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STAFF APPRAISAL REPORT

FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT

APRIL 12, 1990

Infrastructure Operations Division
Western Africa Department

CURRENCY EQUIVALENTS

Currency Unit	=	Naira
US$1.00	=	₦7.50
₦1.00	=	US$0.1333

WEIGHTS AND MEASURES

Metric System - SI Units

ABBREVIATIONS AND ACRONYMS

ADB	-	African Development Bank
CBN	-	Central Bank of Nigeria
CMB	-	Continental Merchant Bank
CIP	-	Community Improvement Program
DLG	-	Department of Local Government
EPC	-	Environmental Protection Commission
FMBN	-	Federal Merchant Bank of Nigeria
FMFED	-	Federal Ministry of Finance and Economic Development
FGN	-	Federal Government of Nigeria
FMWH	-	Federal Ministry of Works and Housing
GOJ	-	Government of Japan
ICON	-	ICON Merchant Bank
IDF	-	Infrastructure Development Fund
IMB	-	International Merchant Bank
IMG	-	Ibadan Municipal Government
IMPA	-	Ibadan Metropolitan Planning Authority
LG	-	Local Government
LGA(s)	-	Local Government Authority(ies)
LGC	-	Local Government Council
LPA	-	Local Planning Authority
MFEP	-	Ministry of Finance and Economic Planning
MLHS	-	Ministry of Lands, Housing and Surveys
MWT	-	Ministry of Works and Transport
NAL	-	NAL Merchant Bank
NICON	-	National lInsurance Corporation of Nigeria
NISER	-	Nigerian Institute for Social and Economic Research
NMB	-	Nigerian Merchant Bank
OYSG	-	Oyo State Government
PCU	-	Project Coordination Unit
PFI(s)	-	Participating Financial Intermediary(ies)
SOE	-	Statement of Expenditure
TPS	-	Town Planning Section
WCOS	-	Water Corporation of Oyo State

Note: LG, LGA, and LGC are used interchangeably.

FISCAL YEAR

January 1 - December 31

FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT (IDF II)

STAFF APPRAISAL REPORT

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This report is based on the findings of an appraisal mission in June/July 1988 by Mr. H. Unger (Mission Leader), Mrs. A. Artaza, Messrs. J. Bahal, H. Ueno (AF4IN), C. Banes, J. Cracknell, B. diZitti, and P. Sanderson (Consultants). Mr. T. Pankaj (AF4IN) provided support for the economic analysis, and Mr. G. Faillace (RMN) was responsible for the merchant banks appraisal. The report was typed by Mrs. Annette Williams, Miss Earnestine Binns and Mrs. Maria Victoria Montes.

ANNEXES

MAPS

FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT (IDF II)

LOAN AND PROJECT SUMMARY

Borrower:	Federal Government of Nigeria
Beneficiaries:	Oyo State Government Federal Ministry of Works and Housing Participating financial intermediaries Local Governments in Oyo State
Amount:	US$50.0 million equivalent
Terms:	Twenty years, including a five-year grace period, at the Bank's standard variable interest rate
Onlending Terms:	The Federal Government of Nigeria (FGN) would onlend US$31.7 million to Oyo State Government (OYSG) at the Bank's interest rate. For the Local Government line of credit FGN would onlend US$17.5 million to eligible participating Nigerian financial intermediaries (PFIs) at the Bank's standard variable interest rate. The PFIs would relend Bank loan proceeds to OYSG at interest rates to be negotiated between OYSG and PFIs for onlending by OYSG to Ibadan Municipal Government (IMG) and selected local governments (LGs). The loans from the PFIs would be for a period of seven to fifteen years with a two to three year grace period. OYSG as the main beneficiary of these portions of the loan would bear the foreign exchange risk. US$0.8 million of the Bank loan proceeds would be provided to the Federal Ministry of Works and Housing (FMWH) for technical assistance and training.
Project Description:	The main objectives of the project are to promote the efficient functioning of Ibadan and Oyo State's other major towns through city-wide infrastructure rehabilitation, and through strengthening the institutions responsible for urban management and local resource mobilization. The project would consist of: (a) infrastructure rehabilitation in Ibadan: flood control program through channelization and maintenance of major storm drains; improved solid waste management; and integrated community improvement programs in three pilot areas; (b) infrastructure improvements in selected LG towns and other LG centers; (c) revenue enhancement and institutional strengthening: technical assistance, training and equipment to Oyo State and local governments to help plan and implement improved financial management

systems and enhanced revenue generation, particularly property taxation, and to strengthen their capacities to plan, implement, manage, operate and maintain urban infrastructure and services; and (d) support to the FMWH for coordinating and monitoring project implementation. The project would continue the application of the Infrastructure Development Fund (IDF) mechanism for funding urban infrastructure investments, and eligible PFIs would, in addition tc onlending the loan funds for the LG line of credit, finance 10% of the project costs and be responsible for the preparation, appraisal and supervision of the infrastructure improvement sub-projects in selected LG towns of Oyo State.

Project Benefits and Risks:

Benefits under the project are expected from: (a) more efficient allocation of limited financial resources and mobilization of additional funds; (b) more appropriate and better coordinated urban development, planning and management systems and practices; (c) improved urban infrastructure and services enhancing prospects for industrial investments and employment in Oyo State's major towns; and (d) reduction of flood damage to lives and property, increased property values, and improved sanitation and environmental conditions, particularly benefitting the urban poor. Continued involvement of Nigerian financial intermediaries through the operation of the IDF mechanism would provide an opportunity for PFIs to consolidate and further develop their experience and expertise in urban infrastructure lending.

One of the main risks of the project is the potential difficulty in obtaining the inter-agency coordination which will be necessary for efficient project implementation. This risk has been minimized through the establishment of an interministerial committee, and by the clear definition and delineation of responsibilities as well as by training and technical assistance for the key implementation agencies. Another risk is the possible political reluctance to fully implement the proposed resource mobilization measures in the face of public unwillingness. This risk will be reduced by ensuring that improvements in tax management, billing and collection will be preceded by visible improvements to infrastructure and service delivery so as to increase the public's willingness to pay. There is a further risk of political interference with PFIs. The risk of

political interference in the credit decisions of PFIs has been minimized by the selection of merchant banks with strong management and technical capabililty.

Economic Rate of Return: Flood control, storm drainage and community improvements in Ibadan - 22%

Maps: IBRD Nos. 21145 and 21146

Estimated Project Costs: a/	Local b/	Foreign	Total
	(US$ millions)		
Infrastructure Rehabilitation (Ibadan)	6.5	22.1	28.6
LG Towns and Sub-projects	3.2	13.9	17.1
Revenue Enhancement and Institutional Strengthening	1.3	6.2	7.5
FMWH Support	0.1	0.6	0.7
Total Base Cost	11.1	42.9	54.0
Physical Contingencies	1.4	5.4	6.8
Price Contingencies	2.6	5.4	8.0
Total Project Costs	15.1	53.7	68.8
Financing Plan:			
Oyo State Government	3.0	2.0	5.0
Local Governments	1.5	1.0	2.5
Financial Intermediaries	7.6	-	7.6
Cofinancing (GOJ Grant)	-	3.7	3.7
Bank	3.0	47.0	50.0
Total	15.1	53.7	68.8

a/ Totals may not add because of rounding
b/ Include taxes and duties estimated at US$1.1 million equivalent

Estimated IBRD Disbursements:

IBRD Fiscal Year:	1991	1992	1993	1994	1995	1996
			US$ Millions			
Annual	5.0	13.6	12.0	9.5	5.9	4.0
Cumulative	5.0	18.6	30.6	40.1	46.0	50.0

FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT (IDF II)

I. PROJECT BACKGROUND

A. Macroeconomic Setting

1.01 Nigeria has responded to the sharp drop in its foreign exchange earnings which coincided with mushrooming debt service requirements, by embarking on a bold structural adjustment program aimed at correcting macroeconomic distortions and curtailing public and private sector expenditures. This has entailed exchange rate adjustments, price adjustments (particularly of food and cash crops), trade liberalization measures and sweeping cuts in Government spending, particularly capital investments. While these measures have contributed to restoring fiscal discipline and international confidence in Nigeria, they were achieved at considerable financial and social cost, particularly affecting the urban poor. The diminished public sector investments in infrastructure and urban services have also led to further deterioration of systems upon which much economic activity depends. The rehabilitation and maintenance of urban infrastructure and utility systems with high economic returns, as well as measures that mitigate the social cost of adjustment, particularly among the poor, are now of the utmost priority.

B. Urbanization and Demographic Trends

1.02 In 1988, Nigeria's urban population was estimated at over 30 million, or more than 30% of the national population. The rapid urban growth rate of about 7% p.a. during the 1970s has slowed somewhat as a result of the economic downturn of the 1980s and changes in the urban-rural terms of trade. Despite the recent dampening of the rate of growth, however, no foreseeable circumstances will reverse the continuing increase in urban population.

1.03 Existing urban infrastructure and utility systems are characterized by a large backlog of unmet needs and by financial and institutional constraints. Investments made in urban areas in the past decade have not kept pace with growth, and were often poorly selected and executed. Maintenance of all assets was neglected, leading to their rapid deterioration and need for costly reconstruction. The anticipated urban population growth (4 to 5% per annum) will add to the unmet needs, further hampering the development of industrial, commercial and other productive sectors of the economy located in the cities.

1.04 In spite of their problems, Nigerian cities account for a high proportion of the national value added and are important production, service and administrative centers. They also absorb a large proportion of new entrants into the labor market, particularly in the informal sector, and account for a considerable portion of the non-petroleum tax base. The environment for private sector businesses, already impaired by infrastructural deficiencies, will be further eroded unless steps are taken to adequately maintain and rehabilitate existing infrastructure and provide for future growth.

C. Oyo State

1.05 Oyo State, with a 1988 population of over 10 million, of which some 60% live in urban areas, is the most urbanized state in Nigeria, with the exception of Lagos. The towns in Oyo State, many of which pre-date colonial times, are primarily trading and service centers although a significant proportion (between 25% and 35%) of their inhabitants are still directly engaged in agricultural activities. This is a result of the traditional Yoruba tribal settlement patterns, which favored farming village agglomerations over dispersed farmhouses, and these close urban/rural links persist to this day. Indeed, compounds in the larger towns were allocated on the basis of geographical origin, and a town's older core area generally still reflects its residents' agricultural hinterland and holdings.

1.06 The towns of Oyo are linked in a well-established, hierarchical and specialized urban system. At the apex is the State Capital Ibadan, which grew from a military camp early in the nineteenth century. Spread mainly across the southern and eastern portions of Oyo State is a second tier of major local commercial and market centers with fairly substantial populations (300,000 to 600,000), some of which pre-date Ibadan (e.g. Ile-Ife, Ilesa), while others grew as a result of their strategic location along modern communications and transportation routes (e.g. Osogbo - rail, Ogbomoso - road). A degree of specialization has developed among these cities, with Ile-Ife noted as a center for higher education and trade, (in addition to its traditional claim as the cradle of Yoruba civilization), Ogbomoso as a medical and religious center, and Osogbo more recently as an industrial center (steel rolling mills). However, the towns, with their older, densely-populated urban core areas (which resemble overgrown villages, surrounded by haphazard newer developments) lack any organizing structure, planning and basic services, and are not geared to meet the modern demands of industry for infrastructure streams, systems, communications and services. Indeed, they are characterized by inadequate, unreliable and inefficient utility and service systems, that greatly add to the cost of production and business generally. Roads are rutted and full of potholes, drains non-existent, housing stock in poor condition, water supplies either unreliable or non-existent, while public finances are limited and local institutions weak. Detailed descriptions of the conditions in Oyo State's major towns are presented in Annex 1-1.

1.07 Ibadan Metropolitan Area. Ibadan, the second largest city in Nigeria, with an estimated population of about 3 million, is the major commercial, industrial, educational and administrative center in the highly urbanized, densely-populated southwestern region of the country (see IBRD Map No. 21146). The provision of basic services and infrastructure, particularly to the poor, has lagged behind the city's rapid growth (about 5% per annum). Past neglect of the local revenue base and of operations and maintenance of assets has led to deteriorated infrastructure, costly and inefficient services and scarce financial resources. Generally poor service delivery has, in turn, made it difficult for government and utility agencies to institute appropriate cost recovery mechanisms. To aggravate the situation further, the absence of a comprehensive planning and investment framework as well as weak development control has encouraged unplanned, uncontrolled and extensive urban sprawl

which has made it difficult to improve access and services to the newly developed areas. The past lack of any environmental planning or enforcement of protection measures is causing increasing deterioration of the urban environment: encroachment and erosion of essential watersheds, flooding, silting and pollution of surface streams, illegal waste disposal and unsanitary refuse dumps.

1.08 Ibadan has traditionally been an important commercial, production and distribution center. It was for many years the capital of the then Western Region (1952 to 1976). However, relative to the size of its population, the modern industrial sector is smaller than that of Kano, Port Harcourt or Kaduna. Lack of infrastructure and urban services, which add significantly to the cost of private sector business activities, has stifled industrial investment. There is, therefore, an urgent need to establish an effective planning and investment framework while simultaneously addressing past deficiencies and mobilizing financial resources for preventive infrastructure maintenance and rehabilitation.

D. Institutional Framework

1.09 Federal, state and local governments share responsibility for the urban areas. The federal government, through Federal Ministry of Works and Housing (FMWH), is responsible for setting and coordinating overall urban development and shelter policy. Federal ministries, parastatals and corporations are also responsible for major transportation links and facilities (federal roads, railways, ports, airports, etc.) between and within major towns. River Basin Development Authorities are responsible for the control, planning and development of water resources on a regional basis.

1.10 Responsibility for the management of urban areas is shared between state and local governments (LGs). Delineation of responsibility and authority between the two levels of government in the past has not always followed constitutional provisions or the demands of operational efficiency. The responsibilities and tasks entrusted to LGs under the constitution had often been taken over by the state, because of LGs' limited human and financial resources and a weak political base. As a result, the state government, either directly or through parastatals, is responsible for physical and development planning, land allocation and taxation, land use control, water supply and sanitation, road and drainage networks and many social services such as health and higher education. LGs, in practice, provide and maintain markets, motor parks, minor roads, some solid waste collection, primary education (shared with state and federal governments), primary health care and some community facilities. The LG elections in December 1987, the federal government review of LG functions, roles and responsibilities, larger financial resources and reforms in the conditions of services, are among a number of recent developments, paving the way for a greater role by LG in managing municipal affairs. Reaffirming this trend the President on October 1, 1988 granted greater autonomy to LGs by passing the LGs' share of the federal statutory allocations directly to LGs and by abolishing all state ministries of LGs and replacing them with departments in the Governors' offices.

