured progress. Taken individually, the design of components was solid and based on extensive analysis and consultations with intense community engagement. However, as discussed in Section 2.1, project activities were ambitious as they spanned over several sectors with diverse challenges and multiple executing agencies. Implementation arrangements were intended to guard against unwanted capture (See Section 2.1: Assessment of project design) but proved ineffective during implementation. The relevance of design and implementation before restructuring is therefore assessed as **Modest**.

51. **Relevance of design and implementation following restructuring**. At restructuring, although activities were scaled down significantly and an important part of project's funds were reallocated[15], the PDO was not changed. The disconnect between the PDO and project activities after restructuring should have been addressed by either scaling down the PDO, or by modifying project activities so that they support the achievement of the objective. Issues related to implementation arrangements were not addressed although implementation was clearly of concern. The relevance of design and implementation following restructuring therefore remains **Modest**.

52. Based on above, the relevancy of Objectives, Design and Implementation before as well as after restructuring is assessed as **Substantial**.

[15] Under Component A: Drainage works were reduced from USD61 million to USD11 million; Waste Management activities were reduced from USD 63 million to USD 32 million; and Urban Upgrading activities were reduced from USD40 million to USD138 million.

3.2 Achievement of Project Development Objectives

53. **Achievement of objectives before restructuring**. Before the drainage and solid waste management subcomponents were scaled down, achievements related to these activities were modest. Major drainage works within drainage systems 2 and 5, which would have brought relief to flooding, were not undertaken. Flooding control measures were introduced through smaller scale works on two canals (Ogba Drainage, 1.4 km, and Alafia Drainage, 1.1 km) and the rehabilitation of roadside drains. The design of a comprehensive program based on hydraulic modelling for rehabilitation, construction and routine maintenance to provide a long term technical solution to flooding was not done. Regarding the waste management subcomponent, only two communal waste depots were built and some existing dumpsites were cleared. An intended design, build, operate (DBO) contract for Olushosun and two transfer stations was not awarded. The policy dialogue in the waste sector stalled due to significant divergence between Lagos State and the Bank related to sector development and implementation methods. Considering that both scaled down subcomponents did not achieve intended results, achievement of objectives before restructuring is assessed as **Negligible.**

54. **Achievement of objectives after restructuring.** Access to basic urban services improved as a result of achievements under Component A (Slum Upgrade). The investments brought tangible benefits to communities and enhanced the credibility of the project in view of other (cancelled) components. Constructed boreholes provided access to improved water source and were accepted very well by communities. Health facilities and rehabilitated roads were assessed to have brought significant improvement in living conditions. Some of the markets and the Citizen Mediation Centers constructed under the project were extremely successful among residents. Street lighting improved safety. Specific achievements included:

- A population of 1.55 million (48% women) benefited from the project. The target for this PDO indicator was 1.6 million.
- 90 boreholes were built with potential to serve a population of 112.500 (at project closing 15 facilities were out of working order. Functioning facilities were supplying 95.000 people with improved water source). The target population for this PDO indicator was 112.500.
- 7 primary health centers (PHC) were constructed (2 more were under construction). The target for this PDO indicator was 10 PHCs.
- 8.7 km of roads were constructed or rehabilitated under the project (31 km were under construction at project closing). The target for this PDO indicator was 55 km.
- 280 classrooms were built under the project (70 additional classrooms were under construction at project closing). The target for this PDO indicator was 450 classrooms.
- 3 markets were built, two of which equipped with fish smoking facilities.
- 5 km of street lighting and 14 transformers were installed.

55. Achievements under Component B (Public Governance and Capacity Building) contributed towards the sustainability objective of the PDO. Achievements related to the process of budget preparation, expenditure management reform, and expenditure tracking. The following outcomes were accomplished, achieving all results indicators:

- LASG and the State House of Assembly (SHoA) enacted the Public Finance Management Law (intermediate indicator).
- The Medium-Term Expenditure Framework (MTEF) approach was adopted by Ministry of Economic Planning & Budget (MEPB) for the drawing up of the State's annual budgets from year 2009 to date. In addition, mechanisms were developed to support

projections of 3 year perspectives for aggregate and revenue expenditures (intermediate indicator).

- Oracle based Integrated Financial Management System (IFMIS) was implemented by the Government although its deployment and utilization are partially completed (intermediate indicator).
- A State-wide Household Survey with disaggregation of data on slum areas was carried out to provide a baseline for State Programs and activities designed to improve living conditions.
- Leadership training was conducted for members of the Lagos State House of Assembly and the Public Accounts Committee. LMDGP provided financial support in capacity development of state officials, such as Permanent Secretaries, Directors and senior officers in areas of public sector management, legal trainings, etc.

56. Achievements under Component C (Urban Policy Dialogue, Communication, Coordination and Support to Citizen Mediation Centers and Office of Public Defender) were intended to contribute towards the <u>sustainability</u> objective of the PDO. While some workshops and training sessions were carried out, other activities envisioned under this component did not deliver all intended outcomes. The communication campaign and the policy dialogue on variety of development issues had partial success; the systematic monitoring of the project was weak as discussed before, and only 8 out of 30 Citizen's Mediation Centers (CMC) were built. However, these mediation centers are completely operational and have brought a new and pragmatic way to address legal issues in Nigeria (See Box 2: Selected Impacts under LMDGP)

57. Since the project was able to deliver results related to the public governance component and the slum upgrading subcomponent that improved livability on some slums (See Box: Selected Impacts under LMDGP), achievement of objectives after restructuring is assessed as **Modest.**

Box 2: Selected Impacts under LMDGP

(Extracted from the document *Lagos is Working,* Project Coordination Unit, LMDGP, 2013**)**

- *Water Facilities:*

Before the implementation of the project, residents of Agege, like most slums intervened by the project, had to struggle in their search for water. Access to potable water was considered a luxury and the community relied on local water vendors who not only charged high fees but whose source of water supply was questionable. Through the construction of water facilities, water-borne diseases outbreaks were reduced, travel time for fetching water was reduced, and while in the past the community used to pay 50 Naira for 25 liters of water, residents now pay around 5 Naira per 25 liters. The money is pooled together and managed by water and sanitation committees supported by the project.

- *Flooding Control:*

Due to the construction of roads, drains and canals, some communities in Agege, Amukoko, Badia, Bariga, Itire, Ilaje, Iwaya, and Makoko, no longer experience flooding, and have improved community health and sanitation conditions. Beyond the provision of infrastructure, the project also supported the strengthening of community development associations to carry out monthly voluntary risk reduction measures such as community led cleaning and de-silting of drains and canals. This has helped to build community ownership of infrastructure for sustainability.

- *Schools:*

Schools built under the LMDGP have improved access to education for children in some of the poorest parts of Lagos and helped enhance faith in public education institutions. In many instances, parents have withdrawn their children from private schools and put them in schools supported by the project considering that these provide a free, well-resourced and offer favorable learning environment. Gbagada Comprehensive Junior High School is one of the schools supported by the project and since the completion of the school there has been a steady increment in school enrollment and absenteeism has reduced.

- *Markets:*

Although Asejere market had been in existence for several years, many people found it difficult to visit it due to the fact that the traders used to converge on a dirty and unhealthy site. It was difficult and expensive to build any structure in this zone due to the swampy nature of the area. Through the project, the site was cleared and a new market with a state of the art cold room and fish smoking equipment was built. Since then, the patronage of the market has increased by more than three folds - from an estimated 250,000 to over 750,000 people visiting daily to trade in and purchase sea foods and other items in a healthy and secure environment.

- *Health Centers:*

LMDGP constructed and fully equipped a number of PHCs that offer quality healthcare, especially for women and children. The new health centers are spacious and stocked with family planning, immunization, and anti-malaria materials, child welfare drugs and other essential drugs.

- *Citizen Mediation Centers:*

These dispute resolution facilities have made available to the community a non-adversarial forum for the mediation and settlement of disputes between parties who voluntarily agree to the mediation of their disputes by experienced mediators. The centers have supported equitable justice by providing a rancor-free, inexpensive dispute resolution option. Services offered by the CMC include landlord/tenant, employer/employee, employee compensation, family and marital cases. On average, each CMC registers about 50 cases daily.

3.3 Efficiency

58. The cost-benefit analysis evaluates the economic efficacy of the project by estimating the present value of costs and projected benefits and by calculating the internal rate of return of the projects. While the costs of the project investments are known, the future benefits are estimated based on the project, outside data and reasonable assumptions about the likely impact of the investments. This analysis evaluates the economic impact and efficacy of a subset of projects under LMDGP. Specifically, the analysis evaluates economic impact of a sample of infrastructure investments under Component A, including construction of new water supply facilities (boreholes), drainage channels, and primary health centers. Some of the benefits that are likely to result from the project implementation, and therefore are estimated and included in the project benefits projections, are: avoided health expenditures due to decrease in illness and income gained as a result of decrease in illness that resulted from improved water infrastructure and upgraded public health facilities; estimated value of time savings resulting from improved convenience of access to drinking water; reduced burden of flood cleanups; and other potential benefits described in the annex. Many project investments implemented under Component A, such as school construction, markets, roads, illegal dump site related projects, and construction of communal waste depots, are excluded from the economic analysis. Even though many of these projects have tangible and measurable economic benefits, such as public health improvements and improved commerce and transportation, unavailability of specific and measurable project outcome data and the difficulty of estimating monetary value of these benefits precludes their inclusion in the cost benefit analysis. Economic benefits of activities under components B (Public Governance and Capacity Building) and C (Urban Policy and Project Coordination) are less tangible, long-term and diverse. It is therefore impossible to measure, within the scope of this analysis, the economic value of the benefits of these components with any accuracy or reliability.

59. The analysis, based on rather conservative assumptions discussed in Annex 3, concludes that the economic internal rate of return of the project is at least 12.75% for water infrastructure improvements (boreholes), 10.36% for drainage channel improvements, and 12.73% for primary health center projects. At 10% assumed opportunity cost of capital, and with only limited set of all potential benefits included in the analysis, all three categories of projects have positive net present values of costs and benefits. Therefore, it can be reasonably concluded that investments in all these three categories of projects are likely economically efficient and justified. Considering

that the economic assessment carried out includes only a sample of categories and sub-projects, and because no assumption can be made that the EIRR of the sectors not analyzed in this analysis would also exceed the 10% rate, the efficiency of the project is assessed as **Modest**.

3.4 Justification of Overall Outcome Rating

60. The following table summarizes the overall outcome ratings based on the Relevance, Achievements and Efficiency, before and after restructuring.

Table 3. Outcome Rating

	Item	Prior to Restructuring	Post Restructuring
1	**Relevance**	Substantial	Substantial
	Relevancy of objective	High	High
	Relevancy of design	Modest	Modest
2	**Achievements**	Negligible	Modest
3	**Efficiency**	Modest	Modest
4	**Overall**	**Unsatisfactory**	**Moderately Unsatisfactory**

61. Project Outcome before restructuring is rated Unsatisfactory and after restructuring is rated Moderately Unsatisfactory. Based on weighted values, the overall project outcome is rated **Moderately Unsatisfactory**

Table 4. Weighted Overall Outcome Rating

	Item	Prior to Restructuring	Post Restructuring	Overall
1	Rating	Unsatisfactory	Moderately Unsatisfactory	
2	Rating value	2	3	
3	Weight (% disbursed before/after Restructuring)	41%	59%	100%
4	Weighted value (line 2 x line 3)	0.8	1.8	2.6
5	Final rating (rounded)			**Moderately Unsatisfactory**

3.5 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

62. **Beneficiary Survey**. A beneficiary survey was carried out by the Client. The Bank was not consulted on survey methodology or sample size. 187 slum residents were interviewed. The ICR team is unclear whether the response was assessed against a control group. Beneficiaries were asked to comment on their experience with the project and evaluate its impact. The results, as reported by the Client, included: 69% of respondents had a positive experience, 12% had a negative experience, 19% were neutral about the project. The impact of the project was evaluated

as follows: 50% of respondents rated it as high, 25% as average, 15% as a failure and 10% did not express an opinion.

63. **Stakeholder Workshop.** The Client carried out a beneficiary workshop that included State and Local Government representatives, members of the Local Council Development Authority, Community members, Community Development Officers, representatives from LASURA, LAWMA, LASURB (Lagos State Urban Renewal Board), Primary Health Care Board, Lagos State Environmental Protection Board, and the Civil Society. The feedback from the workshop, as outlined in the Client's ICR, empathizes the need for continuous community consultations and dialogue with stakeholders throughout implementation. Consultations are viewed to increase ownership of and interest in the project.

4. Assessment of Risk to Development Outcome

64. The risks to maintaining the development outcome is **High** and reflects (i) the high risk to sustain achievements under Component A, and (ii) the moderate risk to sustain achievements under Component B. The risk under Component A relates to the prospect to preserve assets created under the project in good working order and ensuring adequate utilization. Given issues encountered in the latter stages of the project (lack of timely hand-over agreements with local governments, lack of agreements on asset maintenance, assets being vandalized, lack of sufficient community engagement for asset utilization and upkeep), the risk is assessed as high. The risk under Component B is lower on account of the intense policy dialogue between Lagos State and the Bank in the areas of financial management and public sector reform that has led to a Development Policy Loan (DPL) financing to the State. Achievements under Component B are well institutionalized with a moderate risk to outcome.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

65. The project was consistent with Nigeria's NEEDS and the CPS at appraisal. The PDO reflected local priorities and was commensurate to Lagos' readiness for reforms at the time of appraisal. Project activities and results indicators were aligned. Preparation activities included formal and informal diagnostics, policy dialogue and shared knowledge from forums with diverse stakeholder participation. Background analyses were extensive, technical designs were sound, and the level of community outreach and participation was exemplary. The rapport with the Governor of the day was excellent. Limited available resources under IDA were allocated efficiently to maximize impact. The TTL was profoundly engaged, fully committed, and had a deep understanding of Lagos' development and governance issues. The preparation team was strong with significant experience from around the continent. Mitigation measures were consistent with the Bank's fiduciary role. Despite being an ambitious project with implementation arrangements that became inadequate once the enabling environment changed, the Bank's performance is rated moderately satisfactory on account of the quality of the background analysis, the intensity and inclusiveness of consultations with stakeholders, the alignment between PDO, activities and indicators, and the Bank's fiduciary role. The Bank performance in the identification, preparation, and appraisal of the project is therefore rated **Moderately Satisfactory**.

(b) Quality of Supervision

66. Supervision was uneven during the implementation of the project. During the first phase (2007-2009), supervision was intense; it proactively identified emerging issues in terms of fiduciary compliance, safeguards compliance, quality of infrastructure works, lack of coordination among CEAs, etc. In view of identified issues, technical and financial audits were recommended by the outgoing TTL. Based on the available documentation to the ICR team, such audits did not take place. During the second phase (2009-2011), Bank supervision seems to have been less effective in resolving obstacles to implementation. Only one AM from this period was located by the ICR team, though regularly filed ISRs point at continuous supervision The restructuring took place in mid-2011, around 3 years after it was first contemplated by the Bank. To a large extent this delay was caused by changes of personnel within the PIU, a period without a PIU Director, and ongoing discussions regarding safeguards policies applicable under the project. During restructuring, the Bank did not identify that the PDO could not be achieved following the cancellation of the flooding and the waste sub-components. Since these components were dropped because of divergent views on safeguards, it was assumed that the slum upgrade component would not trigger the RPF and therefore safeguards specialists were not involved in supervision between March 2010 and December 2011. When safeguards specialists joined Bank supervision missions around December 2011, lack of safeguards compliance was observed and flagged, along with other issues such as infrastructure works in non-working order, material deterioration in community involvement, lack of asset ownership agreements, etc. By project end, corrective measures were made on all accounts. Supervision under the third phase (late 2011-2013) was intense, involved multi-disciplinary teams, sought guidance and involvement of Bank Management. Supervision under the first and third phases was intense, proactive, identified threats to achieving the PDO, and ensured safeguards and fiduciary compliance. However, since, at restructuring, the Bank did not identify that the PDO is unlikely to be achieved, and ensured the Client is compliant with safeguards policies only on a retroactive basis, and lack of attention to M&E, Bank's performance during implementation is rated **Moderately Unsatisfactory.**

Justification of Rating for Overall Bank Performance

67. Given the overall outcome rating for the project, the overall Bank performance is rated **Moderately Unsatisfactory.**

5.2 Borrower Performance

(a) Government performance

Initially, the Government of Lagos State was actively engaged and fully committed to prepare and deliver LGDMP. It ensured high-level participation at the PSC (at Commissioner level), facilitated the coordination effort among the CEAs, held consultations with communities, and led a dynamic policy dialogue around the objectives of LGDMP. Once the Government's sustained attention to the project diminished (as discussed in earlier sections above), the. PSC became represented by lower-level officials without authority to take or follow through decisions. The PCU was not actively supported to perform its functions neither guided in terms of policy decisions. Policy discussions were indeed relegated and lost their proactive nature. Despite the explicit and reiterated commitment to apply the principles of the RFP, the Government failed to comply with these policies and the project went through a lengthy restructuring that scaled down important components and slowed implementation. The Director for the PCU was changed several times and the position was vacant for extended periods affecting the performance of the PCU. Since the performance of the State Government was not consistent throughout the life of the project and as such did not consistently facilitate an environment towards the achievement of the PDO, performance is assessed as **Moderately Unsatisfactory**.