E. Project Origin

1.11 Bank involvement in the urban sector in Nigeria has evolved considerably since it began in 1977 at the request of the federal government. Four projects have either been completed or are being implemented. The First Urban Development Project (Loan 1767-UNI, completed June 30, 1986) focused on shelter issues, and aimed at strengthening the management of the Federal Mortgage Bank of Nigeria (FMBN) while demonstrating low-cost methods of shelter provision and cost recovery on a pilot basis in Bauchi State. The Second Urban Development Project (Loan 2607-UNI, approved July 1985), similarly focused on site-specific infrastructure and shelter issues in Imo State. These projects and the experience gained by the federal government, have influenced recent changes in shelter policy and the adoption of the sites and services concept as part of Nigeria's low-income housing policy.

1.12 The issues of city-wide infrastructure and urban finance began to be addressed under the Lagos Solid Waste and Storm Drainage Project (Loan 2620-UNI, approved September 1985) and during preparation of urban development feasibility studies in Benue, Ondo and Gongola States, which were later incorporated into the Infrastructure Development Fund (IDF) Project. The need for coordinated and integrated city-wide improvements to infrastructure and its maintenance was recognized both as a way to halt deteriorating urban living conditions and as a prerequisite for improved financial resource mobilization. The need for a sustainable mechanism for funding urban investments also became increasingly apparent and, following sector work by the Bank and a broad discussion of the institutional and financial options, the Federal Executive Council approved the Infrastructure Development Fund concept in principle in June 1985. The decision to license several of Nigeria's merchant banks to operate the Fund as well as co-finance eligible priority infrastructure investments, represented a major policy breakthrough by facilitating greater private sector participation in the financing of urban infrastructure. The IDF project (Loan 2925-UNI) which was approved by the Board in March 1988, employs participating merchant banks (five have been licensed so far) to identify, prepare, appraise and supervise urban infrastructure projects in the Nigerian states, in addition to providing cofinancing funds (raised in the local capital markets) and financial advisory services. The benefits of this approach are the experience merchant banks gain in the urban infrastructure sector, the opportunity they have to familiarize themselves with state and LG constraints and capabilities, and the fiscal discipline and prudence they introduce into public finance. Operation of the IDF mechanism is in accordance with the IDF Policy Framework and Guidelines for Merchant Bank Participation and Project Selection (Annex 1-2).

1.13 The proposed Oyo State Urban Project (IDF II) evolved from an urban priorities study by the Bank in 1984, when Ibadan was found to be in greatest need, after Lagos, of extensive infrastructure improvements among Nigeria's major cities. An integrated city-wide infrastructure improvement approach with an emphasis on rehabilitation and maintenance was deemed the most cost effective investment strategy which would improve service delivery and thus

justify enhanced cost recovery and generate increased tax revenues, especially at the local level.

1.14 The scope of the urban problems in Ibadan was of such magnitude as to warrant a distinct project, using the IDF mechanism adapted as needed to reflect recent developments and experience in Nigeria. In view of the size and complexity of Ibadan's infrastructure investment needs and given the still limited experience of merchant bank staff to appraise such a project, the Bank played a leading role in guiding the preparation and appraisal of the project as well as in the coordination of donor assistance. Following identification and early preparation work by the Bank for a major water supply component to address the most critical need, the state government and the African Development Bank (ADB) in November 1987 agreed to finance a US$45 million equivalent emergency water rehabilitation project, including design studies, for future water system expansions in Ibadan. Implementation of this emergency project is progressing well and substantial improvements to Ibadan's water supply are expected to be realized in the near future.

1.15 Bank preparation work subsequently had concentrated on storm drainage and solid waste management, and in November 1987 the state and federal governments proposed to also include in the project some of Oyo's other major urban centers chosen on the basis of development potential, needs, size, and regional balance. It was, therefore, agreed to include in the project funds for financing eligible priority infrastructure improvements, institutional strengthening and revenue enhancement measures in major towns and local government centers which met sub-project selection criteria according to the IDF project selection guidelines. At the same time, it was recognized that inadequate provision had been made in state and local government budgets for preventive maintenance of existing infrastructure.

1.16 A major road rehabilitation (involving about 30 km of arterials) and traffic management component in Ibadan had also been identified and was being prepared for inclusion in the project. However, following project appraisal FGN, OYSG and Bank decided that, since all the proposed road improvements affected Federal roads, the financing of these works should be the responsibility of FGN. It was further agreed that, the Highway Sector Loan (Loan 2963-UNI), approved by the Board in June 1988, would be the most suitable source of funding, and that the respective units within FMWH will cooperate to assure good coordination of road rehabilitation works and other urban infrastructure improvements in Ibadan.

F. Rationale for Bank Involvement

1.17 The Bank has been approached by the Oyo State and the federal governments for assistance in financing an urban rehabilitation and development project in the second most urbanized state in Nigeria. The Bank is uniquely equipped to respond to this request given its extensive experience in similar projects in the sector, especially through the Infrastructure Development Fund (IDF) Project (para 1.12). In view of the severity of the State's investment needs in the major towns, and the lack of alternative financing, the participation of the World Bank is appropriate. The Bank's

participation will encourage fiscal prudence and discipline by the state and local governments and act as a catalyst for financial participation by other institutions, particularly Nigerian banks.

1.18 The project's emphasis on rehabilitation and maintenance of infrastructure assets fits into the country's short-term development strategy, while improved service delivery will be of particular significance to the urban poor. The project's other focus on longer-term institutional development and revenue enhancement, particularly at the local government level, will lay the foundation for stronger, more financially autonomous and self-sustaining local governments in the future.

G. Bank Sector Strategy

1.19 The Bank's sectoral lending strategy focuses on the promotion of fiscal self-sufficiency at the state level and a more efficient, equitable and sustainable delivery of urban services. Improved financial performance will enhance the states' ability to raise the necessary capital to finance future urban infrastructure needs without undue recourse to public transfers. The greater efficiency of urban areas achieved through a better urban planning and management system will not only improve the living conditions of a sizeable portion of the country's population, but is essential to strengthening the country's productive base. In the current financial and economic context, characterized by severe resource constraints, the Bank's lending strategy, which has evolved from the lessons of past and ongoing projects, focuses on support for a wholesale mechanism (IDF) for preparing and funding priority investments with high returns, particularly on the rehabilitation and maintenance of existing assets.

1.20 The IDF approach combines institution-building for project preparation, along with incentives for states and municipal authorities to strengthen financial performance. It relies on the merchant banks, which in Nigeria represent a concentration of management, marketing, and financial expertise, to prepare, appraise, finance, and supervise urban projects and sub-projects. It is consistent with the Bank's overall financial sector strategy in Nigeria. That strategy combines support for the macroeconomic reforms that underpin efficient financial policies with specific support for financial reform, focussed on banking supervision and regulation, systemic solvency, and the instruments of monetary control. These issues are to be addressed in the proposed Budgetary and Financial Policy Loan, later this year.

1.21 A long-term sector financial and urban objective is to develop a market for state and municipal bonds through which a significant portion of the infrastructure programs of states and local authorities can be financed. In order to attain this objective, the capital market must develop confidence in state investment projects, and develop the capacity to appraise these projects. The states, in turn, must establish their creditworthiness and demonstrate the ability to prepare high priority infrastructure programs, within their financial and managerial capacity, and in balance with other state investment needs. The IDF approach will contribute to the achievement

of these objectives, by enhancing the ability of state and municipal authorities--and domestic financial institutions--to prepare projects for financing through local bond markets.

II. THE PROJECT

A. Project Objectives

2.01 The main objectives of the project are to:

(a) strengthen the financial, operational and management capacity of the institutions responsible for urban management and services at the state and LG levels;

(b) improve strategic urban planning, investment programming, budgeting and coordination;

(c) introduce appropriate cost recovery mechanisms and mobilize financial resources at the state and LG levels; and

(d) remove major city-wide infrastructure and service constraints, thereby promoting the efficient functioning of Ibadan and Oyo State's other major urban areas as regional development and service centers, with emphasis on maintenance and rehabilitation of existing assets, as well as improved investment planning and management.

B. Project Description

2.02 The project was designed to respond to the urgent need to break the vicious circle of financial and institutional constraints limiting the allocations for maintenance and infrastructure investments, and leading to inadequate urban services which, in turn, severely limit the scope for cost recovery and sustainability. The project would therefore finance: (a) priority infrastructure rehabilitation and maintenance in Ibadan; (b) a line of credit for priority investments in Oyo State's other major towns and LG centers; and (c) measures to enhance revenues and strengthen institutions involved in the urban sector. Detailed descriptions of the major project components are presented in Annexes 2-1 to 2-4.

2.03 Ibadan Infrastructure Rehabilitation. In Ibadan the project would include the following components: (i) storm drainage and flood control, involving channelization of about 14.5 km priority sections of major flood-prone urban streams, replacement of undersized bridges and culverts, essential drain maintenance equipment (excavators, loaders and trucks), and funds for dredging and rehabilitating 50 km of additional drains; (ii) solid waste management, providing 40 skip collection trucks, 300 Nos. 8 m3 skips, 6 transfer haulage trucks and 15 Nos. 60 m3 trailers, a 4000 ton/day refuse transfer station with attached central offices and workshop, development of a 150 ha new sanitary landfill site including a 3.5 km long access road, and heavy equipment for landfill operations; (iii) environmental rehabilitation

involving the reclamation of the existing 20 ha refuse dump site, and erosion restoration and control works on about 50 ha of eroding slopes (Annex 2-1); (iv) a spare parts credit facility for private minibus owners and assistance to the Vehicle Inspection Office (VIO) (Annex 2-2); and (v) a community improvement program (CIP) in three pilot areas covering some 140 ha and benefitting about 66,000 people with improved roads, footpaths, drains, water supply, waste disposal, power supply and street lighting, as well as telephone and community facilities (Annex 2-3). The CIP would also include the development of two resettlement areas comprising a total of 150 plots with basic services for about 150 families displaced by the drain channelization and the CIP. Locations and details of the project components are shown on IBRD Maps No. 21145 and 21146.

2.04 Selected LG Towns and other LG centers. The line of credit for the towns of Ile-Ife, Ilesa, Ogbomoso, Osogbo, Oyo and Saki as well as other eligible LG centers would finance: (i) the preparation of structure plans, infrastructure development plans and investment programs; (ii) priority works of city-wide infrastructure rehabilitation and integrated CIPs; and (iii) institutional support measures to strengthen revenue generation and municipal management particularly the planning and maintenance functions of LGs (Annex 2-4).

2.05 Revenue Enhancement and Institutional Strengthening. The project would provide training, technical assistance and supporting equipment for all institutions involved in planning, implementation and management of urban infrastructure and services as follows: (i) Project Coordination Unit (PCU) within the Oyo State Ministry of Finance and Economic Planning (MFEP) through short- and long-term technical assistance, staff training, funds for public education and information; (ii) Internal Revenue Department of MFEP through training support, equipment and vehicles, and technical assistance; (iii) Department of Local Government (DLG) through coordination and training for tenement rating and valuation, and assistance for LG development; (iv) Ibadan Municipal Government (IMG) by, firstly funding the tenement valuation exercise including external key staff, specialist technical assistance, training, equipment and vehicles necessary for introducing the enhanced tenement taxation system, and secondly financing operational technical assistance and training in administration, maintenance planning and financial management in the context of the municipal partnership with the City of Gothenburg; (v) Ministry of Lands Housing and Surveys (MLHS) by financing the production of digitized 1:1000 maps of Ibadan (using aerial photography from ADB-financed emergency water project) including the necessary equipment, training and technical assistance and by financing the preparation of structure and investment plans for Ibadan and other towns; (vi) Environmental Protection Commission (EPC) through drainage maintenance assistance, operational assistance to solid waste management (including promotion and rationalization of private sector involvement in refuse collection), and technical assistance training and studies to support the Environmental Management Unit; and (vii) Ministry of Works and Transport (MWT) through technical assistance and training for transport and traffic planning, and for maintenance operations.

2.06 FMWH Support. Support would also be provided to FMWH to enable them to perform their policy guidance and monitoring role. Provision would be made for: (i) staff training in project selection, approval and supervision; (ii) training and study funds for post-evaluation of urban infrastructure projects; (iii) consultant services to undertake regular project performance audits; (iv) study funds to prepare other state projects; and (v) vehicles and equipment to support project activities.

C. Project Costs and Financing Plan

2.07 The total cost of the project is estimated at US$68.8 million equivalent and the foreign exchange component is estimated at US$53.7 million equivalent which is 78% of project costs. Base costs were estimated in June 1988 and have been updated to January 1989 and converted into US dollars at US$1.00 to ₦7.50. Physical contingencies have been calculated at 15% of base costs for works, and 10% for equipment and services. Price contingencies for the foreign exchange component have been estimated on the basis of international inflation rates (import weighted MUV index for Nigeria) projected at 7.7 percent in 1989, -1.2 percent in 1990, 1.4 percent in 1991, 1.7 percent in 1992, 3.3 percent in 1993 and 5.3 percent annually from 1994 to 1996. Price contingencies for the local cost component have been estimated using local inflation rates assumed to be 25 percent for 1989 and 10 percent annually for 1990 to 1996.

2.08 Financing Plan. A Bank loan of US$50.0 million equivalent and cofinancing of approximately US$3.7 million equivalent would finance US$50.7 million of the foreign exchange cost of the project and US$3.0 million equivalent of local costs. The balance of US$3.0 million of foreign costs would be financed by OYSG and the LGs. US$31.7 million would be used to finance the Bank-appraised Ibadan project components and US$17.5 million equivalent would be provided to finance sub-projects in selected LG towns to be appraised by the participating financial intermediaries (PFIs) (the LG line of credit); US$0.8 million would be provided as support to FMWH. The PFIs selected by Oyo State Government (OYSG) would finance 10 percent of the project costs and OYSG and participating LGs would contribute the balance (approximately 10%) as counterpart funding. OYSG will be responsible for the Ibadan Infrastructure Rehabilitation components (except the CIP) and the Revenue Enhancement and Institutional Strengthening; IMG and other participating LGs would be responsible for the CIP and for improvements financed out of the LG line of credit.