(b) Implementing Agency

68. Overall, the PCU's leadership was not strong enough and it experienced multiple implementation challenges. Initially, the PCU was proactive and managed to prepare a number of studies and go through several large procurements. Once the PIU lost the active support and leadership of the PSC, it started to experience difficulties, including: : (i) lack of staff continuity and lengthy periods of vacant positions; (ii) limited numbers of qualified staff, fragmentation, lack of synergy and communication silos between different parts of the PCU, (iii) reporting on physical progress of the project, expenditures, and the achievement of results were often misaligned, (iv) lack of leadership and effective coordination with other agencies including timely MOUs and hand-over of assets to line-agencies to improve the sustainability of new facilities, (v) procurement and safeguards performance was often problematic. Despite these difficulties, the PCU was effective -especially during the last phase of the project- and managed to deliver a number of results under the slum upgrade component; however these efforts were not enough to recuperate the time spent during less productive periods. In addition, the PCU led the effort to engage communities and develop retroactive RAPs and ensured that these RAPs were implemented and monitored. It also led the efforts under Component B with tangible results which also led to follow-up engagement under two DPLs. Based on the impact of the outcomes delivered by the project through its PCU and taking into consideration the uneasy environment within which it operated, performance of the implementing agency is rated **Moderately Unsatisfactory**.

(c) Justification of Rating for Overall Borrower Performance

69. The ICR rates the overall borrower performance as Moderately **Unsatisfactory**, taking into account that both Government and the PCU failed to take proactive and timely measures needed to achieve development outcomes.

6. Lessons Learned

Lesson 1: Bank teams should be cognizant of the prevailing political economy and calibrate the complexity of projects accordingly. Following years of preparation, the Bank had developed understanding for the complexity of the political economy of Lagos. Despite that, the Bank decided to go ahead with an overly ambitious project without sufficiently mitigating identified risks. LMDGP had a daring agenda touching on nearly every state function. Designed to address the single most pressing infrastructure issue, flooding was to be tackled through technical solutions, fiscal means and social engagement. This ICR makes the following recommendations related to Bank's engagement in complex environments: i) urban upgrading projects are by definition multi-sectoral and complex, however, a step-wise approach could have been followed in the case of LMDGP starting with one or two slums on a pilot basis. Such approach provides development space to advance the policy dialogue on metropolitan urban development. It also provides time to converge the understanding and approaches how to tackle difficult implementation issues, including social safeguards and possible resettlement; and ii) continuous engagement is necessary to ensure continuous support from government and stakeholders. In the case of LMDGP, traction for the project was lost once the Government ceased to rely on the project as a central vehicle for achieving its goals related to slum upgrading. The restructuring offered an opportunity to re-engage the Government and preserve the initial intent of the project.

This opportunity was not utilized and the restructuring simply excluded activities that were contentious. Initiated as a bold effort to offer a sustained, comprehensive solution to Lagos, by closure, LMDGP turned into a limited-scale, limited-impact slum upgrading intervention with questionable sustainability. Finally, this ICR recommends that a stand-alone case study is carried out to extract lessons learned from LMDGP in a more systematic manner, provide in-depth analysis of the modalities of urban sector engagements in a mega-city like Lagos, and make recommendations towards the structure and manner of engagement in such settings.

Lesson 2: Projects well vested into existing institutions are less vulnerable to the presence of political capital and might be better suited for complex environments like that of Lagos. The LMDGP's PCU was not anchored in any agency. LASURA could have hosted the implementation of the slum upgrade initiatives. Instead, the implementation unit was placed outside existing institutions. When the political support through the Governor's office weakened, the PCU and the PSC lost their political backing and with it – their significance. When implementation units are placed within the beneficiary agency, this agency is likely to own and pursue project objectives more vigorously. A related lesson concerns the structure of PIUs. Their internal organization, staffing, reporting lines, decision authority, and performance incentives should be carefully crafted and closely monitored at all times during implementation. Seconding sector agency staff to PIUs may be better than assigning focal points within sector agencies. Discrepancy in compensation (pay, benefits, entitlements) between seconded staff and consultants has the tendency to fuel discontent and resentment. Performance-based payment with clear and objective performance indicators should be considered as a viable alternative. Large PIUs need to establish functional flows and clear reporting lines. Level of staffing should be realistic and proportionate to the intensity of project activities.

Lesson 3: Simultaneous deployment of various lending instruments proved to be effective in achieving desired outcomes. Bank support to PFM reforms through the combination of Investment Lending and Development Policy Operations seems to have led to positive results as demonstrated by achievements made under Component B. This Component accomplished key PFM reforms often seen as difficult tasks (e.g., Public Finance Management Law enactment, adoption of a Medium-Term Expenditure Framework, Oracle based Integrated Financial Management System). This positive result could have been related to the fact that a DPL operation was prepared in parallel, and its activities were aligned to the activities included under Component B. In addition to financing instruments, the sustained technical assistance, on-the-ground policy dialogue and enhanced support during project implementation may have been beneficial to achieve the expected project results.

Lesson 4: Lack of transfer of knowledge, right skill mix and appropriate background in TTLs and sector specialists affects the relationship with the Client and poses a risk to implementation. Hand-overs between Bank staff should be systematical, with active participation and guidance by management. The LMDGP's appraisal team spent years to build trust, establish constituencies and comprehend the fabric and structure of the Lagos society. This awareness was reduced when teams changed. A structured approach allowing sufficient overlap between teams, formal hand-over processes, and active involvement of management in the interim is needed. Secondly, slum upgrade projects are multi-sectoral and require an integrative skill mix. TTLs are expected to lead a multi-dimensional dialogue with the Client and navigate through a multiplicity of issues.

Lesson 5: When the Bank's and the client's commitment to safeguards policies and their practical implementation diverges significantly, both the Bank and the client should be upfront and eliminate instances where investments would trigger such policies. Safeguard compliance remains an uphill task for governments due to its fiscal burden, the potentially uneven treatment of PAPs and people resettled under government policies, future expectations of squatters, and the large-scale and growing informality in African cities. Intense policy discussions during appraisal revealing governments' inherent intent with regards to informal settlements may lessen safeguards compliance during implementation. Such dialogue should place the emphasis on the loss of assets and monetary value of a vulnerable segment of the population rather than on reward of informality which is how governments see it. A sample RAP before Board approval could demonstrate the required process and should be considered where possible in addition to a RPF. Where possible, bidding documents for civil works may specify the manner in which construction should be done so that large resettlement is prevented (i.e. transporting silt along one side of a channel instead of using access roads on both sides of a drainage channel). This should be vetted against presumed increase in bid price.

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
A. Infrastructure	165.35	121.60	73.5%
B. Public Governance and Capacity Building	5.98	2.37	39.7%
C. Urban Policy and Project Coordination	12.13	12.97	107%
Total Baseline Cost	**183.46**	**136.96**	**74.6%**
Refund of PPF Adv.		0.59	
Designated Account		1.57	
Contingencies	15.5	0.00	
Total Project Costs	**198.96**	139.12	
Front-end fee PPF	2.00	0.00	.00
Front-end fee IBRD	1.04	0.00	.00
Total Financing Required	202.00	0.00	

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		5.69	1.86	.00
International Development Association (IDA)		200.00	138.28	64.17%

Annex 2. Outputs by Component

Component A. Infrastructure

Facilities built under the project

Schools

- Construction of Badia/Ireti primary school, Badia.
- Renovation of Ansarudeen/ Itire primary school, Itire.
- Construction of Ishaga primary school, Mushin.
- Construction of Apelehin/ Aiyetoro primary school, Ilaje.
- Renovation of Adekunle primary school, Makoko.
- Construction of Chirst the King primary school, Ajegunle.
- Construction of Igbo-Owu junior secondary school, Mushin.
- Construction of Gbagada Comprehensive junior high school, Gbadaga-Bariga
- Construction of Ayinke primary school, Bariga
- Construction of Albarka and Temple primary schools, Shomolu, Bariga

Primary Health Centers

- Construction of 1 primary health center at Agege
- Rehabilitation of primary health centers at Cementary road Amukoko
- Construction of primary health center at Badia
- Construction of primary health center at Bariga and community hall at Iwaya
- Rehabilitation of primary health center on Arobadade street(1 block)
- Rehabilitation of primary health center on Musa street/Ijesha road(1 block)
- Rehabilitation of primary health center Ojo road(1 block)

Roads

Abimbola street; Adenle street; Ajiboye street; Apata street (by lga); Arigbanla street; Awori street; Ayeni street; Church street; Oguntade street; Olagoke street; Olusanya street; Oremeji street; Owo street; Oyewole street; Salawu street; Salimotu street; Soretire street; Odofin street; Act of apostles; Church street; Development street; Falodun street; Obalowu street; Araromi street; Adebayo street; Adeola street; Adetayo street; Adigun street; Araromi street; Babatunde street; Bankole street; Baruwa street; Donedo street; Ibidun street; Gbadamosi street; Igun street; Lawani street; Okunyemi street; Ola street; Olayinka street; Oluwashina street; Omolola street; Oremerin street; Twins street (new); Semi sarumi street; Shofolahan street; Sikiru Alimi street; Remilekun street

Street lighting and Transformers Installed

- 5 km of Street Lighting installed
- Ireti/Owoseni streets – Badia, Apapa-Iganmi LCDA
- Fadaini/bale street – Badia, Apapa-iganmu LCDA
- Ibidun street – Itire/Ijeshatedo – Mushin LGA
- Ronke street - Itire/Ijeshatedo – Mushin LGA
- Apollo street – Makoko, Yaba Lcda
- Ori-oke street – Makoko, Yaba Lcda
- Agugu street – Ajegunle – Ajeromilfelodun LGA
- Olayinka/Sanusi street - Ajeromilfelodun LGA

- Abeje street - Ajeromilfelodun LGA
- Charles avenue - Ajeromilfelodun LGA
- Yusuf Egan street – Amokoko – Ifelodun LCDA
- Gaskiya road – Amukoko – Ifelodun LCDA
- Olokodana street - Amukoko – Ifelodun LCDA
- Dispensary street - Amukoko – Ifelodun LCDA

Markets

- Construction of Ola market Itire
- Constructon of Ashogbon market (with fish smoking facilities), Ilaje-Bariga LCDA
- Construction of Asejere market (with fish smoking facilities) Makoko – Yaba LCDA

Canals

- Construction of Ogba drainage channel (1.4 km)
- Construction of Alafia drainage channel (1.1 km)

Interventions in Solid Waste Management

- Construction of communal waste depot (cwd) at Ikate-Olaogun
- Construction of communal waste depot (cwd) at Agunlejika and Oworonshoki
- Construction of blockwall fence at Agunlejika illegal dumpsite
- Construction of blockwall fence at Ikate Olaogun illegal dumpsite
- Evacuation of illegal dumpsite at Obele Oniwala
- Evaluation of illegal dumpsite at Bolaji Omupo and Oba Ogunji
- Access road to a landfill
- 140.000 of waste evacuated from dumpsites

Other outputs under Component A

- GIS software supplied
- Provision of support of tricycle for collection and transfer of waste in the slum area as part of the communal enterprises waste initiative
- Provision of support in the construction of plastic baling/ grinding plant in the slum areas as incentive to recover plastic waste that clog up the environment

Workshops and Trainings

- GIS/Satellite Imagery training delivered at the Public Service Staff Development Centre (PSSDC) Lagos for LASURA staff.
- Workshop on slum upgrade organized
- Workshop on Project Management at the International Law, Institute, USA attended by members of LASURA
- Consultancy service on GIS installation delivered
- Workshop on watershed and river basin management at UNESCO-IHE institute of water education attended by members of the office of drainage service.
- Information and Educational activities to raise awareness on solid waste issues organized
- Sensitization program with member of Ikate-Olaogun, Obele-Oniwala and Oworonsoki communities on the benefits of Communal Waste Depot organized
- “Street Champions And Captains” program introduced
- “Keep your Environment Clean” Road Shows organized in the nine slum communities
- “Pride in our Community Campaign” for the participating 9 slum communities organized
- Workshop on effective solid waste management attended by LAWMA Staff

- Programmes and activities designed to improve living conditions in the 9 slums communities carried out

Component B. Public Governance and Capacity Building

General Outputss

- PFM Law enacted
- MTEF approach adopted by Ministry of Economic Planning & Budget
- Oracle based Integrated Financial Management System (IFMIS) implemented

Workshops and Training

- Institutional Development training programme for senior executives at RIPA international delivered
- State-wide Household Survey with disaggregation of data on slum areas to provide a baseline for State
- Leadership training conducted for members of the Lagos State House of Assembly Public Accounts Committee in preparation for the bill to be enacted on the Public Finance Management Law
- Financial support provided in capacity development of state officials, such as Permanent Secretaries, Directors and senior officers in areas of Public Sector Management, Law, Engineering etc

Component C. Urban Policy Dialogue, Communication, Coordination and Support to Citizen Mediation Centers and Office of Public Defender

Citizen Mediation Centers

- Construction of citizen mediation center, Agege
- Construction of citizen mediation center, Bariga.
- Construction of citizen mediation center, Amukoko
- Construction of citizen mediation center, Badia
- Construction of citizen mediation center, Igbo Owu
- Construction of citizen mediation center, Orile Agege

Workshops and Training

- Conflict mediation training for lawyers of Lagos Ministry of Justice delivered
- Seminar on Arbitration and mediation attended by members of CMC
- Training on Environmental and Social Safeguard Policies and Measures delivered

Annex 3. Economic and Financial Analysis

This economic analysis evaluates the economic impact of a subset of improvements in urban upgrading and drainage under Component A (Infrastructure) of LMDP. The projects included in the analysis are construction of new water supply facilities (boreholes), construction of drainage channels, and construction and rehabilitation of primary health centers.
The cost-benefit analysis estimates the economic effectiveness of the project by calculating the present value of cost and benefit streams and by determining the internal rate of return of the project. The primary analytical challenge of this type of cost-benefit evaluation is to estimate the expected benefits that will likely occur in the future as a result of project implementation. The expected benefits of the project include the amount of economic costs that will likely be avoided as a result of the project implementation.

It is important to emphasize that besides economic benefits considered in this analysis, there are many other potential benefits that are not factored in the cost benefit calculation described here. For instance, improved water supply can encourage additional investments and economic growth; improved drainage may result in reduced maintenance costs for road networks, reduce travel time and number of road accidents; all of the project investments can lead to improved economic environment, higher economic growth rates, and higher labor productivity; primary health clinic investments may lead to improvements in illness prevention, faster diagnosis and treatment, reduced malnutrition, improved immunization rates and prenatal care, reduced child and maternal mortality rates, reduced healthcare related transportation costs, time savings for healthcare providers, etc. All of these benefits have very real economic value.

The real benefits accruing to the population may also not be solely financial or economic in nature. For instance, improved water supply provides comfort and improves general welfare of the population. Unfortunately, these benefits cannot always be included in the cost-benefit analyses. This is either because estimating such benefits is impossible because of the unavailability of the data or because it is impossible to quantify the value of these benefits. Therefore, the estimated benefits of the project described in this analysis can be considered conservative, and we can reasonably assume that the value of actual benefits, and consequently the internal rate of return of these projects, is larger.

Many project investments implemented under Component A, such as school construction, markets, roads, illegal dump site related projects, and construction of communal waste depots, are excluded from the economic analysis. Even though many of these projects have tangible and measurable economic benefits, such as public health improvements and improved commerce and transportation, specific and measurable project outcome data needed to estimate monetary value of these benefits is not available.

Economic benefits of activities under components B (Public Governance and Capacity Building) and C (Urban Policy and Project Coordination) are less tangible and specific, with more long-term and dispersed potential benefits. It is not possible to measure, within the scope of this analysis, the economic value of the benefits of these components with any accuracy or reliability.

The cost benefit analysis assumes 15 year life for the water, drainage, and public health clinic investments. This conforms to the original PAD estimate and also is conservative enough to avoid overestimating the total value of benefits. For example, the World Health Organization study[16] suggests 20-year horizon for borehole investments, which is in line with the estimated useful lives of other types of capital investments as well.

The ongoing annual O&M costs are calculated at 5% of initial investment costs, which is in line with WHO recommendations and general guidelines for these types of projects.

The analysis uses a 3% inflator for calculating the value of future ongoing costs and projected benefits. It should be noted that this rate is significantly lower than historical and projected inflation rates for Nigeria. Applying higher rate to future cost and benefit flows would result in a higher net benefits (because ongoing benefit streams are much larger than ongoing O&M cost streams) and higher internal rate of return for the project. Applying a lower inflation rate likely underestimates the potential future net benefits of these projects, but doing so results in more conservative estimates and aims to avoids overestimating net benefits.

Water Infrastructure Projects (Boreholes)

A total of 73 boreholes were constructed under the project and are included in this section of the cost-benefit evaluation. The total initial cost of these projects is $2.4 million, while the ongoing O&M costs (at 5% of the total initial investments[17]) are $119 thousand in present value terms. The project team estimates that 112,500 people benefit from these investments.

Water infrastructure improvement benefits estimations are based the World Health Organization's estimation of burden of environmental diseases, and estimated economic benefit per capita of various water infrastructure interventions. The WHO study provides a range of monetary values for different types of investments and geographic areas[18]. This analysis incorporates the lowest estimated benefit figures for sub-Saharan Africa region.