2.09 The cofinancing is being provided by the Government of Japan (GOJ) which, under an agreement executed on July 31, 1989 between the Bank and GOJ will provide Japanese Yen 494.5 million equivalent on a grant basis to finance selected studies and technical assistance elements of the project. A Japanese Grant Agreement between the Bank and Federal Government of Nigeria (FGN) covers the application of the grant facility.

NIGERIA

OYO STATE URBAN PROJECT (IDF II)

Summary Cost Table a/

(Base Cost as of January, 1989)

	Local	Foreign	Total	Local	Foreign	Total	Percentage of Base Cost
		(US$ '000)			(Naira '000)		
A. Infrastructure Rehabilitation (Ibadan)							
Storm Drainage & Flood Control							
Drain Channelisation	3,214	9,466	12,680	24,108	70,992	95,099	23%
Drain Rehabilitation	259	777	1,036	1,943	5,829	7,771	2%
Maintenance Equipment	89	1,080	1,149	617	8,098	8,615	2%
Solid Waste Management							
Civil Works	538	1,550	2,088	4,032	11,628	15,660	4%
Equipment	230	4,925	5,155	1,723	36,937	38,661	10%
Environmental Rehabilitation	199	119	318	1,498	890	2,388	1%
Public Transport Assistance	53	455	509	401	3,415	3,816	
Community Improvement Program							
Mokola	565	1,181	1,746	4,239	8,866	13,095	3%
Yemetu	628	1,167	1,795	4,707	8,753	13,460	3%
Agugu	788	1,424	2,162	5,633	10,679	16,212	4%
Subtotal	6,498	22,144	28,638	48,898	166,077	214,775	53%
B. Priority Towns and LG Subprojects	3,188	13,867	17,125	23,781	104,877	128,488	32%
C. Revenue Enhancement & Inst.Strengthng.							
Project Coordination	70	268	337	522	2,008	2,531	1%
Min. of Finance & Ec. Planning	77	433	510	577	3,248	3,827	1%
Department of Local Government (DLG)	67	312	379	501	2,339	2,841	1%
Ibadan Municipal Government (IMG)	486	1,133	1,620	3,648	8,504	12,147	3%
Min.of Lands,Housing & Surv.(MLHS)	289	2,610	2,899	2,168	19,572	21,739	5%
Environmental Protection Commission (EPC)	192	1,064	1,256	1,440	7,983	9,423	2%
Ministry of Works and Transp.(MWT)	98	397	490	669	2,975	3,676	1%
Subtotal	1,278	6,217	7,490	9,550	46,629	56,178	14%
D. FMBN Support	141	616	757	1,058	4,620	5,678	1%
Total Project Base Cost	11,075	42,834	54,009	83,085	322,002	405,087	100%
Physical Contingencies	1,427	5,355	6,782	10,708	40,159	50,865	13%
Price Contingencies	2,681	5,261	7,998	50,207	151,656	201,863	15%
Total Project Cost	15,184	53,649	68,788	143,978	513,817	657,795	

a/ Columns / Rows may not add due to rounding.

2.10 On-lending Terms: US$31.7 million of the Bank loan proceeds would be onlent by the FGN to OYSG at the standard variable Bank rate, for 20 years including 5 years' grace for the Bank-appraised components of the project; PFIs would act as administrators of loan funds and charge a negotiated fee therefor. For the sub-projects appraised by PFIs under the LG line of credit, FGN would onlend US$17.5 million equivalent to PFIs which in turn would relend Bank funds to the OYSG at a rate to be negotiated between OYSG and the PFIs for a period of seven to fifteen years with two to three years' grace period. The spread between the PFIs borrowing and onlending rates would reflect operating costs and the credit risk to be borne by the PFIs for the sub-projects appraised by them and would be comparable to the prevailing gross spread, administrative expenses and interest income/interest expense ratios. OYSG would bear the foreign exchange risk for all onlent Bank funds. PFIs would lend their own Naira funds to OYSG at local capital market rates and other terms to be agreed with OYSG. OYSG has already selected a PFI for the first phase (the Ibadan components) of the project and has reached agreement in principle on the PFI's role and the terms of their participation.

2.11 For the CIP and similar tertiary/minor infrastructure rehabilitation and improvement sub-projects for which LGs are directly responsible, OYSG will re-lend loan proceeds to IMG and other selected LG towns on the same terms and conditions as the loan funds borrowed from the PFIs.

2.12 Retroactive Financing: OYSG and FMWH are exploring suitable options for the interim funding of priority activities. The following items would be eligible for retroactive financing by the Bank: (i) preparation of detailed design and tender documents for the main physical components; (ii) investment studies and preliminary design for selected LG towns; (iii) first-stage development work at the landfill site; and (iv) preparatory training activities. Consultant selection and procurement would have to comply with Bank guidelines and procedures and the total amount retroactively financed would not exceed US$1.5 million equivalent. All these expenditures will be incurred after September 1, 1989 within 12 months of the expected date for signing. During negotiations agreement was reached on retroactive financing.

III. PROJECT IMPLEMENTATION

A. Institutional Arrangements

3.01 The Federal Ministry of Works and Housing (FMWH) would have the primary responsibility for the project at the federal level, administer the IDF Project Guidelines (see Annex 1-2), and hold semi-annual meetings with the (Federal Ministry of Finance and Economic Development (FMFED) and Central Bank of Nigeria (CBN) to review the general progress of the project. These three agencies would also meet annually to review the annual performance audit and the overall financial status of the project. To enable FMWH to perform its

functions, provision would be made under the project for continued training of FMWH staff in the evaluation of infrastructure projects and programs, and for the procurement of vehicles and equipment to support project activities.

3.02 The Federal Ministry of Finance and Economic Development (FMFED) would assist FMWH to review the performance of the merchant banks and to formulate and implement changes to the IDF Policy Statement and IDF Project Guidelines that may be necessary to expedite project implementation. During negotiations, assurances were obtained that FGN will adopt the IDF Policy Statement and IDF Project Guidelines for this project, will review them from time to time, and discuss proposed changes with the Bank. Agreement was reached during negotiations that FMFED will assist FMWH to monitor the performance of the PFIs.

3.03 The Central Bank of Nigeria (CBN) would open and operate an IDF Control Account (see paras. 3.05 and 3.26) in which it would record all transactions relating to Bank disbursements and merchant bank withdrawals from the line of credit, as well as merchant banks' payments of principal, interest and any other charges and fees connected with the line of credit. This control account would enable CBN to provide FMWH, FMFED and the Bank with timely data on the overall financial status of the project. CBN would also undertake regular monitoring of the banking aspects of the project, advise FMWH on the financial performance of the merchant banks, and assist FMWH to formulate and implement any changes to the IDF Policy Statement and the IDF Project Guidelines deemed necessary. Agreement on these functions of CBN was reached at negotiations.

3.04 The Financial Intermediaries' Role. The financial intermediaries would continue to play the role they have under the IDF Project. They would be responsible for (i) supervising the implementation of the Ibadan project components jointly with World Bank staff; (ii) under the LG line of credit, assisting Oyo State in the preparation of the LG towns sub-projects and subsequently carrying out their appraisal and supervision; and (iii) opening and operating Special Accounts through which project funds for approved expenditures would be disbursed. They would also be responsible for financing 10% of all project costs and perform functions and provide services under terms and conditions as set out in the credit guidelines (Annex 4-2). The PFIs would present the LG towns sub-projects to be financed together with the agreed terms and conditions to their Boards for acceptance and approval. Maximum sub-loan amount for any one LG town would be US$2.5 million equivalent; sub-loans below US$1.0 million equivalent would be "free-limit" sub-loans which would not require the prior approval of the Bank. Subsidiary Loan Agreements between FGN and PFIs, and Sub-loan Agreements between PFIs and Oyo State Government would be required. Draft Subsidiary Loan Agreements and Sub-loan Agreements have been prepared for the IDF Project; similar forms of agreements would be used for this project.

3.05 The financial intermediaries, as noted above, would appraise the LG towns sub-project on the basis of the IDF Guidelines previously agreed to by the Bank and the FGN. They would: assist Oyo State in project preparation by providing financing; guide the preparation of terms of reference for studies

and the employment of consultants; process project disbursements; monitor procurement and accounting; and report annually to CBN, FMWH and the Bank on the physical and financial status of the project. They would also be required: to submit their own audited accounts to the Bank on an annual basis, together with any other documentation regarding the status of their portfolios that the Bank may reasonably request; to liaise with CBN by providing sufficient documentation to enable CBN to operate the Control Account; and to liaise with FMWH in conducting the annual performance audits of the project (para. 3.01). Finally, the PFIs would bear the sub-loan credit risk, so they will be responsible for debt collection from Oyo State and sub-project loan repayment to FGN. Details of the PFIs roles, functions and responsibilities are presented in the Credit Guidelines (Annex 4-2).

Oyo State Government's Role

3.06 The Oyo State Government (OYSG) would be responsible for: project coordination and implementation, including detailed designs, preparation of contract documents and awarding and administering contracts; maintaining project accounts; and commissioning independent project audits - all in accordance with the IDF Project Guidelines. Oyo State would also liaise with FMWH in conducting the annual performance audits of the project. Oyo State would negotiate a sub-loan agreement with interested PFIs and submit the LG towns sub-projects for PFI appraisal and financing. Together with the PFIs, OYSG will supervise and monitor LG sub-project implementation by LGs under the sub-project onlending agreements to be executed between OYSG and participating LGs.

Local Governments' Role

3.07 The local governments in Ibadan and in each of the project towns, representing the third tier of government, would play a key role at the local level. They would closely work with their Town Planning Section (TPS) in identifying community needs, formulating CIPs and local development plans. The LGs would propose sub-projects for financing under the LG line of credit and apply for sub-project financing from OYSG under onlending agreements to be executed with OYSG and administered by the PFIs. LGs would be responsible for 10 percent of sub-project costs and for the sub-project implementation. They would play a central role in the maintenance of tertiary infrastructure and provision of urban services for which they are constitutionally responsible, such as refuse collection and disposal, markets, motor parks and community facilities. They would benefit greatly from technical assistance and training programs designed to enhance their revenue base as well as their administrative and operational capabilities. Particular attention would be given by the TPS to the evaluation of environmental implications of sub-project proposals including resettlement functions for the LG towns and training would be provided for the TPS in this area.

Project Coordination

3.08 The main responsibility for overall coordination at the state level would rest with the Project Coordination Unit (PCU) within the MFEP. The PCU, which has been established but not yet fully staffed, would be responsible for: coordinating and monitoring the activities of all project implementing agencies; convening inter-agency meetings; reporting to OYSG (through MFEP), FMWH and the Bank; obtaining and managing budgetary allocations for project preparation activities; assisting implementing agencies in selecting and recruiting key staff; assisting in selection of consultants, procurement of civil works and equipment, while ensuring compliance with Bank guidelines and OYSG regulations; and setting up and maintaining project accounts and financial management systems. The OYSG Interministerial Committee which has so far guided and overseen project preparation, would continue its highly effective coordinating role as Project Monitoring and Implementation Committee. To ensure continuing effective project coordination, the appointment of a senior engineer and a senior accountant for the PCU would be a condition of loan effectiveness.

Project Implementation

3.09 The project will be implemented by the agencies responsible for the various sector components (see Annex 3-3). In addition to MFEP, the primary responsibility for project implementation will be shared by the EPC, MLHS, MWT and LGs as set out below.

3.10 Environmental Protection Commission (EPC). The EPC was recently established by OYSG to replace the Sewage and Refuse Matters Department. EPC comes directly under the Military Governor's office and would be responsible for the execution of the storm drainage/flood control, the solid waste management and environmental management components. With respect to storm drainage and flood control, EPC would be responsible for: routine maintenance of natural streams and secondary channels; design of channelization and rehabilitation works; construction supervision; and initiating and coordinating new projects. With respect to the solid waste management component, EPC would be responsible for: policy development; licencing, control, and supervision of private refuse collection contractors, and the continued promotion and rationalization of private sector involvement in refuse collection; refuse collection from towns' inner core areas and communal collection points, public buildings and facilities not covered by private contractors; planning; implementation, maintenance and operation of transfer stations, sanitary landfill sites and zonal workshops. EPC would also be responsible for: establishing and enforcing environmental standards statewide; environmental monitoring and control; preparation (by consultants) of an environmental assessment study; and priority environmental rehabilitation and protection measures such as reclaiming refuse landfill sites and rehabilitating severely eroded areas.

3.11 The EPC has only recently completed the definition of its organizational structure (see Annex 4-3), manpower and financial needs in relation to its extensive mandate. It is still short of suitably qualified

staff, equipment and finance, and its operations would be strengthened through technical assistance, staff development, new recruitment, and equipment support to be provided under the project. OYSG has prepared a draft edict with respect to the EPC including the organizational structure and key positions.

3.12 Ministry of Lands, Housing and Surveys (MLHS). The MLHS would be responsible for overall land management, planning and information systems aspects of the project. The Ministry would be responsible for the establishment and maintenance of the multi-purpose land-related information system, while the Survey Department would be responsible for the digitized mapping. The Town Planning Division would supervise and coordinate the work of local town planning sections, particularly in their preparation of structure plans and priority infrastructure investment programs. It would also be responsible for: review of planning and development control procedures and legislation; preparation and guidance in the implementation of regional development policies (in conjunction with MFEP); review of land and housing delivery systems and proposals for more effective town planning schemes and involvement by the private sector; formulation and implementation of an equitable compensation and resettlement policy; and would assist EPC in the formulation of environmental management policies.

3.13 Ministry of Works and Transport (MWT). The MWT would be responsible for the preparation of the state transport planning and the state highway maintenance studies. MWT would also provide guidance and oversee (i) the spare parts credit scheme for private transport operators and (ii) the assistance to the Vehicle Inspection Office (Annex 2-2).

3.14 LG Town Planning Sections (TPS). The TPS in Ibadan and in the LG towns would be responsible for both CIPs and improvements in planning, coordination and programming of urban investments in their jurisdictions. As such, they would be responsible for: preparation of structure plans and integrated infrastructure development plans; preparation of rolling infrastructure investment programs; liaison with all sectoral agencies involved in urban development activities to ensure coordinated development in accordance with the structure plans and infrastructure plans prepared; liaison with the private sector to encourage more involvement in residential and industrial development; preparation and implementation of CIPs (Annex 2-3), including socio-economic surveys, engineering surveys, establishment of Planning and Development Committees' and liaison with local community groups.

3.15 Ibadan Municipal Government (IMG) and other LGAs. The IMG would play a crucial role in the maintenance of minor access roads and drains constructed as part of Ibadan's community improvement program. In view of severe manpower constraints and a weak financial resource base, IMG will be a primary focus of the institutional strengthening and revenue enhancement measures of the project. In addition to strengthening its operations and maintenance capabilities through a twinning arrangement, IMG would also benefit from extensive assistance through the project for: establishment and maintenance of a multi-purpose land-related information system, including an updated property roll; and a value-based assessment of properties; setting and

effective collection of property taxes and licence fees (Annex 4-3, Part IV); planning, budgeting and monitoring of municipal maintenance work; development and operation of markets, motor parks, car parks and collection of fees; improved administrative procedures and financial management. The technical assistance and training in IMG's main operational areas (administration, financial management, maintenance and planning) would be provided by practitioners from the City of Gothenburg (Sweden) which has agreed to enter into an agreement on a municipal partnership (twinning) with IMG.

3.16 Project implementation will extend over a period of six years until June 30, 1996 with major civil works in Ibadan completed within 4-5 years (Annex 3-4). Infrastructure improvements in the LG towns would lag about two years. During negotiations, agreement was reached with OYSG that funds provided for the LG towns would have to be committed to viable sub-projects by the end of the third year after loan effectiveness, failing which the Bank would cancel uncommitted funds.

3.17 Status of Project Preparation. Following the initial slow progress of preparation, momentum had picked up considerably since early 1988 and preliminary design works and preparation of terms of reference for detailed engineering design and tender documents have been completed for the major components. OYSG has already invited consultants' proposals for the detailed design of the storm drainage works. With respect to the implementing agencies, the EPC has been established and key staff have participated fully in the final stages of project preparation. Communities in Ibadan as well as in the LG towns are being mobilized by the LG Councils and TPS staff and are participating fully in the preparation of the upgrading proposals and designs. The PCU, although not yet fully staffed, has been effective in coordinating project preparation and appraisal, and the Project Coordinator (appointed in April 1988) has already taken training in Bank procurement and disbursement procedures. Suitable sites for the two resettlement areas, the sanitary landfill and the solid waste office, workshop, transfer station have been identified at appraisal, and OYSG has already allocated the necessary land for these sites. Completion of the land acquisitions would be a condition of loan effectiveness.

B. Procurement

3.18 Procurement arrangements which are detailed in Annex 3-1 are summarized as follows:

	Procurement Methods (US$ million)					
	ICB	LCB	Internat. Shopping	Local Shopping	Other	Total
Civil Works	23.3 (18.5)	19.4 (14.7)				42.8 (33.2)
Equipment and Vehicles	8.2 (7.8)		1.4 (1.2)	0.7 (0.6)	0.5 (0.5)	10.7 (10.0)
Design and Supervision					4.0 (1.5)	4.0 (1.5)
Studies					1.9 (1.0)	1.9 (1.0)
Technical Assistance					3.9 (1.5)	3.9 (1.5)
Training					1.8 (1.0)	1.8 (1.0)
Mapping and Valuation	1.7 (1.6)	0.7 (0.2)				2.3 (1.8)
Land and Compensation					1.3 (0.0)	1.3 (0.0)
Total	33.2 (27.8)	20.1 (15.0)	1.4 (1.2)	0.7 (0.6)	13.5 (5.5)	68.8 (50.0)

Note: Figures in parentheses are the respective amounts financed by IBRD.

3.19 Infrastructure improvements in seven or more towns with possibly several contracts for each town would involve at least 25 civil works contracts ranging from approximately US$100,000 to a maximum of US$5 million equivalent. The large civil works contracts totalling about US$18.5 million would be procured through ICB, and procurement of smaller civil works contracts of less than US$1.0 million each would be through local competitive bidding (LCB) up to a maximum aggregate of about US$20 million equivalent. On the basis of current experience in Nigeria these contracts are too small and scattered to interest foreign contractors unless they are already established in Nigeria. In any case, foreign contractors would not be precluded from participation in LCB. There will be prequalification of contractors for all civil works contracts exceeding US$1.0 million equivalent. Oyo State procurement regulations have been reviewed during appraisal and generally comply with Bank guidelines. Assurances by OYSG were obtained that no selective tendering will be used and that contract awards would be made without negotiations to the lowest evaluated, responsive bidder. In addition,

OYSG will be required to submit the first LCB bidding document for civil works for prior review by the Bank, and standardized bidding documents will be agreed upon. Prior Bank review will also be required for any contract exceeding US$1.0 million equivalent, and the Bank would review smaller contracts by sampling prior to award.

3.20 Vehicles and equipment would, whenever feasible, be grouped to obtain packages of at least US$1.0 million equivalent to be of a size suitable for ICB in conformity with Bank procurement guidelines. For materials and equipment of less than US$300,000 equivalent per contract, local or international shopping up to a total of US$3.0 million would be permitted. A minimum of three quotations would be obtained from local suppliers, overseas suppliers or their local agents for specialized equipment, such as computers, where prompt servicing and repairs are considered to be essential. Staff of PFIs would be associated with Bank staff in monitoring procurement for the Ibadan components of the project. Following this familiarization period, which would be supplemented by suitable training, PFI staff would be responsible for procurement monitoring under the LG line of credit.

3.21 Consultant services for design and supervision, studies, technical assistance and training would be procured in accordance with Bank guidelines for the use of consultants and in consultation with the PFIs. A substantial portion of design and supervision services are of a nature and scope to allow extensive use of Nigerian consultants and experts, and activities involving foreign firms and specialists would be linked with specific training programs for Nigerian staff. Training of local staff will also be fully integrated with the technical assistance assignments to assure the maximum transfer of expertise.

C. Disbursement

3.22 As in the case of the IDF Project, assurances were obtained during negotiations that special accounts would be established for each PFI and that these special accounts would be established in foreign currency and operated on terms and conditions acceptable to the Bank. The PFIs would be entitled to periodic withdrawals from their respective special accounts as well as from the OYSG special account to finance eligible foreign exchange expenditures under the project. It was agreed that as conditions of disbursement, (a) a sub-loan would be made between OYSG and a PFI in accordance with agreed procedures and terms and conditions acceptable to the Bank; and (b) the PFI making the sub-loan agreement would have entered into a Subsidiary Loan Agreement with FGN. It was further agreed that the PFIs would undertake periodic audits and provide reports as the Bank may reasonably request.

3.23 At the time of project effectiveness, and upon receipt of duly authorized withdrawal applications, the Bank would make an initial deposit of US$0.5 million into each PFI special account and US$1.5 million in respect of Oyo State special account representing the equivalent of three months' expenditures. Replenishment of special accounts by the Bank would require submission to the Bank of full documentation or, in the case of smaller contracts, certified statements of expenditure (SOEs) for all eligible project

expenditures (para. 3.22) by the relevant PFI. Bank replenishment of the PFIs' Special Accounts will be geared to the rate of withdrawals and will be reviewed periodically. A special account in foreign currency would also be established for the FMWH with an initial deposit of US$.2 million. Replenishment of this special account by the Bank would require the submission to the Bank of full documentation or certified SOE's for smaller amounts for all eligible expenditures by FMWH.

3.24 PFI disbursements from their respective special accounts would be on the basis of architect's or engineer's certificates against approved contracts or, where appropriate, under Bank Procurement Guidelines against certified SOEs approved by the PCU on behalf of OYSG. Full contract documentation would be required for all eligible expenditures except for contracts of less than US$50,000 equivalent. Where a PFI's existing disbursement documentation requirements are more extensive than those outlined above, these requirements may prevail. SOE limits could be liberalized based on experience gained during project implementation. Detailed contract and disbursement documentation would be retained by the PFIs and made available for review by periodic Bank supervision missions.

3.25 The project will be substantially completed by December 31, 1995 and the loan fully disbursed by June 30, 1996. The estimated disbursement schedule shown in Annex 3-2 approximates the Nigerian profile for all sectors. Category allocations and percentages to be financed by the loan are as follows:

Disbursements by Categories

Category	Amount US$ million	Percentage Financed
(1) Civil works	32.0	100% of foreign expenditures and 75% of local expenditures
(2) Equipment & Vehicles	8.1	100% of foreign and 75% of local expenditures
(3) Consultants' services and training	4.6	100%
(4) Unallocated	5.3	
Total	50.0	

D. Accounting and Auditing

3.26 The PFIs would be required to provide the Bank with audited project accounts (including SOEs), as well as audited financial statements of the PFIs themselves, including details on arrears and structure of portfolios. In keeping with its responsibilities under the IDF Project, the FMWH would be

required to undertake an annual performance audit of the project. As in the case of the IDF Project, CBN would operate a Control Account for the project and report annually to FMFED, FMWH and the Bank on the PFIs' financial performance and the overall financial status of the project. The PFIs' audits, CBN's annual report and the project performance audit would be submitted to the Bank annually within six months of the close of each fiscal year.

IV. FINANCIAL AND ECONOMIC ANALYSIS

A. Merchant Bank Organization, Finances and Performance

4.01 The five PFIs (CMB, IMB, NAL, NMB and ICON) already selected to participate under the IDF project would be eligible, in principle, to participate under the proposed project. The first four Banks have continued to demonstrate their financial strength and technical capacity. ICON has in the past demonstrated these attributes, but recently CBN's stringent measures to restrict credit expansion, including the dramatic withdrawal of Government and parastatal deposits from the banking system (Annex 4.1, para. 6) have revealed weaknesses in ICON's liquidity management and portfolio quality. Therefore ICON can continue to participate only if a more detailed assessment of ICON's recent financial status, currently underway, confirms its continued financial strength. The other four Banks, however, have weathered well the recent liquidity squeeze, which attests to the quality of their management and policies. At the request of the FGN, additional banks are currently being appraised by the Bank, on the basis of the eligibility criteria established under the IDF. The five banks already selected (including ICON) account for about 70% of the assets held by merchant banks in Nigeria, and three of these banks are associated with prominent international banks whose equity participation is between 30-40%. Despite the fact that the Nigerian Government retains majority shareholding, the banks are relatively free of Government intervention, except for the appointment of managing directors. They operate on the basis of commercial criteria, and have a reputation of being among the most profitable and efficiently run organizations in Nigeria. The banks are generally well organized and competently staffed, with more than 50% of their middle and upper level management holding master's degrees or equivalent qualifications in finance, accounting or marketing. On average, managers have had at least ten years of banking experience, and have been in their present posts for five years or more. Their operating procedures are generally sound and well documented.

4.02 These merchant banks are well versed in project lending, syndication and supervision, and possess considerable experience, particularly in the manufacturing, real estate and construction sectors in the various states of the federation. Their experience with direct state lending for urban projects, however, has been limited, and their staff are not well trained in municipal engineering matters or in the intricacies of state finances, revenue mobilization and institutional development. These deficiencies are being overcome through staff recruitment, training programs and utilization of

outside consultants under the ongoing IDF project. In addition, all the PFIs have created specialized project units staffed with qualified engineers and financial analysts and can recruit additional staff or consultants as required. The experience being gained now by the PFIs in the implementation of the IDF project--from initial discussions with states through to project identification and appraisal--and the fact that they participated in nearly all discussion during project appraisal, will greatly facilitate the PFIs' involvement in the proposed project. FGN and the Bank are satisfied with the initiative and approach the PFIs have displayed so far in implementing the IDF Project; the PFIs have matched their enthusiasm for this novel mechanism with the necessary technical competence, financial expertise and political skills. The proposed Health System Fund (HSF) Project, recently negotiated follows the same approach. Under that project the PFIs have again demonstrated their competence and have assisted the States in all phases of the preparation process. Sub-project states under both the IDF and the proposed HSF projects are benefitting greatly from the frequent advice, timely assistance and solid support they receive from their PFIs on all financial and management aspects of their sub-projects. Relationships of mutual trust are evolving not only between states and PFIs, but also between PFIs and FMWH (or the Federal Ministry of Health in the case of the HSF project). For both facilities, the corresponding federal ministries rely in part on the PFIs to generate interest and follow up on initial enquiries by the states.

PFIs' Finances and Impact of Project

4.03 Total assets of the five PFIs have grown at an average annual rate of 45% over the past eight years. The fastest growth took place in the 1981-82 period, during which the banks grew at an unprecedented annual rate of 78%. During the 1986-1988 period, the PFIs grew at an annual rate of 45%; however in 1988, when restraints on credit growth were applied by the Government (Annex 4-1, para. 6), growth dropped to 21%. The financial structure of the PFIs is characterized by relatively short-term deposits, with little medium- and long-term debt. In general, cash, receivables, short-term loans and advances, and other short-term assets accounted for well over 60% of total assets during 1984-1988. While limiting earnings, these assets have generally helped the banks through periods of tight liquidity such as the recent sudden withdrawal of Government deposits from the system. This liquidity is particularly important given that an average of 40% of their portfolio is in loans and advances with maturities of over three years, and given that over three-fourths of their total resources are represented by short term liabilities. (See Annex 4-1 for more details on the PFIs, including the most recently audited financial statements and portfolio information).

4.04 Historically, the PFIs have maintained debt/equity ratios of roughly 22:1, which is on the high side for a medium to long term lending institution. Given the risk profile of their asset structure and the significant term transformation the PFIs continue to undertake, a higher level of capitalization is clearly desirable. With the exception of ICON, the PFIs have already taken steps to reduce their debt/equity ratios. The Bank with support from CBN would closely monitor the quality of the portfolio of the PFIs during implementation of the project. During negotiations, it was agreed

that CBN would review with the Bank annually: (i) the financial performance of the PFIs with particular reference to their capital adequacy and their liquidity position; and (ii) where necessary, measures to improve the financial performance of the PFIs, provided that such measures are consistent with the overall credit and monetary policy objectives of the CBN. Continued PFI eligibility to participate in the IDF scheme would be determined on the basis of such performance reviews. As indicated in para. 4.01 above, such review of ICON's recent performance is already underway to establish its continued eligibility.