Some of the benefits that are likely to result from the project implementation, and therefore are estimated and included in the project benefits projections, are:

(1) Health sector costs avoided due to avoided illness
(2) Patient expenses avoided due to avoided illness
(3) Value of loss-of life avoided as a result of improvements.
(4) Value of time savings due to improved access to water (the study assumes that, on average, a household gaining access to improved water supply will save 30 minutes per day).
(5) Value of productive days (and income) gained as a result of avoided illness

[16] Hutton, G. and L. Haller, "Evaluation of the Costs and Benefits of Water and Sanitation Improvements at the Global Level", WHO, 2004

[17] Hutton, G. and L. Haller, "Evaluation of the Costs and Benefits of Water and Sanitation Improvements at the Global Level", WHO, 2004, page 13, table 5

[18] Hutton, G. and L. Haller, "Evaluation of the Costs and Benefits of Water and Sanitation Improvements at the Global Level", WHO, 2004, pages 28-33, tables 15-23

The initial investment cost per capita is about $21, which favorably compares to the WHO's estimated average initial investment per capita of $23 for borehole investments in the Africa region (this is especially notable considering that the WHO estimates are based on a year 2000 data).
The total amount of water infrastructure related benefits estimated based on the WHO data is $434 thousand per year for the target population of 112,500, or about $34.54 per capita. The present value of all future benefits over the next 15 years is about $3.9 million, while the present value of initial investment costs and future O&M costs is about $3.5 million. The result, at 10% opportunity cost of capital rate, in the internal rate of return of 12.75% and the net present value of about $422 thousand. The benefits to costs ratio of these project group is 1.12.

Drainage Channel Investments
The analysis of drainage channel investment projects includes projects in Agege and Amukoko, with a combined investment cost of $4.8 million and combined population of 114,614. At 5% of initial investment costs, ongoing operating and maintenance expenditures equal about $240 thousand in present value terms. The drainage channel constructed in Ogba was not included in the analysis because no reliable estimate of affected population in this area was available. The analysis assumes that about 60% of population in the target areas are affected by flooding[19], which, at five persons per household[20], results in the number of households affected of almost 14 thousand.
The analysis estimates two categories of project benefits for these projects: the avoided flood related repair expenditures and avoided annual income loss due to flooding. Assuming that the average flood related repair expenditure equals Naira 8,500[21] (USD 52), the total annual flood related repair costs are about $715 thousand for 14 thousand affected households. At estimated average daily household income of $5.44 (based on the PAD estimate of Naria 22,164 income per month and 300 working days per year[22]), and assuming that only one productive day per year per household are lost due to flooding (which is a very conservative assumption), the estimated annual total benefit of avoided flood related income loss is about $75 thousand.
Combined, the total value of economic benefit estimated for drainage channel investments (avoided the flood related repair costs and avoided income loss) equals about $790 thousand per year (in present value terms) for the entire target population of 114,614. The present value of all future benefits over the next 15 years is about $7.1 million, while the present value of initial investment costs and future O&M costs is about $6.97 million. The result, at 10% opportunity cost of capital rate, in the internal rate of return of 10.36% and the net present value of about $107 thousand. The benefits to costs ratio of these projects is just over one.

Primary Health Centers
Primary health center projects included in the analysis are Agege, Badia and Amukoko, and Iwaya, for the total initial investment costs of $1.18 million and combined area population of 394 thousand[23]. At 5% of initial investment costs, ongoing operating and maintenance expenditures equal about $59 thousand in present value terms. The study assumes that only 25% of the target area population will benefit from the PHCs, which, at 5 persons per household, results in the total 19.7 thousand households benefiting from these investments.

[19] PAD economic analysis, page 86, paragraph 217
[20] PAD economic analysis, page 88, paragraph 230
[21] PAD economic analysis, page 86, paragraph 218
[22] PAD economic analysis, page 86, paragraph 218
[23] PAD economic analysis, page 84, table 9.4

The only economic benefit included in the analysis of these projects is the estimated value of avoided loss of productive days as a result of illness. The estimate assumes annual per capita working days lost due to illness to be 4 days[24]. Assuming that PHC investments result in only one less illness-related productive day loss per person (25% of the total), and average daily household income of $5.44 (per PAD), the total value of avoided productive days equals about $214 thousand per year for the entire target population of 394,204 (this figure includes populations of Agege, Badia and Amukoko, and Iwaya; the figures are based on the estimates provided in the PAD analysis).
The present value of all future benefits over the next 15 years is about $1.9 million, while the present value of initial investment costs and future O&M costs is about $1.7 million. The result, at 10% opportunity cost of capital rate, in the internal rate of return of 12.73% and the net present value of investments of about $290 thousand. The benefits to costs ratio of these project group is 1.12.

Conclusion

Even excluding many socioeconomic benefits of the project that are difficult to estimate in monetary terms, the project's internal rate of return exceeds the opportunity cost of capital of 10 percent. Therefore, it can be reasonably concluded that investments in all these three categories of projects are likely economically efficient and justified.

	Total Initial Investments, USD	Total Costs, USD (PV)	Total Benefits, USD (PV)	IRR	NPV	Benefit to Cost Ratio
Boreholes	$ 2,392,400	$ 3,463,913	$ 3,885,855	12.75%	$ 421,942	1.12
Drainage Channels	$ 4,813,516	$ 6,969,403	$ 7,076,640	10.36%	$ 107,236	1.02
PHC	$ 1,183,690	$ 1,713,844	$ 1,920,939	12.73%	$ 207,096	1.12

[24] PAD economic analysis, page 88, paragraph 230

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Deepali Tewari	Lead Urban Specialist	SASDU	TTL
Andrew Mbayaki Makokha	Sr Water & Sanitation Spec.	AFTU2	TTL
Hassan Madu Kida	Lead Water and Sanitation Specialist	AFTU2	TTL
Kremena Ionkova	Senior Urban Development Specialist	ECSUW	ICR TTL
Adebayo Adeniyi	Procurement Specialist	AFTPW	
Adewunmi Cosmas Ameer Adekoya	Sr Financial Management Specialist	AFTMW	
Africa Eshogba Olojoba	Senior Environmental Specialis	MNSEE	
Aissata Z. Zerbo	Procurement Specialist	AFTU2	
Akinrinmola Oyenuga Akinyele	Sr Financial Management Specia	AFTMW	
Allan Rotman	Lead Procurement Specialist	AFTPW	
Amos Abu	Senior Environmental Specialis	AFTN1	
Armele Vilceus	Senior Program Assistant	LCC3C	
Bayo Awosemusi	Lead Procurement Specialist	AFTPW	
Belinda Lorraine Asaam	Program Assistant	AFTU1	
Camilo Lombana Cordoba	Young Professional	AFTU2	
Caroline Mary Sage	Senior Social Development Specialist	EASID	
Chau-Ching Shen	Senior Finance Officer	CTRLN	
Chukwudi H. Okafor	Senior Social Development Spec	AFTCS	
Gert Johannes Alwyn Van Der Linde	Lead Financial Management Specialist	AFTME	
Hawa Cisse Wague	Senior Economist	AFTP4	
Hisham A. Abdo Kahin	Lead Counsel	LEGES	
James A. Brumby	Sector Manager	EASP2	
Joseph A. Gadek	Sr. Sanitary Engineer	AFTU1	
Joseph Ese Akpokodje	Senior Environmental Institutions Specialist	AFTN1	
Kirtan Chandra Sahoo	Senior Carbon Finance Speciali	CPFCF	
Lev Freinkman	Lead Economist	AFTP3	
Macmillan Ikemefule Anyanwu	Senior Operations Officer	AFMLS	
Manga Kuoh-Moukouri	Sr Public Sector Mgmt. Spec.	AFTPR-HIS	
Mary Asanato-Adiwu	Senior Procurement Specialist	AFTPW	
Michael Gboyega Ilesanmi	E T Consultant	AFTCS	
Paul A. Francis	Consultant	MNSSU	
Poonam Gupta	Country Program Coordinator	MNCA3	
Ruth Adetola Adeleru	Team Assistant	AFCW2	

Thomas Kwasi Siaw Anang	Procurement Specialist	SARPS	
Winston Percy Onipede Cole	Sr Financial Management Specia	AFTME	
Zarafshan H. Khawaja	Lead Social Development Specialist	ACTCS	

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY01	1.3	11.43
FY02	5.0	36.92
FY03	1.49	0.80
FY04	23.95	116.17
FY05	25.45	254.78
FY06	83.12	422.29
FY07		0.00
Total:	140.31	842.39
Supervision/ICR		
FY06		0.00
FY07	51.52	253.84
FY08	77.97	376.51
FY09	41.51	224.56
FY10	23.20	134.29
FY11	24.57	129.19
FY12	28.40	153.42
FY13	32.67	206.77
FY14	25.23	134.86
Total:	305.07	1.613.444

Annex 5. Summary of Borrower's ICR and/or Comments on Draft ICR

KEY FACTORS AFFECTING IMPLEMENTATION AND OUTCOMES

Management Structure
LMDGP is owned by the LASG. The implementation agency is LASG through the Project Coordination Unit (PCU) reporting directly to the Executive Governor of Lagos State. The PCU serves as the secretariat for the LMDGP Project Steering Committee (PSC). Staffing at the PCU is a mix of experienced employees seconded from the Lagos State Civil Service and some direct recruits. Fund Management on the project was provided by the State Project Financial Management Unit (PFMU) from the Office of the State Accountant General. It is responsible for managing the financial affairs of all IDA-assisted and donor-assisted projects in the State.