4.05 Detailed information on arrearages and the affected portfolio is regularly being supplied to the Bank on a confidential basis. Based on this data, it is generally concluded that some deterioration of the PFIs' portfolio has taken place over the past few years. The recent measures taken by the Government pertaining to the withdrawal of deposits has exacerbated the situation and brought to light some weaknesses in portfolio quality. The provisioning levels of the PFIs range from 7% to 27% of the gross portfolios. About 12% of the gross portfolio (up from 9% in 1986) is over 90 days in arrears. However, there are differences between PFIs, with ICON showing a weaker portfolio quality.

4.06 The profitability of the PFIs has been high in the past in spite of the interest rate ceilings which did not distinguish adequately between real and nominal profits of banks. The PFIs managed to maintain a positive return on equity through commissions and other charges on loans and through the substantial interest free advances placed with banks by importers pending release of foreign exchange by CBN. Following the liberalization of interest rates in 1987, the PFIs have improved their real rate of return on equity. Nominal after tax rates of return on average equity during the 1981-89 period ranged from 18% to 66%. During 1988 after tax returns on equity ranged from 36% to 98% (but this latter figure reflected extraordinary profits due to revaluation of foreign assets). Thus, during 1988, the PFIs on the whole had positive rates of return in real terms. While no audited figures are available for 1989, some deterioration in their profitability seems to have occurred. As a percent of average total assets, the gross spread (interest income less interest expense) shows narrow margins (1.8% to 3.9% in the last year), but when other income is included, the margins increase significantly (4.9% to 7.0%). In general, administrative costs expressed as a percent of average total assets have been kept in the range of 1% to 2% which is very reasonable. During the periodic detailed reviews of the PFIs' financial situation, an assessment would need to be made to determine the degree to which profitability has been overstated due to underprovision for problem loans and other potential losses.

4.07 Projections of financial statements carried out for the five PFIs incorporating the ongoing IDF loan, and the proposed Oyo Urban Project (assuming an even distribution of the proposed line of credit to the priority towns amongst the PFIs), show that at no time would borrowing from IBRD exceed about 16% of outstanding liabilities.

B. State and Local Government Finances

Oyo State

4.08 Oyo State, like most States in Nigeria, receives over 80% of its revenue from its share of the Federation account. The fluctuations in oil prices have tended to create serious financial problems for the State as a result of decreased income from the Federation account. At the direction of the Federal Government, the State has set up a "Stabilization Account," since January 1988, and contributes 10% of its total revenue in order to offset the impact of fluctuations in statutory allocations.

4.09 Debt service was not a major problem before 1984, as internal loans were largely limited to long-term Federal Development Loan Stock at relatively low interest rates. External loans which were mainly raised between 1980 and 1983 carried a 3-5 year moratorium but involved high interest rates and short repayment periods. The decline in the exchange rate of the Naira against major international currencies has considerably increased the Naira cost of external debt servicing. The State's ability to meet its debt service obligation was further adversely affected by severe budgetary constraints. The total debt outstanding at the end of 1988 was about N3 billion (N2.5 billion external and N0.5 billion internal). A rescheduling of the debt service, which is being contemplated by FGN, will give the State time to take appropriate measures to strengthen its financial position over the next few years. The internal measures that the State needs to take include: (i) improvement in the Internal Revenue mobilization and financial management; (ii) constant review and monitoring of user charges to ensure cost recovery; (iii) control on growth of recurrent and capital expenditure with much greater emphasis on rehabilitation and maintenance of infrastructure and priority projects with cost recovery potential; and (iv) rescheduling of debt to local banks and contractors over five years.

4.10 The state government in 1989 has implemented a revised organizational structure of the Internal Revenue Department in line with the guidelines from the Federal Government which has already led to more effective use of existing resources (see chart on page 2 of Annex 4-3). The project will provide management support to the Internal Revenue Department in the form of transport equipment and staff training. In addition, the project will also provide audio-visual equipment and transport to the Civil Service Training School in order for it to run courses designed to enhance skills of all Internal Revenue staff. During the implementation period of the project, the Internal Revenue Department would draw up a staff training development plan covering all staff. The training courses would be developed jointly by the Civil Service Training School and the Internal Revenue Department.

4.11 Assurances were obtained from OYSG to improve overall internal revenue collection starting in 1990 by an average of five percent annually in real terms over a five year period. OYSG would propose specific measures for reaching this overall target, but would retain flexibility to modify their proposals in accordance with changes in tax rates and allowances as determined from time to time by FGN. No rate increases or new taxes are proposed, but

the increases in internally generated revenue would be achieved through: (i) more assessments; (ii) improved billing and collection procedures; (iii) reduction of tax arrears; (iv) creation of an updated master tax file, and (v) frequent review of user charges to reach economic levels. During the first six months of 1989, OYSG intensified billing and collection efforts which resulted in a 21 percent increase in internally generated revenues over target levels. The projections in Annex 4-3 present a specific example of how the overall target could be reached by OYSG. Training, equipment and technical assistance would be provided under the project to support the implementation of the revenue enhancement measures.

4.12 There is a need to shift emphasis from new investment to rehabilitation of existing infrastructure so that OYSG optimizes the returns on its assets. OYSG has set up an Infrastructure Maintenance and Rehabilitation Fund to ensure that maintenance takes priority over other expenditures except those for salaries and wages. As a consequence of this action, there would be less funding available from OYSG's own resources for new investment, and OYSG has provided the Bank with a draft of its 1990-92 three year rolling development plan.

4.13 It is expected that with the above measures, the State government would realize a steadily growing current account surplus from 1988 to 1992 followed by a deficit for two years in 1993 and 1994, as a result of the full impact of the debt servicing burden at the end of the five-year assumed grace period on existing foreign debt. It would then again continue to realize steadily increasing surpluses. The project would have an overall positive impact on OYSG's finances because it will enable the State to carry out proper maintenance of all its infrastructure. In the absence of the project, the State's dependence on Federal allocations would increase thus putting it in a more uncertain position during times of falling Federal revenues. Details of State finances are presented in Annex 4-3.

Local Governments

4.14 The LG Councils in Oyo State are facing a difficult financial situation due to a narrow tax base, poor financial management, frequent late or non-receipt of their share of the Federation account and State revenues, and a heavy burden placed upon them to meet a significant part of the cost of primary education. In some cases, over 80% of the revenues were used to meet their share of the primary school teachers' salaries.

4.15 The LGs, hitherto in Nigeria, have played a very peripheral role in the development process, as most of the traditional LG functions have been performed by the State Governments. However, there is a renewed awareness of the importance of the local democratic institutions' key role in the local development process. Federal Government is now placing much greater emphasis on rural development and the role of LGs. In order to reduce the financial burden of primary education on LGs, the Federal Government in 1988 has decided to finance 65% of the cost of primary school teachers' salaries and, in addition, to channel their share of the Federation account directly to the LGs rather than through the State Governments. This arrangement will lead to

significant improvement in the financial position of municipal governments in Oyo State over the medium term.

4.16 LGs also need to enlarge their tax base and improve their financial management and revenue collection in particular. The latter would be addressed by improving staff skills for which provision would be made in the project. Increased revenue generation at the local LG level would best be achieved through the introduction of an enhanced tenement rating system, and IMG commitment was given to its establishment in Ibadan. The Bank has been furnished with existing legislation on the tenement rating system.

4.17 Draft terms of reference for a State Rating Valuation Coordinator and for a Chief Rating Valuation Officer for IMG and presentation by IMG of outline proposals for achieving improved rate collection performance commencing in 1990 have been prepared by OYSG and IMG and were presented to the Bank. The public advertisements for the State Rating Valuation Coordinator and the IMG Chief Rating Valuation Officer have been issued. Once these two key posts have been filled, implementation of the enhanced tenement rating system by IMG would proceed with the recruitment of staff, acquisition of equipment and the engagement of private sector valuers to carry out the property valuations. Details of the present and the proposed systems are described in Annex 4-3.

C. Project Benefits

4.18 The project would have a significant physical/environmental, economic and social impact on Ibadan, the other major towns of Oyo State and their surrounding areas. Implementation of storm drainage and flood control measures will help prevent flood damage--a frequent occurrence--which affects infrastructure and property and results in loss of lives and economic activity. Furthermore, the service roads to support the drainage system will provide greater ease of maintenance and improved access to neighborhood communities.

4.19 Implementation of the solid waste management component will improve sanitation and thus reduce health risks, reclaim lands from illegal dump sites and contribute to flood mitigation by keeping drainage channels clear. The spare parts credit scheme to private transport operators will assist to keep mass transit vehicles running in better and safer conditions thereby providing affordable urban transport to middle and lower income groups.

4.20 The CIP will directly enhance the living environment of three communities with a total population of about 66,000. The provision of basic infrastructure services and sanitation measures will be reflected in increased property and rental values. The LG towns rehabilitation will be evaluated by the selected PFIs and thus the specific benefits will be determined then, though they are expected to be similar to those discussed above, because the general nature and scope of the LG towns sub-projects will be similar to the Ibadan rehabilitation components, in particular the CIP.

D. Economic Analysis

4.21 A summary of the economic analysis of the appraised project components is presented in Annex 4-4. The PFIs would be required to undertake the economic analysis of the LG towns sub-components following the criteria and methodological approaches established under the IDF project.

4.22 Quantifiable benefits were measured for each major component except for solid waste management where the least cost solution was applied. The total cost of the storm drainage and flood control, and the CIP components is 56% of the Ibadan rehabilitation component. The weighted average ERR is estimated at 22%. Cost streams include calculations for civil works, equipment and machines, demolition and resettlement, engineering design and management, physical contingencies and provision for routine and periodic maintenance. Economic costs and benefits were expressed in international border prices, in US dollars at January 1989 prices and at the current exchange rate. An overview of the economic evaluation is given below.

4.23 Storm Drainage and Flood Control. A study of past floods and resulting damage identified three levels of flood damage: (a) annual damage of about N1 million; (b) damage due to a 5-year flood of about N2.6 million, and (c) damage due to a 25 year flood of about N540 million in 1989 prices. Benefit streams were calculated by taking the probabilities of the occurrence of this damage. The result shows an ERR of 24% which is conservative as the physical damage is believed to be underestimated. If the benefits decrease by 20% the ERR becomes 15%, and if the costs increase by 20% the ERR becomes 17%.

4.24 Community Improvement Program. Benefits were quantified on the basis of the more reliable property value approach rather than rental value. Based on a sample survey in the target and two comparable communities, property values would increase by 76% with the project resulting in an ERR of 24%. If the benefits decrease by 20%, the ERR is reduced to 15%, and if costs increase by 20% the ERR is reduced to 17%.

E. Poverty Impact

4.25 The urban poverty threshold was estimated at N696 per capita per annum, as compared with N497 based on the Bank's definition of the threshold. The former is used in the project analysis (Annex 4-4). In Ibadan city the percentage of the poor is estimated at about 57%; the share of the poor in the three communities to benefit from the CIP is estimated at 66%.

4.26 The project components have been targeted to improve areas least served by basic infrastructure and public services. These areas tend to coincide with a high concentration of lower income groups. The detailed poverty impact analysis shows that about 64% of the capital expenditures for the Ibadan infrastructure will benefit the poor. A similar percentage is expected for the LG towns component.

F. Project Risks

4.27 The main risks of this project relate to the institutional and financial weaknesses of the State and Local Governments. The first problem, evidenced most strongly by lack of coordination and weak management, has begun to be addressed already in the course of project preparation. The Interministerial Committee, established by OYoG for guiding the preparation and implementation of the project, has been evolving into an increasingly effective inter-agency coordinating body. Under the strong leadership and direction of the MFEP, responsibilities of State bodies and LG organizations have been clearly defined. Technical assistance and training under the project have been specifically designed to remedy the deficiencies in urban infrastructure management and development during project implementation. In addition, a municipal partnership arrangement ("twinning agreement") has been concluded between IMG and the City of Gothenburg, Sweden, to provide operationally more relevant support and training in municipal and financial management, planning and administration for Ibadan.

4.28 The risk of political reluctance to implement the resource mobilization measures in the face of public unwillingness or inability to pay will be minimized in two ways. No new taxes or levies will be introduced, but revenue increases will be achieved through improved management, billing and collection of existing sources of revenue; realistic targets which take ability to pay into account have been agreed on. Secondly, the introduction of intensified collection efforts will be timed in such a manner as to be preceded by tangible improvements in infrastructure and service delivery so as to enhance the population's willingness to pay. In addition, public information and education programs will precede and accompany the resource mobilization measures. There is the further risk of political interference with PFIs. The risk of political interference in the credit decisions of PFIs has been minimized by the selection of merchant banks with strong management and technical capability.

G. Environmental Impact

4.29 The proposed project would lead to significant improvements and tangible benefits to Ibadan's environment. The unsightly and hazardous refuse disposal sites would be rehabilitated, refuse collection improved and a new sanitary landfill site developed. An Environmental Management Department would be established within the EPC to develop statewide environmental policy and programs; establish and monitor standards; and undertake environmental improvement programs. The project would begin to address the severe erosion problems in Ibadan's hilly zones through a pilot erosion control project, which would also reduce silting of stream beds and the incidence of flash-flooding. Through an educational program the public would be sensitized to environmental issues and ways in which irreversible degradation can be avoided at the individual and community level.

4.30 About 150 residential structures in total would be affected by the drain widening and by the CIP in Agugu and Yemetu. Land has been identified adjacent to both these communities for the development of resettlement areas

where plots with basic infrastructure services would be provided for the affected families. The residents displaced by the drain construction would be accommodated at the Yemetu site which is close to their present community. Substantial efforts have been made during preparation and appraisal to minimize disruption and the number of families affected, and these efforts would be continued and intensified during detailed design and implementation. OYSG has formulated a draft compensation and resettlement policy which would avoid undue hardships without encouraging further illegal construction in other streams or road reserves; OYSG would also prepare a resettlement plan dealing with credit and material assistance, re-establishment of employment, community facilities and other implementation details. OYSG has already allocated land suitable for a resettlement zone. Completion of land acquisition for the resettlement areas would be a condition of loan effectiveness.

V. AGREEMENTS AND ASSURANCES REACHED AND RECOMMENDATION

A. Agreements and Assurances

5.01 Agreements and assurances were reached on the following at negotiations:

(a) expenditures incurred by OYSG after September 1, 1989, for design, studies, landfill site development and preparatory training activities would be eligible for retroactive financing not to exceed US$1.5 million equivalent (para. 2.12);

(b) FGN would, through FMWH, FMFED, CBN and the PFIs implement the project in accordance with the IDF Policy Statement and the IDF Project Guidelines and following the procedures previously established and agreed to by FGN for the IDF Project (paras. 3.02, 3.03, and 4.04, Annex 1-2);

(c) funds provided for the LG line of credit would be committed by the end of the third year from loan effectiveness failing which the Bank would cancel the uncommitted funds (para. 3.16);

(d) procurement, disbursement, monitoring, accounting, auditing and reporting requirements (paras. 3.19, 3.22, 3.26);

(e) OYSG would undertake to achieve, starting in 1990, agreed overall internal revenue targets (para. 4.11);

(f) IMG's commitment to the introduction of an enhanced tenement rating system in Ibadan (para. 4.16).

B. Conditions of Loan Effectiveness

5.02 Conditions of loan effectiveness are:

(a) appointment by OYSG of a senior engineer and a senior accountant to the PCU (para. 3.08); and

(b) completion of land acquisition for resettlement areas, sanitary landfill site and site for central offices, workshop, refuse transfer station (paras. 3.17 and 4.30).

C. Conditions of Disbursements

5.03 Conditions of loan disbursement in respect of the line of credit component are:

(a) execution of a sub-loan between OYSG and a PFI in accordance with agreed procedures and terms and conditions (para. 3.22); and

(b) the PFI making the sub-loan would have entered into a Subsidiary Loan Agreement with the Borrower (para. 3.22).

D. Recommendation

5.04 On the basis of the above agreements and conditions, the proposed project would be suitable for an IBRD loan of US$50.0 million at the prevailing terms and conditions.

AF4IN
April 12, 1990

FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT (IDF II)

SELECTED LOCAL GOVERNMENT TOWNS

A. ILE-IFE

(1) Ile-Ife, with a population of about 400,000 and considered the cradle of Yoruba civilization, is now an important produce marketing, trading and educational center set amidst a rich agricultural area. A traditional trading center for kola nuts which are exported to the north, Ile-Ife also has established saw mills and a clay brick manufacturing plant.

(2) The town suffers from severe water shortages although supply from the Osogbo-Ede system, as well as the town's distribution network, are currently being expanded. In the meantime, wells are extensively used. Sanitation is generally by pit latrine or bush, with newer properties required to install septic tanks. Roads are in extremely poor condition; most are unpaved or in urgent need of reconstruction. Formal drainage is either non-existent or poorly constructed and ill-maintained. Electricity supply, since the recent commissioning of a major transformer station, is now reasonably stable. As in some other towns in Oyo State, house-to-house garbage collection is by private contractors who charge N10 per month. However, there is no landfill site and, despite the designation of environmental sanitation day once a month, much garbage still accumulates in drains and watercourses.

(3) The Local Planning Authority (LPA) had no development plan to guide development, which has been haphazard and uncontrolled. A master plan exercise, begun in 1980, is to be resuscitated, although the validity and usefulness of a rigid master plan is questionable in the absence of an adequate development framework, data base, controls and enforcement. The LPA has two layout schemes under development but whereas most plots have been sold, very few have been consolidated. Changes in building permit regulations in 1988, requiring applications to include a survey plan with boundary coordinates, has led to a significant drop in building applications.

(4) The LG has been constructing some local access roads but has funding problems. Properties are being numbered but the new tenement rate has yet to yield significant revenues and is meeting public resistance.

B. ILESA

(5) Lying in the eastern cocoa-rich area of the state, Ilesa is a town of over 500,000 in the smallest Local Government area of Oyo. The urban economy is characterized by the large informal sector, engaged primarily in trading, and in the marketing of food crops, although it is also the site of a brewery and a number of saw mills.

(6) Only 10% of the town is estimated to have access to piped water supply, the remainder using shallow wells. There are plans to expand the treatment plant, which is fed from a source some 20 kms from the town. Sanitation is generally by pit latrine or bush, with newer properties required to install septic tanks. The town has a reasonable network of roads, many of which are surfaced. The major stream (the Ora) floods frequently and needs desilting and channelization. Electricity supply is erratic and subject to frequent outages.

(7) Ilesa has no development plan as a tool for assessing development applications, although a master plan was begun in 1980. Building applications have been increasing although development appears predominantly land-driven with availability of infrastructure and services having influence on development decisions. The urban sprawl has spilled over the LG boundary and the LPA deals also with planning applications from outside the LPA area. One planning scheme was started by the LPA but this is now largely inactive, possibly because of the poor infrastructure and location.

(8) The LG has been providing some access roads. Generally, however, services provided are limited and maintenance inadequate. The major LG revenues are from markets, taxi and motor parks. The numbering of properties has recently been carried out in preparation for the introduction of a tenement rate, which is strongly resisted by the public because of the paucity of services. Currently a N7.50 per annum capitation or "head tax" is levied.

C. OGBOMOSO

(9) Ogbomoso, the second largest town in Oyo State, with a population estimated at over 600,000 lies on the main route from Lagos and Ibadan to the north. It is an important food marketing center, particularly yam, cassava and maize, as well as the home of a major Baptist Seminary and other facilities (teaching, clinic, etc.). The town, in addition to active informal trading, has attracted a number of industries such as a brewery, a flour mill, paper processing, soap and candle manufacturing, saw mills and poultry farms in the vicinity.

(10) Lack of an adequate water supply is a major problem and, although there is a large water reservoir, the treatment plant and pumping equipment has not been expanded since its installation in 1962. Water rationing is common and shallow wells are used extensively. There are plans for expanding the system. Sanitation is generally by pit latrine or the bush, while newer houses use septic tanks. A major federal road to the North passes through the town and street lighting is currently being installed along this road. Many local roads are tarred, but large residential areas are poorly served. Maintenance of roads and drains is virtually non-existent. Major streams flood regularly although few properties are directly affected. Road drainage is very poor and the steep slopes extensively eroded. The LG is constructing some culverts, but without an apparent drainage plan or appropriate levels. Electricity supply is unstable, with transformer capacity sufficient to met only 50% of demand. Rationing is therefore common with rotating outages affecting all areas of town. There has been a noticeable improvement in solid waste management, but garbage is still apparent in low-lying areas and in drainage channels.

(11) The LAP had no development plan to guide growth and prevent haphazard development. A master plan exercise, begun in 1978, was limited to data-gathering and is of no use to planners in guiding investments and development. Relatively recent (1972) base maps at a scale of 1:1000 are available and the LPA was trying to update these on an area by area basis. The LPA, using such maps, had begun a comprehensive infrastructure improvement plan in the Alapata area. The town is growing at a rate of about 20,000 people per annum but has no effective housing delivery system particularly in the older core area. The LPA had ambitious plans to extend their planning schemes, which have been largely ineffectual in dealing with demand. At the same time it appears powerless to stop illegal construction, including encroachment of drainage basins. Generally services provided by LG are limited and the maintenance of roads and drains has been totally neglected.

D. OSOGBO

(12) A traditional trading center on the main railway line to the north, Osogbo, with a population of between 500,000 and 600,000, lies a rich agricultural and densely populated area. The local economy, which had sagged with the waning of railway traffic and unfavorable agricultural pricing policies of the past, has received a boost from the sitting of a steel rolling mill and machine tools factory, augmenting the older industries based on pottery, traditional cloth-making, and flour and seed mills.

(13) Inadequate and poor infrastructure systems in Osogbo severely constrain its efficient functioning and future development prospects. Water supply in areas served with piped distribution

(mostly the western area of town) is intermittent while the many leaks in the distribution system waste much of the limited supply available. Many residents use shallow wells which are prone to contamination and exhaustion. The water supply and treatment works on the River Erinle at Ede are currently being extended to augment supply to Osogbo as well as Ede and Ile-Ife. Sanitation is generally by pit latrine or bush, with newer properties required to install septic tanks in the urban area. Roads are mainly graveled and severely eroded due to high rainfall intensities and steep slopes, while most roads lack proper drainage. The Okooko and Ogbagbaa streams which flow through the town are not maintained and flood annually. The garbage deposited in the streams exacerbates the problem. Electricity supply to the town is reasonably stable, thanks to the national control center in Osogbo which takes power from the national grid for regional distribution.

(14) The Local Planning Authority has no plan to guide development and this, as well as inadequate control and enforcement legislation, encourages haphazard development and urban sprawl which bear no relation to proximity of infrastructure and services. The town is probably growing at about 20,000 people per annum but there is no effective land servicing and housing program. The LPA began the development of a 89 ha planning scheme about 5 kms from town in 1981 but only a few of the 541 plots have been developed. Poor location relative to the town, lack of utilities and services, and leasehold purchase arrangement, as well as lack of funds for the purchase of costly building materials appear to be primary causes for the lack of development on site. A large, part-privately-owned industrial estate was planned in the town, but the site has attracted only one factory and is said to be under litigation.

(15) The LG is currently constructing some access roads and has recently numbered properties in preparation for the levying of a "tenement tax". This is meeting strong community resistance and outright opposition in view of the poor state of services and apparent lack of maintenance programs for infrastructure and services.

E. OYO

(16) Oyo, one of the oldest Yoruba towns, lies 50 kms north of Ibadan on the main road to Ilorin and Kaduna. The town, with a population of about 300,000, is renowned for its traditional weaving, carving and leather work but is also an important center for informal sector trading, education and agricultural processing (maize, cassava, yams, groundnut). It serves as a major service center for the highly successful Oyo North Agricultural Development Project and has also attracted significant industries such as pharmaceutical and alumina. With the planned improvement of the Ibadan-Ilorin highway to expressway standard, the town has considerable development prospects.

(17) The water supply system in Oyo town is considered to be adequate (unlike most other towns in the state) although an expansion scheme is planned. Metering is fairly common with most users paying an average of N10 per month. Sanitation, as is in other towns, is mainly by pit latrine or bush, with septic tanks mandatory for newer buildings. Local roads are in poor condition, unpaved and subject to severe erosion, particularly on steeper slopes lacking lined drains. Erosion has in many instances undermined buildings and gouged steep roadways. Electricity supply is reasonably stable. Private contractors collect about 80% of the garbage for a monthly fee of N10 per household, while the LG collects the remainder, mostly from the poorer traditional core areas.

(18) There is no effective development plan although the first volume of a master plan was prepared in 1978. In order to have some data base to work with, the LPA in 1982 prepared a land use map (showing existing conditions) with the assistance of students.

(19) The LPA had embarked on a number of planning schemes and has ambitious plans to acquire vast tracts of land (more than 16 km^2) as a way of controlling development and guiding growth. The LG is undertaking some capital works (local roads construction) but maintenance of roads and drains is neglected.

F. SAKI

(20) Saki, at the heart of an agriculturally rich though remote northern region of Oyo State, is the smallest of the major towns selected for improvement and the headquarters of the Bank funded Oyo North Agricultural Development Project (ONADEP-Ln.1838-UNI). However, with improved communications and transport its role as a major regional agricultural marketing and processing center for commercial crops will be further enhanced and its current population of about 200,000 is likely to grow rapidly. The proposed expansion of ONADEP into a State-wide Agricultural Development Project will ensure Saki's continued importance. Saki, LGA and zonal headquarters is also an important administrative center.

(21) The settlement pattern in Saki is not as dense as in the larger, older and more traditional Yoruba towns to the south. However, localized traffic bottlenecks occur around the main market and surrounding commercial area, while residential communities lack basic amenities such as all-weather roads, drainage, water supply, solid waste collection and streetlighting. The road network is poorly defined and lacks hierarchy. There is no road or drain maintenance by the LG. Due to lack of any organized refuse collection and disposal services, there is indiscriminate dumping of waste throughout.

(22) The LPA had commenced a town planning scheme which is only partially (30%) developed and lacks essential infrastructure. Neither master plan nor up-to-date base maps exist and there is practically no development control.

F. OUTLINE STRATEGY FOR MAJOR TOWNS

(23) All the urban areas in Oyo State display a surprisingly similar array of problems and issues that vary only in emphasis at the local level. It is possible therefore to outline, in broad terms, as strategy and a set of measures that would generally respond to the needs of the towns. These are:

(i) Assistance to the Town Planning Section (TPS) of LGs to improve the data base, planning and development control procedures and to prepare a simple "Integrated Infrastructure Development Plan". Such a plan, augmented by a strategic "Structure Plan" would lay the guidelines for physical development, and would assist the LG in guiding development and in preparing a rolling public investment program.

(ii) Rehabilitation of existing waterworks or early completion of water supply expansion scheme and rehabilitation and extension of the town's distribution network.

(iii) With improved water supply, a program to improve sanitation practices, e.g., provision of improved pit latrines, to improve health and, in time, productivity should follow.

(iv) Desilting and channelization of the main streams through the towns to alleviate seasonal flooding.

(v) Paving and drainage of partially arterial crosstown road links.

(vi) A prioritized program to provide paved access roads and lined drains in the town in concert with water supply distribution. For efficient execution, the program should be implemented within an integrated framework or plan for infrastructure, as proposed in (i).

(vii) Assistance to the LG to establish routine programs for maintenance of roads and drains, establishment of improved solid waste management practices, and markets, lorry and taxi park development.

(viii) Assistance to the LG to improve its revenue base and financial management generally, as well as budgeting, control and administrative procedures.

(ix) Apart from 'city-wide' infrastructure links, the remainder of the secondary and tertiary infrastructure, e.g., local roads, drains, water distribution, sanitation, etc. could be carried out via comprehensive 'area upgrading' or 'community improvement' programs such as those proposed for Mokola, Yemetu and Agugu in Ibadan. These would be planned by the LG and with active community participation and TPS staff suitably (e.g., particularly in municipal engineering) providing the essential technical inputs.