Intervention Strategy
The project design was tailored to focus its intervention on a number of promising initiatives that had the potential to create high positive impact on the beneficiaries. Component 1 was a demand driven intervention, targeted at providing a long term technical solution to flooding in 9 selected slums in Lagos and engender a city-wide upgrade program, which would eventually lead to urban regeneration. Components 2 and 3 are targeted towards inhibiting change in public governance and review of a lot of public reforms such as the MTEF, IFMIS, PFM law etc.

Implementation

Delays at Implementation
The project experienced substantial delays mid-way into its implementation. The delay was due to the long- time taken by both parties (the World Bank and the LASG) to reach agreement on safeguard issues during implementation, clarity of project activities and restructuring/ reallocation.

Implementation Protocol
The project was implemented with little deviation from the initial design in the PAD and PIM. The LASG through the PCU is the implementing agency.
The State Project Steering Committee (PSC) is the overall decision making body of LMDGP. It performs oversight functions of the project, meet to review the procurement plan and make decisions as regards the project.

Implementation Experience
Overall project performance was acceptable despite the issues that affected implementation and disbursement. The 2-year project inactive period created time constraint (hence the LASG' request for extension) the result is that some KPIs were not met (even with the revision of the scope). Some of the challenges that persisted throughout the project were:
a) *High Staff turn-over was* one of the major challenges that affected LMDGP. Key members of project staff were frequently changed both at the PCU and the World Bank. Key officers in the project such as Task-Team Leader (TTL) from the Bank, Project Director, Communication Consultant, Procurement Consultant and M&E Consultant were changed more than twice.
b) *Effective data collection* is critical to ascertaining the achievement of project goals. Poor data collection due to inability to use and/or ineffectiveness of the data collection tool designed to capture service-level quantitative data resulted in M&E reports not been available from project inception.
c) *Adequacy of data management system* for data storage and retrieval, and an improvement in the level of data analysis for the PCU. Storage of data and ability of the PCU was problematic at the

beginning of the project but improved significantly towards the end of the project with the recruitment of an M&E specialist.

d) *Effective information documentation and information sharing* was expected to play a key role in the project for coordination, collaboration, sharing of lessons learnt and best practices. Different units in the PCU have unit-specific information but do not know much about other units' activities, except those that are closely related. There is no corporate knowledge network- a one-stop repository where information can be accessed. Effort towards knowledge sharing was not coordinated, which also contributed to lack of continuity with previously developed initiatives.

e) *Post Payment Audit:* The PAD did not make provision for 100% Prepayment Audit, therefore, there were issues with internal control.

f) *Delay in Procurement:* There were instances where procurement plan was not completely implemented. Some activities and project that should have been implemented could not be implemented despite "No Objection" from the Bank. In addition despite approval of the Procurement Plan, implementation of the Plan was hampered by Bank's decision not to award new contracts.

g) *Safeguard Issues*: Compliance with Safeguard issues was one of a major challenge of the project. In view of the Banks standards, all required documents were prepared but the project lacked the capacity to implement as planned because of some prevailing condition beyond the limits of the PCU.

Monitoring and Evaluation (M&E) Design, Implementation and Utilization

In retrospect, there was challenge with data management and storage which could have been addressed during implementation. The poor data collection, organizing, storage, and reporting of performance data of different project components led to unavailability of project data. Furthermore, the Capacity and tools for M&E were not sufficient enough to deliver on the M&E sub-component of the project.

There was no measure of the project's impact on beneficiaries, despite the push from M&E unit at the PCU to conduct a Project Intervention Evaluation. The Intervention Evaluation would have given a true presentation of project intervention impact. M&E would have gotten the right support if its role and function were understood from the onset of the project. There was no evidence to show the existence of a proper M&E system at project inception. Knowledge/ capacity gap was noticed in the initial set-up of the unit.

Safeguard and Fiduciary Compliance

Environmental and Social Safeguard

LMDGP prepared two safeguard frameworks, namely the Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF). These were prepared for the project to provide guidance and identify project impact types at a generic level. At the time, specific sub-projects or thematic project scope had not been defined. The ESMF recommended amongst others that a Resettlement Action Plan (RAP) or an Abbreviated Action Plan (ARAP) be prepared when the project thematic scope or specific project sites had been identified.

Conflict of interest between LASG and the World Bank on safeguard issues was one of the challenges encountered during implementation.

LASG signed on the project to implement safeguard instrument on the project and other projects within Lagos state. The experience however was different during implementation as there were issues with interpretation of involuntary resettlement. The World Bank and LASG perceived involuntary resettlement of the displaced people differently.

Financial Management
Throughout project implementation, there was a reliable Financial Management and Report System. The PFMU promoted transparency and encouraged orderly and systematic documentation of financial transactions.
Adherence to the Financial Management arrangements for the project was satisfactory

Procurement
The PAD rated knowledge and experience of the PCU and other CEAs with IDA's procurement procedures causing delay during implementation as ***"moderate"***. Implementation experience was that approval of Procurement Plans and "No Objection" from the Bank caused substantial delays in Project implementation.
Procurement risk was mitigated by the involvement of a PSC to approve annual work and procurement plans, and the use of a full-time procurement consultant on the project to provide technical support on procurement activities. Other measures included provision of adequate training on procurement to project staff and key staff at different CEAs. PCU was equipped with "Client Connection" accessibility, to allow for streamlined procurement and disbursement procedures. The internal coordination within the PCU was not strong, hence, the incidences of poor documentation of some contracts awarded under the project.

Post- Completion Operation/ Next Phase
The LASG will continue to sustain the success of LMDGP through the activities of the CEAs and also expand its frontiers by taking redress from the lessons learned on the project.

ASSESSMENT OF OUTCOMES

Relevance of Objectives, Design and Implementation

Relevance of Objectives
The project's objective was strategically relevant, appropriate and fully consistent with the objectives and approach of the World Bank's Country Partnership Strategy (CPS) that supports Nigeria's NEEDS. The focus on making it demand driven and the top- bottom approach of deciding on projects to be embarked upon in the slums was appropriate. The focus on infrastructural upgrade in 9 biggest slums and emphasis on gender aspects to be replicated in other LGAs was of equal importance.

Relevance of Design and Implementation

Project Design- *Highly Satisfactory*
Considering the pre-existing conditions that necessitated LMDGP's intervention in the slums (blighted areas), the project design in terms of PDOs was appropriate and "highly satisfactory". It reflected international best practice, based on sound analytical studies and extensive stakeholder's consultation. A detailed Project Implementation Manual reflecting the sectorial conditions as at 2005 was prepared to guide implementation but intended to be reviewed yearly to meet the present day demand of the project. All the three components were linked to the project objective. The changes that were made in the structure during the Restructuring were necessary adjustments to address implementation challenges.
The Project design however failed to provide clarity of roles on project activities within the PCU and between the PCU and stakeholders. In addition, despite challenges encountered during implementation, there is no evidence that a review of the PIM was done. There is also no evidence that a Mid-term review was conducted.

Project Implementation- *Satisfactory*

The implementation arrangement allowed for a decentralized management structure at all levels with reduced bureaucracy. The PD awarded contracts and reported to the State's Executive Governor. However, owing to the complex nature of the project (multi-sectorial), implementing the design resulted in several challenges. As earlier stated, conflicts in roles and projects' priorities, coupled with differentiating between the World Bank funded LMDGP and other LASG initiatives resulted in negative perceptions of the project in some quarters. A major issue was the negative image of the sub-project arising from demolitions (in Badia East for example) that could not be adequately addressed.

The project displayed remarkable resilience and strength despite these challenges. The Government and its PCU pursued implementation, such that the Project's achievements far outweigh the shortcomings. On balance, implementation is rated "Moderately Satisfactory".

Based on the relevance rating of "Highly Satisfactory" for objectives and "moderately Satisfactory" for design implementation, the overall design and implementation rating is " Satisfactory''.

Achievement of Project Development Objective

Overall, the Project Outcome and Development Objective were "***Moderately Satisfactory***". The project achieved notable results despite the 2-years delay at restructuring.

List of KPIs Used to Measure Achievement of the PDO and Results Achieved

Achievement of PDO was measured by pre-established (revised) Outcome Indicators as listed below:

1) Number of direct project beneficiaries, disaggregated by gender i.e. percentage of female

A population of 1.6 million were to benefit from the project, as at the Jan 2013, a total of 1.5 million are benefiting from the project. The percentage of targeted female beneficiaries on the project is 44%, the project has been able to meet the targeted female beneficiaries.

2) Number of additional classrooms built or rehabilitated at the primary level resulting from project interventions Achievement of this KPI is at 50%. 450 classrooms were to be built/ renovated under the intervention, a total of 202 have been built so far, while 117 classrooms are under construction to be completed.