(x) Financing of infrastructure rehabilitation, particularly at the community level, and their subsequent maintenance would be through indirect cost recovery. A valuation-based tenement rating system would capture the property value increases due to improved infrastructure and would provide the LGs with the revenue necessary for maintenance and further rehabilitation under the project. If increased rates are linked to tangible improvements, the / would be a willingness to pay.

AF4IN
October, 1989

FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT

IDF POLICY FRAMEWORK AND GUIDELINES FOR MERCHANT BANK PARTICIPATION AND PROJECT SELECTION

1. This summarizes the policy framework for the Infrastructure Development Fund (IDF), the guidelines for merchant bank participation and the criteria for subproject selection to be financed through the Fund. The Statement of Policy which sets out the objectives of the IDF mechanism was adopted by the Federal Executive Council on February 5, 1987. The mechanism addresses the need for viable financial intermediaries to help fund urban infrastructure investments. The Policy Statement was included in the IDF Project (Ln. 2925-UNI approved in March 1988) along with Project Guidelines which set out the criteria for the selection and appraisal of state infrastructure subprojects. These documents are also included in the project file.

A. POLICY FRAMEWORK

2. The objectives of the IDF are:

(a) to assist state and local governments in Nigeria to plan, finance, construct, maintain and manage urban infrastructure and services;

(b) to submit states to the financial discipline of the capital market, improve their project preparation, implementation and financial management capabilities, and help place urban infrastructure and services on a more self-financing basis through improved cost recovery and other means of local revenue enhancement;

(c) to expand the role of the private sector by utilizing merchant banks as financial intermediaries for urban infrastructure development projects; and

(d) to explore the potential for tapping Nigeria's capital market to finance state and local government infrastructure investments.

3. The IDF Project Guidelines set out the criteria for the selection and appraisal of state infrastructure subprojects which focus primarily on rehabilitation and maintenance of existing assets in the following sub-sectors:

- water supply
- roads and drainage
- solid waste management
- sanitation
- street lighting
- markets and motor parks
- high priority infrastructure investments related to industrial, commercial and residential projects that are in accordance with the IDF Project Guidelines.

4. In addition to physical works, the IDF will finance: (i) studies aimed at subproject identification and preparation, institutional development, resource mobilization, and improved financial and technical management; and technical assistance for subproject implementation and monitoring. Such studies may be financed on both a loan or grant basis, when grant funds are available.

B. MERCHANT BANK PARTICIPATION

5. In keeping with the Federal Government's policy to increase the participation of the private sector in the development of the economy, five merchant banks which expressed an interest have been selected initially to serve as financial intermediaries for the IDF:

- Continental Merchant Bank Limited
- ICON Limited (Merchant Bankers)
- International Merchant Bank Limited (IMB)
- Nigeria Merchant Bank Limited (NMB)
- NAL Merchant Bank Limited (NAL)

6. The banks were included on the basis of size of assets (the minimum asset base requirement range from N300 to N400 million), technical capabilities, interest in the IDF program and readiness to make the changes in their operations and procedures necessary to help states improve their project execution, resource mobilization and financial management capabilities including, where necessary, supplementing their staff, either by direct hire or by use of consultants, in order to achieve the objectives of the IDF.

7. The merchant banks are expected to prepare and appraise infrastructure subprojects in a manner similar to that employed by the World Bank. They will appraise not only the financial and technical feasibility of proposed subprojects but also the economic and institutional capabilities of the borrowing state and local government institutions. Subprojects will be reviewed on a selective basis, as stated in the Project Guidelines, by the World Bank in consultation with the Federal Ministry of Works and Housing prior to final approval by the merchant banks.

C. PROJECT SELECTION

8. Eligible Infrastructure Subsectors. The following types of infrastructure are illustrative of the subproject components that would be financed under the IDF:

(a) water supply, including the repair and rehabilitation of existing plant, equipment, distribution networks and network extensions;

(b) roads and drainage, in particular the rehabilitation of existing road and drainage networks and the construction of new linkages to aid traffic flow and relieve congestion;

(c) solid waste management, including the provision or rehabilitation of vehicles, equipment and containers for collection and disposal;

(d) sanitation, including the provision or improvement of low cost public sanitary conveniences;

(e) street lighting;

(f) markets, in particular the rehabilitation of existing facilities and the improvement of services; and

(g) other high priority infrastructure investments related to industrial, commercial and residential projects that are in accordance with IDF objectives.

9. In addition to physical works, the IDF will finance: (i) studies aimed at subproject identification and preparation, institutional development, resource mobilization, and improved financial and technical management; and (ii) technical assistance for subproject implementation and monitoring. Such studies may be financed on both a loan or grant basis, when grant funds are available.

10. General Sector Objectives. The general sector development objectives are to:

(a) maximize the productivity of existing investments in plant, equipment and service networks;

(b) relieve bottlenecks and to fill strategic gaps in the urban service network;

(c) facilitate rational and orderly growth and extension of urban systems;

(d) strengthen the capacity of state and local government institutions to efficiently plan, manage, finance, maintain and improve the provision of urban infrastructure and services.

11. Selection Criteria. The individual states and local governments themselves, together with whichever merchant bank agrees to finance a particular project, shall be responsible for the selection of projects to be financed under the IDF. Projects are to be selected in accordance with the following criteria:

(a) economic and financial benefits;

(b) technical feasibility;

(c) effective demand for services and willingness of consumers to pay, directly or indirectly, for the services provided;

(d) feasibility of the cost recovery mechanism(s);

(e) institutional capability of the borrowing state or local government to prepare and execute the project;

(f) the availability of technical assistance from domestic or international sources to supplement the borrower's implementation capabilities, where necessary; and

(g) creditworthiness, including the ability of the borrower to carry the additional debt imposed by the project to be financed.

Projects selected should have an economic rate of return (ERR) of at least 20 percent, and only in special circumstances where benefits are difficult to quantify should projects with lower ERRs be selected; in no case should a project's ERR be lower than 12%.

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FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT

DETAILED DESCRIPTION OF STORM DRAINAGE

AND SOLID WASTE COMPONENTS

A. Storm Drainage and Flood Control

1. With the rapidly growing urbanization of Ibadan, the city has experienced over the last 30 years about seven major floods of increasing severity. The most recent flood of the Ogunpa Stream in 1980 caused the loss of some 150 lives and damages estimated around N500 million. OYSG and FGN had recognized the major threat posed by these streams and in 1970 commissioned channelization works of the Middle Ogunpa. Only 1.2 km have been completed so far, and 2.7 km are under construction with very slow progress due to lack of adequate funding. N10 million have been provided from the Federal Ecology Disaster Fund through the Ogun-Osun River Basin Development Authority to complete the ongoing contract. The committed funds are estimated to be adequate for completion of these works.

2. During pre-appraisal, priority streams and stream sections had been selected using frequency and severity of flooding, extent of built-up areas, population density, and coherence of the drainage network as the main criteria. From April to June 1988, OYSG with the assistance of World Bank consultants prepared preliminary designs for 31.5 km of priority sections of 3 main streams and major secondary channels, namely the Lower, Middle and Upper Ogunpa Stream, the Kudeti/Yemetu Stream, and a short section of the Ogbere (see IBRD Map No. 21146). Due to overall cost constraints a further process of prioritization reduced the total length to be channelized in the first phase to about 14.5 km of the Ogunpa and the Kudeti main channels. For the major secondary channels only the required structures (culverts, bridges) will be included in the program; a new bridge will also be constructed for the Ogbere Stream.

3. Available rainfall records and the modified rational method were used to design the works for a flood with a 1 in 25 years recurrence. Least cost design approaches were employed for selecting rectangular reinforced concrete and trapezoidal stone masonry sections to achieve the following main objectives: (i) minimize demolitions of structures adjacent to the stream bed; (ii) provide access roads where space is available to facilitate regular maintenance and better access to residential areas; and (iii) maximize use of labor intensive construction methods. Culverts, bridges (including pedestrian bridges), drop and junction structures would be included in the works. Channel bed widths range from 40 m for the Lower Ogunpa to 3 m for the Upper secondary channels. The length of the finally selected sections to be channelized would be as follows:

	Length in km.
Lower Ogunpa	2.47
Middle Ogunpa (Main Channel)	2.84
Middle Ogunpa (Gege)	1.98
Upper Ogunpa (Main Channel)	3.95
Kudeti Stream	3.09

4. Due to lack of adequate planning control, i.e. without building approval, structures had been erected within the limits of the setbacks (reserves) promulgated in 1962. The preliminary surveys and design attempted to reduce the number of affected structures to an absolute minimum. Approximately 100 structures would be affected, but the definite number can only be determined following detailed survey and design. A resettlement area will be developed in Yemetu as part of the community upgrading program for that area and basic serviced plots would be provided for affected families. The OYSG Executive Council has already approved a Compensation and Resettlement policy which avoids undue hardships without encouraging further illegal constructions in other stream setbacks.

5. Since lack of adequate drain maintenance is one of the major causes of frequent flooding, provision would be made in the project for funds for rehabilitation of approx. 50 km of streams and secondary drains not included in the priority channelization scheme. While most of the storm drainage maintenance works would be done by contract, a provision for the purchase of essential drainage maintenance equipment (3 excavators, 3 loaders, 12 tipper trucks) would also be included in the project.

B. Solid Waste Management

6. Refuse collection in Ibadan is inadequate and uncollected refuse causes unsanitary conditions and clogging of storm drains and streams. There are insufficient refuse collection vehicles and the collection services by licensed private contractors, initiated in 1984, cover only the well laid-out areas of the city. A N10 monthly fee is collected directly by the contractor from his customers. The only available dumpsite is located in a fully built-up area of Ibadan and is presently filled well beyond capacity. Two new landfill sites have been identified some 4 km southeast and southwest respectively of the city and OYSG is in the process of acquiring the sites. A preliminary design study was prepared to determine the priority needs in equipment and facilities to improve solid waste management in Ibadan.

7. As access to other areas improves, refuse collection by private contractors would be rationalized, better supervised and promoted by the EPC. Refuse collection in areas with poor access (the core areas and the uncontrolled outer urban sprawl areas) would be managed by EPC forces and the project would provide 50 skip collection points. Fifteen cars would be provided as transportation for EPC supervisors and inspectors.

8. Because of the large extension of Ibadan and the longer distances to the new landfill site, a refuse transfer station is required. Two potentially suitable sites have been identified and OYSG is proceeding with efforts to acquire one of the sites. Site acquisition would be completed by loan effectiveness. The transfer station would be designed to handle up to 4,000 tons of solid waste daily, for transfer from collection vehicles to 60 cu.m trailers hauled by tractor trucks to the landfill site. Six trucks and 15 trailers would be provided.

9. For increased economy and efficiency the transfer station would be combined with a central office and workshop. The office building would accommodate technical, administrative and supervisory staff and also house facilities for the workers. A workshop with a floor area of about 1800 sq.m with mechanical equipment and spare parts store would be provided for servicing and repairing the vehicle and equipment fleet, which would include the storm drainage maintenance equipment.

10. Preliminary surveys and investigations indicated that the selected sites would be suitable for proper sanitary landfill operations without risks to the environment. OYSG has already acquired the 10 ha Ajakanga site and has provided assurances that the additionally required adjacent site of approximately 150 ha would be acquired by loan effectiveness. The project would include funds for the construction of a 3.5 km long access road to the landfill site, a weigh bridge and miscellaneous site works. Three bulldozers and two wheeled loaders would be provided for land-filling operations.

11. Also provided would be funds for spare parts to refurbish broken down collection vehicles, for miscellaneous tools and equipment, and for design, tender document preparation, contract administration and construction supervision.

12. The acquisition of vehicles and equipment for the EPC would in no way interfere with the operations of the private contractors, but only equip the EPC in the short and medium term to carry out refuse collection in areas lacking good access and ease of direct fee collection. The long term objective would be to contract out collection services altogether to the private sector, but this would only be feasible after LGs have improved their revenue situation. The proposed enhanced tenement rating system would constitute a means of indirect cost recovery for solid waste management services.

C. Environmental Management

13. The major reason for the increased incidence and severity of flooding in the Ibadan area is the increased run-off of surface water during and following heavy rainfall. This is due primarily to the removal of vegetation cover in the water catchment areas and its replacement with high-density urban development, which reduces water retention and increases the chances of flash-flooding. The project would begin to focus on the

severe environmental problems of Ibadan through the establishment of an Environmental Management Department within EPC and the execution of emergency civil works.

14. Emergency civil works to be funded through the project would include a labor-intensive environmental rehabilitation program to restore some 50 hectares of eroded areas, particularly on Ibadan's steep slopes in the Upper Ogunpa catchment areas. Erosion gullies would be filled, top soil and the vegetation cover restored and the area stabilized through tree-planting and grassing. These measures would reduce erosion of slopes and silting of drains, while increasing water retention.

15. The refuse disposal landfill site on Ring Road has been overflowing and burning out of control since 1982. It is an eyesore and an environmental hazard to neighboring residential areas while leakages pollute ground and surface water. The project would finance the rehabilitation of the 20 ha landfill site as soon as an alternative landfill site is brought into service.

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FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT (IDF II)

DETAILED DESCRIPTION OF THE TRAFFIC AND TRANSPORT COMPONENT

1. Public Transport Subcomponent. While the publicly owned bus company (TCTC) commenced operations in July 1988, private sector minibuses will continue to supply significant public transport capacity at least in the short/medium term. To support the minibus operations and to alleviate the major funding and maintenance problems faced by operators, the project would:

(a) provide a line of credit to enable spare parts to be purchased. The credit would be administered by the owners and operators cooperative;

(b) fund a service center (provision of a small workshop and parts center, equipment and technical assistance) where minibuses could be effectively maintained. The center would be operated on a commercial, cost recovery basis; and

(c) fund equipment for the Vehicle Inspection Office (VIO) for testing the roadworthiness of minibuses thereby providing an incentive for minibus drivers to utilize the service center.

2. Discussions have been held with the relevant owners and drivers associations and cooperatives (Nigerian Transport Owners Association, Road Transport Employers Association, and National Union of Road Transport Workers - Ibadan) regarding the line of credit and service center, and agreement has been reached on the principles of the program. The PFIs would be involved in financing the subcomponent, the Ibadan Municipal Government (IMG) would administer the credit through the transport owners' associations.