3) Health facilities constructed, renovated, and/or equipped Achievement of this KPI is at 90%. A total of 10 PHCs with adjoining CMCs were to be constructed, renovated and/or equipped. A total of 9 PHCs and 7 CMCs have been completed. (See Annex 21 for pictures of PHCs and CMCs constructed under LMDGP)

4) Number of people in urban areas provided with access to Improved Water Sources under the project. Initially, as seen in the (ISR 2013) out of the 75 bore holes constructed 20 were working. An assessment was carried out on the boreholes and remedial works were undertaken out based on the assessment report. Presently, 80 boreholes have been constructed and all are working.

5) Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project. At inception a total of 55km roads were to be constructed but it was later reviewed to 35.5 km. As of this writing, a total of 30.3 km roads have been constructed representing 85.3% achievement of the KPI. An estimated 1.2 million people will benefit from all-season road rehabilitation/construction.

Efficiency

Efficiency of operations and procedures of the project is "Moderately Satisfactory". Budget implementation and control was effective. Overall, there is no funding deficit. The initial budget was USD200 Million. As of this writing USD 5,079,074.00 Million remains unallocated.

Actual spending was less than the initial estimate. The performance of LMDGP should be considered in the light of the amount disbursed vis-à-vis value for money and actual time of project activities. Cost efficiency was ensured by strong internal control, aggressive supervision and religious compliance with Bank's standards.

Despite the challenges that faced the project, it performed fairly towards the achievement of the PDO. A remarkable amount has been invested in capacity building during project implementation. However, the relevance and adequacy of trainings received could not be ascertained as there was no institutional arrangement made toward knowledge management.

Justification of Overall Outcome Rating

Overall Outcome of Moderately Satisfactory is reasonable for the following reasons: i. PDOs were achieved, ii. KPIs were achieved in some slums (Badia East experience not withstanding). iii. The project rebounded despite challenges with high turn-over of key project staff such as PD, Procurement specialist, M&E Specialist, Communication Specialist, etc. iv. Inadequate M&E systems were addressed months before project close-out. v. The PCU adherence to the Bank's Policies and Procedures (except on implementation of safeguard polices) was well above average. vi. Demand driven and Bottom –up approach (funded projects were selected based on the needs of beneficiaries communities) resulted in projects that addressed the specific needs of beneficiary communities. In addition, there is a high rate of adoption of the projects by the communities. vii. Institutional and sector-wide knowledge and capacity building have been developed based on best practice and international standards. LASG can continue to leverage this for further development and for successful implementation of other projects.

ASSESSMENT OF RISK TO DEVELOPMENT OUTCOME

Rating: Overall Assessment is Moderate.

Risk to Objectives

The overall Risk to the Development Outcome was rated *"Substantial"*. These risks include

1. Lack of commitment to reforms: The Government demonstrated its commitment by making substantial financial investment in the project and hinging its reputation on urban renewal projects. The project implementation and management arrangement also showed a commitment to quality and timeliness of implementation.
2. Resistance to change: Rated moderate, this risk should have been rated substantial. The population of Lagos is largely made up of poor people from all over West Africa with pre-existing mistrust of Government's intentions. Ensuring the people's understanding of the project and the implementation processes would have reduced situations where the people felt that their needs were not carefully thought through by the way that the sub-projects were implemented.
3. Ineffective Coordination of Metropolitan Function: Several MDAs took part in the implementation of the components. It was anticipated that coordination of the activities of the various MDAs might be challenging hence the rating of moderate. The rating was appropriate. Mitigation was for PSC was set up with the primary responsibility of coordination and oversight. The PCU was also set up as an office under the Executive Governor's Office enabling resolution of inter-ministerial challenges.
4. Insufficient funds to support post-completion exercise**.** This was rated moderate but this risk was low. The Government made substantial investment in project. As at close of the project undisbursed funds stands at USD 42 Million. The Government will continue to make efforts to compete the uncompleted sub-projects even after the World Bank's phase ends.

Sustainability

Much effort is being put into ensuring sustainability of the gains of LMDGP. It is likely that the gains of the project be sustained due to the following reasons:

1. The project developed institutional capacity for the CEAs to adopt and replicate a city-wide upgrade.

2. Project Implementation Manual, Hand-over notes, Financial Management Manuals that were used during implementation will be made available after project close-out.
3. Most operational activities and systems have been mainstreamed into the CEAs at different MDAs. These institutional mechanisms and facilities if well maintained should help sustain development outcomes.
4. Some of the CEAs will adopted completed projects and include them into their budgets for the next fiscal year.
5. Agreements for commissioned projects have been prepared in process of execution.

Safeguard Risks
New risks identified during implementation and restructuring was ensuring Safeguard Policy was implemented on projects that LASG decided to fund for itself. The safeguard risks were underrated during project preparation, implementation experience has shown the risk to be *"Substantial"*.
One of the issues that arose was that of compensating illegal occupants that were displaced due to project activities. LASG considers them illegal occupants and should not be compensated but World Bank insisted on the compliance with safeguard policy. "Involuntary resettlement" required that Project Affected People (PPA), should be compensated irrespective of their status. On the part of LASG compensation would mean encouraging illegal occupancy.

Risk to Component Result
1. Risks to component Results was rated ***"moderate".*** The rating of this risk should have been substantial. There were delays in implementation of infrastructure upgrade due to conflicts around selected project sites. Some of these conflicts are yet to be resolved as of this writing. Mitigation of this risk was as follows: a) There had been a lot of stakeholder's consultations at the community level and the emergence of the Community Development Associations has helped in settling issues. b) The RFP was prepared but implementation has been weak.

ASSESSMENT OF BANK AND BORROWER PERFORMANCE

Bank Performance

Bank Performance in Ensuring Quality at Entry
Rating: *Moderately Satisfactory*

The Bank's performance in ensuring quality at Entry was rated Moderately Satisfactory, due to the following reasons:
1. The project context was highly relevant to the country's NEEDS. The PDO and Result indicators were in sync with the Millennium Development Goals. It identified critical area of needs that is aimed at making life better for beneficiaries. The Bank made available a Project Preparation Advance to be refunded during implementation.
2. During Preparation, a number of risks were identified which included Safeguard risks. However, Safeguard risks and the risk of proper coordination were under-estimated.
3. The level of control or measure for mitigating risk to procurement was one-sided. The World Bank shielded itself from the risk of procurement by introducing the mis-procurement clause which exposes LASG to bear the risk.
4. The provision of Post-payment Audit and Post review in the PIM was not appropriate to mitigate the risk with Financial Management. Emphasis was constantly placed on disbursement without tight internal control.

5. There were issues with clarity of roles and authority level of each stakeholder, as well as clarity of priority. Changing trends were not put in perspective during design, this called for a lot of time been wasted on restructuring.
The rating of Bank's performance as *"moderately satisfactory"*, was due to its involvement at entry and ensuring proper consultations were made during preparation.

Quality of Supervision
Rating: *Moderately Unsatisfactory*

Bank was rated Moderately Satisfactory for these reason:
1. Bank input and processes during implementation was moderately satisfactory. It could have been better if the Bank laid emphasis on internal coordination of the PCU. Some provisions in the PAD and PIM were not totally implemented and there were no formal documents for restructuring of such. These include: i. M&E systems, ii. Mid- Term Reviews, etc.
2. Development impact was reasonably consistent but supervision was uneven, especially in the early years of the project. Adequate supervision would have meant, pro-active resolution of implementation issues such as M&E System that was not excellent at inception. Technical support could have been better.
3. The change of TTLs for the project affected Bank institutional memory and approach consistency.
4. Performance reporting from the bank is not timely, most reports does not reflect true status of project implementation.
5. Time taken for Conflict to be resolved in terms of safeguard issues between the World Bank and LASG caused delays. Attributing LMDGP intervention to other interventions to other interventions from LASG was not appropriate. It to lead to encouraging practices that are not consistent with States' policy.

Justification of Rating for Overall Bank Performance
Rating: Moderately *Unsatisfactory*

This is based on the ratings of the Bank during preparation and implementation.
1. The 18 Months restructuring period resulted in loss of time that impact the project deliverables
2. The Bank appeared to have difficulty establishing and maintaining an effective relationship with the Project. This endangered the progress of the project.
3. Quality of the Bank Supervision was unsatisfactory as the Bank took no steps to provide technical assistance that would have resulted in timely resolution of issues.
4. The Bank micromanaged the project and took too long to issue approvals which delayed project activities.
5. The Bank failed to provide opportunities for the PCU to provide input into the AID Memoire.

Borrower Performance

Government Performance
Rating: *Moderately Satisfactory*

i. Government played active role in the project by focusing on the PDO and supporting all the reforms that was established within the state. These reforms include the MTEF, IFIMS and the PFM law for public office holders. ii. In order to move the project forward, it offered to execute parts of the project that were of concern, to further make funds available for infrastructure up-grade. iii. The project is a multi-sectorial intervention, there is need to improve inter-sectorial coordination so that the gains of the project can be sustained. iv. Government needs to factor safeguard policies into projects and ensure terms are properly understood. v. There should be continuous effort towards discouraging illegal occupancy. The Gbagada/ Bariga Canal and foot bridge needs government intervention for tangible progress to be made. vi. Government could have worked with the Bank to develop and implement an improved M&E system during project preparation.

Implementing Agency or Agencies Performance
Rating: *Moderately Satisfactory*

LMDGP was committed to achievement of development objective, but there are a number of reasons for lapses, these includes:
i. The weak internal coordination and fragmented effort, affected the effectiveness and efficiency of the PCU. Despite this, the PCU was able to make significant progress towards achieving project objectives (close to achieving KPIs). The administration was better in terms of providing support for achievement of PDOs. Could have been a lot better if there was stable leadership that understood the roles and functions of Administrative Unit. ii. The transfer of the Internal Auditor from the PCU years into implementation affected the internal control in the project, until the incumbent was returned. The deployment of an Accountant from the PFMU helped mitigate Financial Management Risk. iii. Initially, the CEAs were not fully carried along, there was communication gap between the PCU and the CEAs. This was as a result of high turn-over of communication specialists. A highly competent communication specialist was brought on board 9 months to project close-out and helped bridge the gap with a programmatic communication strategy. iv. Staffing was not properly put into perspective, the PCU capacity was aggravated by the high turn-over of Project Directors throughout implementation. If a Technical Assistant (consultant) had been permanent on the project, institutional memory and compliance with Bank's processes would have been ensured. A new PD was brought on board October 2012, soon after which project implementation picked-up. v. The High turnover project's procurement consultant, delayed procurements and slowed disbursements. This was also addressed by the recruitment of an experienced procurement consultant, 8 months in to project close-out. vi. M&E and project reporting could have been better, if a concrete M&E system was in place at inception. However, with the seasoned M&E specialist on the project, the M&E unit was revamped. vii. After restructuring, progress with works contracts were not satisfactory, but upon assumption of the Ag. Project Engineer, progress on works improved tremendously with was complemented by the supervising consultants. viii. One good thing is the resilient and dogged spirit that the PSC and PCU adopted in executing the project.

Justification of Rating for Overall Borrower Performance:
Rating: *Moderately Satisfactory*
This is consistent with the performance of the Government and Implementing Agency ratings

LESSON LEARNED

Project Preparation
At inception, project preparation was perfect based on prevailing conditions. However, due to caprices in Economic, Social and Environmental conditions the project seems over ambitious to make remarkable changes within short period of time. The appropriateness of the concept in the light of current realities was not properly aligned, though reflecting the Millennium Development Goals. It would have been more effective if the project focused on one out of the sectors or an area. Trying to cover ten slums may have been overly ambitious. The impact and implementation challenges could have been minimized by this arrangement.

Project Implementation

The PIM stated guidelines for project implementation. It did not clearly spell out if the PCU was meant to coordinate projects activities to be implemented by the CEAs or be the Project Implementation Unit. In some aspects it referred to the project coordination unit as the project management unit. This called for clarification of roles of the stakeholders during implementation. There should be constant review of the PIM to reflect project implementation experience.

What ended up happening was that project implementation became centralized under the PCU. That the project covered so many MDAs and communities necessitated a decentralized implementation arrangement and a centralized monitoring and evaluation and administration.

Administration and Management

Staffing was a key issue throughout the project. Roles were not clearly defined or understood and the right employees were not put in the right roles. There were high incidences of frequent turnover of key staff. Most of the employees at the project initiation are not the ones present at the close-out. This has serious implications for continuity loss of institutional competence. The turn-over of staff (majorly the PD, PC, M&E, and other consultants etc.) impacted the project negatively.

A sense of team was difficult to achieve within body of staff as individuals worked to get a handle on the role and deliver at short time and under on-going project circumstances. Information sharing was problematic at times.

For sustainability of the project and to consolidate the gains of the project, existing staff of the PCU (predominantly employees from LASG and the private sector) should be retained by the Government. This will allow the Government to leverage institutional knowledge gained through the hands-on experience gotten on the project as the LASG continues with the efforts to complete projects in the pipeline.

Procurement Management

Delay in procurement hinders execution of project within record time and at the same time, leads to the expiration of defect liability period. This and other issues with procurement could have been avoided, if adequate capacity building on procurement was provided for project officers. Though the PIM allows for a full time Procurement Consultant to provide Technical Assistance on procurement activities, the high turn-over of Procurement Consultants impacted the project was disruptive and contributed to slow procurement processes.

The weak inter-unit relationship at the PCU exacerbated procurement issues. Having silos in the system will prevent synergy for smooth execution of procurement plans.

Financial Management

A multi-sectorial project of this magnitude requires the services of an internal auditor who is resident in the PCU. On the MDGP, the Internal Audit function did not reside in the PCU. This further slowed down administrative processes. With just Post-payment audit in place, the Internal Auditor is not authorised to make any objection until payment. This made cost recovery difficult or near impossible when objections are raised after payment. In addition, the institutional arrangement for post-payment audit was not sufficient for a multi-sectorial project like LMDGP. A Risk Based Audit that allows for 100% pre-payment audit would have ensured value for money and reduced inefficiency in the project.

Issues of Conflicts of Interest

For any project to be successful, corporate goals should supersede personal goals. Termination of contracts due to non-performance of contractors would have been avoided if contracts were awarded based on competence and not sentiment. Conflict of Interest still remains a major risk in Nigeria and measures should be taken to mitigate it majorly for future projects.

Monitoring and Evaluation

A measure of Quality Control is needed to check project performance against acceptable standards and making corrections when there are deviations. Therefore, an integrated M&E Systems should be provided at project initiation with competent and well trained personnel to drive it. The responsibility of the M&E should be clearly spelt out and should not be duplicated by other functional unit, to ensure coordination and accountability.

Engineering

Pre-planning activities: A study of site specific soil topography as well as ground water level in relation to the magnitude of civil works should be carried out before commencement of procurement activities on construction. Political Interference or conflict of interest should be discouraged. Sentiments and biases can hamper the success of a laudable project like LMDGP. Emphasis should be placed on competence not sentiment. The minimum acceptable standard in line with International best practice should also be clarified from the beginning of any contract. Efforts should then be made towards ensuring that contractors comply and deliver on agreed quality before payment are made. A measure of quality control should be enforced with the introduction of a Quality Assurance Group on the project. This will limit ineffectiveness and increase efficiency in the system. There should be an institutional arrangement that allows for specialization and division of labor on a multi-sectorial project like LMDGP.

Safeguards

Risk of adherence to safeguards policy was under rated during project design. Probably the impact of the project in terms of safeguards was not wholly considered by both the World Bank and LASG. The delay with regards to safeguard issues could have been mitigated if the implications of safeguard issues in the project was understood by both parties.

Contracts should be made to include proper costing of safeguards work with clear penalties for non-compliance spelt out. Proper documentation needs to be emphasised. Progress on Safeguards activities were not duly documented. All community consultations, processes and agreements needs to be adequately documented and filed.

Communications

A programmatic approach to communication integrated with change management should be built into the project implementation from inception. Ensuring proper stakeholders' mapping and buy-in from project inception is necessary for ensuring that stakeholder's needs are understood and met. Although, the PAD and PIM made arrangement for a strong communication arrangement. The provisions of the project documents were not duly implemented.

Annex 6. List of Supporting Documents

Project Agreement, Lagos Metropolitan Development and Governance Project, July 31, 2006

Financing Agreement, Lagos Metropolitan Development and Governance Project, July 31, 2006

Project Appraisal Document, Lagos Metropolitan Development and Governance Project, June 7, 2006

Restructuring Paper, Lagos Metropolitan Development and Governance Project, July 6, 2011

Supervision Missions Aide Memoires (nine AMs available between October 2006 and December 2012)

Implementation Status and Results Reports (thirteen available from October 2006 to June 2013)

Borrower Implementation Completion Report (IDA-4219), Lagos Metropolitan Development and Governance Project, October, 2013

Nigeria, Lagos Rolling Public Expenditure Review 1, May 2010

Implementation Completion and Results Reports, Guidelines OPCS, August, 2006

World Development Indicators data for 2012, The World Bank, 2013

Community Infrastructure Upgrading Program, SNC-Lavalin International, 1995

Identifying the Urban Poor: A review of household poverty in Lagos, The World Bank, May 2008.

Towards a Strategy for Urban Development in Lagos, The World Bank, March, 2008

Lagos is Working, Project Coordination Unit, LMDGP, 2013

NIGERIA
METROPOLITAN DEVELOPMENT AND GOVERNANCE PROJECT

INFRASTRUCTURE COMPONENT:

- UPGRADING SLUMS
- SLUMS (NOT IN PROJECT)
- LOCAL DISTRIBUTOR ROADS
- MAIN ROADS
- LOCAL GOVERNMENT BOUNDARIES
- LAGOS METROPOLITAN AREA BOUNDARY

GSDPM Map Design Unit

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MARCH 2014

IBRD 34469R