3. The equipment for the VIO is required to enable the inspectorate to fulfill its duties of testing public transport vehicles for roadworthiness and drivers for competence. The equipment will include items such as patrol cars, light towing vehicles, communications equipment and equipment to test vehicles on street (head lights, brakes, tires, etc.). OYSG would establish a regulation that any minibus failing a test would be required to be inspected at the service center and although repairs at the center cannot be made mandatory, it is anticipated that most vehicles will use the facilities to carry out the necessary repairs.

4. The VIO would be responsible for the technical coordination of the public transport subcomponent. The line of credit would finance all aspects of the private sector program, i.e. design and building of the service center, technical assistance to establish and start up the center and procurement and stocking procedures for the spare parts. The facilities would be operated on a fully cost recovering basis.

Outline Scope for Road Maintenance Study

5. This study will be carried out by consultants but with the involvement of the Maintenance Division, Ministry of Works and Transport (MWT) and the scope of work will include:

(a) a review of agency (Federal, State, IMG and other LGs) responsibilities for road maintenance in Ibadan and state-wide;

(b) a review of MWT and other agency road maintenance planning and budgeting procedures;

(c) an appraisal of the procedures and techniques applied by each agency, including identification of costs, appraisal of their effectiveness (cost/km etc);

(d) a review of equipment, facilities and staff available for force account maintenance and its condition;

(e) determination of existing road and traffic facility conditions for the A & B class roads and a sample of C class roads;

(f) definition of proposed maintenance standards, procedures and responsibilities;

(g) preparation of a 5 Year Maintenance Plan; and

(h) preparation of an action plan, target dates, budgets, staff levels, etc. required to implement the Maintenance Plan.

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FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT

DETAILED DESCRIPTION OF COMMUNITY IMPROVEMENT PROGRAM

A. Background and Objectives

1. The Community Improvement Program (CIP) will be the first major effort in Oyo State, and probably in Nigeria as a whole, to provide a comprehensive range of essential infrastructure and services improvements in an integrated manner to poorly served and predominantly low income neighborhoods of Ibadan. The program is seen as the beginning of a longer term program which over time, would upgrade all such neighborhoods in Ibadan estimated to cover some 4,800 hectares and accommodating about 2 million people.

2. The infrastructure and services to be provided would improve the efficient functioning of the areas, the health of the inhabitants and the general quality of life by improving internal access, circulation, drainage, water and electric power supply and community facilities such as health clinics, and open spaces.

3. In 1984 the Town Planning Division of the Ministry of Local Government (now of the Ministry of Lands, Housing and Surveys) studied a number of densely populated and poorly served areas of the city with a view to selecting a number of priority areas to be included in a possible World Bank supported project. The studied areas exhibited similar characteristics in that they were predominantly low income areas generally unplanned, densely populated and lacking in infrastructure and services. From a preliminary study three areas, were selected for more detailed analysis, namely, (i) Mokola, an old well laid-out core area of the city that once had an adequate infrastructure which had fallen into disrepair; (ii) Yemetu, another old core area which had never been adequately served; and (iii) Agugu a newer fringe area which had developed on the edge of the city with no planning and minimal infrastructure and services typical of many of the newer 'urban sprawl' areas inside and outside the Expressway along the eastern fringe of the city.

4. After the early preliminary work by the Town Planning Division of the State government, in February 1988 the former Ibadan Metropolitan Planning Authority (IMPA) was given the task of preparing detailed proposals for the areas. The initial proposals prepared by IMPA and its consultants proposed layouts which contained a high level of new roads and new community space with consequent high cost, extensive demolition of properties and leaving many properties remote from paved access. After consultation with the Bank, the adoption of more innovative planning and engineering approaches and the utilization of functional standards succeeded in achieving lower cost and more affordable solutions. This will

directly benefit a greater number of people and dramatically reduce the number of houses requiring removal (and hence resettlement and compensation). Occupied buildings requiring demolition and families requiring resettlement now number 0 in Mokola, 24 in Yemetu and 23 in Agugu. At each site, resettlement areas have already been identified. Resettlement costs and replacement value of buildings demolished would be included in the costs of the program. The larger area available at Yemetu would also be laid out with serviced plots to resettle those families to be displaced by the proposed major drainage works in the nearby Kudeti-Yemetu stream.

5. Participation of the communities in the planning and design of the program has been an important part of the planning and design process, and which is to continue during implementation and subsequent operation and maintenance. The final proposals represent those which each community has played a part in developing and has concurred with. Separate meetings were held with each of the communities where IMPA and its consultants presented and discussed the proposals at length with the communities. The significant number of people who attended the meetings shows the enthusiastic support given to the program by the communities.

B. Detailed Description of the Program

6. The program would provide comprehensive and integrated infrastructure and services improvements to Mokola (gross area 44 ha, population of 22,000); Yemetu (gross area 48 ha, population of 25,000); and Agugu (gross area 47 ha, population of 18,500). Thus some 139 hectares housing approximately 65,500 people would benefit from improvements which would include roads, footpaths, drainage, water supply, electric power supply, street lighting, toilet facilities, public telephone facilities and community facilities. Improved access would also permit more efficient refuse collection by IMG and its contractors. Necessary "off site" infrastructure to link the proposals to city wide systems would also be provided to ensure "on site" provisions are able to operate at optimum levels.

7. Given the variation in existing conditions, topography, age, levels of service and population densities in the communities, it is not possible nor desirable to adopt rigid planning or engineering standards. Standards applied have thus been flexible and modified according to the particular situation and conditions.

8. The lack of water supply in the communities and in the city as a whole is probably the most critical infrastructure problem. At present, works to rehabilitate water supply installations to allow plants to deliver up to their design capacities are underway. However, despite this program, water rationing in the city is likely to continue for some years. Thus Water Corporation of Oyo State (WCOS) is to relax its policy of "elimination of standpipes" for the communities in the CIP and permit existing standpipes to be rehabilitated provided they are manned and

metered and the communities take responsibility for operation. IMPA and its consultants have agreed on this concept with WCOS.

9. During preparation of the detailed engineering proposals, dialogue would also continue with the other sectoral agencies involved in the CIP, namely NEPA, NITEL, EPC, as well as IMG to ensure final proposals meet with the requirements of these agencies and agreement is reached on the take-over of the respective facilities on satisfactory completion.

10. The proposals to be included in the program have been identified from longer term development plans prepared by IMPA (decentralized in early 1989 to the LG Town Planning Sections) and its consultants for each community. Such proposals generally accord with these longer term plans and would be capable of incremental improvement over time, as and when, further improvements are able to be afforded and the communities are prepared to make available the necessary land and buildings that would be required for such further improvement. To better be able to control further development in the areas and particularly on infrastructure alignments, each community area will be declared a Town Planning Scheme Area under Cap 123 of the Laws of Oyo State. In addition to the physical improvements, technical assistance would be provided to IMG for detailed design and supervision of the implementation of the program.

C. Program Costs and Financing

11. The total cost of the CIP is estimated at US$7.5 million, of which the foreign exchange component is estimated at US$4.8 million, 64% of the total program cost. The improvements will cost an average of US$55,237 per hectare gross or an average US$112 per capita gross.

12. The program for Mokola and Yemetu would be financed by IMG using (i) project loan funds borrowed from OYSG under a LG onlending agreement, and (ii) their own LG counterpart funds (10%). Cost recovery will be achieved by IMG through the revised tenement rating system to be introduced through the project and by user charges. The IMG would also be responsible for maintaining certain facilities i.e. roads, drainage, and solid waste collection. The IMG would allocate maintenance funds annually for this purpose from tax revenues. Operation and maintenance of water supply, electricity supply, telecommunication and solid waste management would be the responsibility of the respective delivery agencies (i.e. WCOS, NEPA, NITEL and ESC) who will recover their costs through regular user charges. The communities would be responsible for maintenance of footpaths, tertiary drainage and public toilets.

D. Program Implementation

13. The LGs through their Town Planning Sections (TPS) would be responsible for implementation of the CIP. They will coordinate and prepare the program with the help of consultants. A Steering Committee is to be established to help implement the program. The Steering Committee

would consist of officers representing the concerned Ministries of the state governments, the relevant local government; the relevant sectoral agencies including WCOS, NEPA, NITEL, and EPC, as well as a representative from each of the three communities to initially benefit from the program. This Committee would meet regularly, to monitor progress of the final designs and subsequent implementation; to assist in solving problems as and when they occur and to ensure coordination of the multi-sectoral program.

14. The LG/TPS would, with the aid of consultants, be responsible for preparation of final designs and tender documents for the various contract packages proposed, continued liaison with the respective communities, tendering and contract award procedures in accordance with state government norms, supervision of the construction work, payment of contractors (following PCU approval) and all necessary tasks until the handover of the completed facilities and networks to the agencies responsible for their subsequent operation and maintenance. The core staff of the former IMPA has been retained to implement the CIP on behalf of IMG.

15. The major physical works in each of the communities would be carried out by local contractors registered with Oyo State Government. Only contractors holding the highest classification and appropriately experienced to carry out multi-sectoral works in difficult conditions would be prequalified. It is envisaged that the type of works, the size of contracts (US$2.0 million approximately), the difficult working conditions and the need for close liaison with each community are unlikely to attract foreign contractors other than those already established in Nigeria who would be eligible to bid for the contracts.

16. The works will be packaged on an 'area' basis and not a 'component' basis, for the following reasons: (i) many diverse elements are involved, e.g. roads, drainage, water supply, electricity supply, etc; (ii) the works would be carried out in densely populated and generally unplanned communities; (iii) the need for the works to cause minimum disruption over the shortest possible time; (iv) the risk of one contractor damaging other contractors' works; (v) the need to reduce rescheduling and coordination of the different programs. Comprehensive contracts which would include all or nearly all of the components planned for the particular community, would be awarded and only one contractor would be responsible for work in any one area at any one time.

17. It is envisaged that 3 major infrastructure contracts would be awarded with each area being divided into 3 sub-areas for construction phasing purposes. Contracts would likely range from US$2.0 million to US$2.5 million. Tender documents would be prepared to a standard appropriate for international bidding although local competitive bidding procedures would be followed. In all matters relating to approval of tender documents, tender evaluations, contract awards, payment of contractors and such similar matters, IMG would refer to and seek the approval of the PCU situated in the MFEP which has responsibility for overall coordination of the Project and operation of the Project accounts.

E. Resettlement

18. In addition to about 50 structures affected by the CIP, some 100 buildings would be demolished due to the storm drain channelization works. In order to address the specific needs of the 150 families requiring resettlement OYSG would formulate a compensation policy and draw up a concrete resettlement plan which would be based on the findings of the socio-economic survey which were carried out for the community improvement areas (similar housing and income conditions prevail in the zones along the storm drain channels). Government's policy and plan would deal with procedures for property valuation, payment of compensation, issuing of certificates of occupancy for new plots, assistance with credit and materials if necessary, reestablishment of employment, community facilities, and other needs such as restoring the social network of the community.

19. Preliminary plans for the resettlement areas had been reviewed during appraisal, and detail designs, tendering and construction of the resettlement areas (comprising small plots with basic infrastructure) will be carried out together with, and as part of, the CIP. The cost of developing the resettlement areas would be financed under the project.

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FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT

I. DETAILED DESCRIPTION OF LOCAL GOVERNMENT TOWNS COMPONENT INCLUDING DRAFT TERMS OF REFERENCE FOR PLANNING AND INVESTMENT PROGRAM STUDIES

A. Background and Objectives

1. The large number of urban centers of substantial size and importance in Oyo State led to the inclusion of the Priority Towns Component in the project. The six LG towns were selected by OYSG in consultation with the Division of Urban and Regional Planning of FMWH. The initial selection criteria employed were population size, economic base, growth potential administrative importance, commitment to cost recovery principles, infrastructure and services deficiencies, regional balance and equity within the state. Following government's selection of Ile-Ife, Ilesa, Ogbomoso, Osogbo, Oyo and Saki, an overview assessment of general conditions, needs and development prospects was carried out by the Bank during project preparation which confirmed the high priority accorded to these towns. Very important aspects are the strong will and support of the communities. The preliminary proposals presented in June 1988 indicate competence, good knowledge of local conditions and constraints, a great degree of enthusiasm for the project, but also a need for additional support with the preparation of prioritization studies and detailed proposals.

2. The objectives of this Component would aim to improve the efficient functioning of the towns, to assist in stimulating economic activity and to improve the quality of life of the inhabitants (improved health and environmental conditions). To achieve this 'city-wide' infrastructure and services, investments would be supported where these were considered important and achieved sufficient benefits. Similarly, community improvement programs would be undertaken to facilitate the upgrading and rehabilitation of, for the most part, secondary and tertiary infrastructure, area by area across the town in a comprehensive and integrated manner. These would involve the active participation of the benefitting communities in planning and implementation phases as well as in subsequent maintenance of facilities to be provided.

3. The improvements to be identified would be the initial investments of the prioritized investment programs to be determined in detail as part of the planning exercise to be carried out for each of the selected towns. Simple Structure Plans and Infrastructure Development Plans would be prepared from which rolling Infrastructure Investment Programs would be formulated. These plans and programs would be prepared by consultants working with the TPS and LG Councils of each town, and engaged, coordinated and supervised by the Town Planning Division of MLHS.

The planning exercises in each town, which are seen as intense activities of short duration, would be commenced early to ensure that any priority investment proposed is in concert with the overall infrastructure development plans for that town and that it is able to operate at its optimum level once completed. (See Section II for draft 'Terms of Reference for the Preparation of Plans and Program'.)

4. In addition to preparation of plans, the Town Planning Division, the LGs TPS and the consultants would review land and plot delivery systems (including Town Planning Schemes) with a view to determining whether such systems can be made more effective. The entire planning and development control legislation would be reviewed with the objective of developing planning policies and regulations that are more effective in generally guiding development, in protecting the environment, in delivering appropriate infrastructure and services, and in ensuring the optimum use of such infrastructure and services.

5. Three other important objectives of the component would be: (a) the strengthening of programs of routine and periodic maintenance of infrastructure by the LGs to ensure that investments made in infrastructure are properly maintained in the future; (b) the improvement in the financial position of each of the LGs involved in the project in order that the efforts commenced under the Project can be replicated in future over other areas of the towns and also that the facilities provided will be properly maintained (thus during the course of the project a study of the finances of each LGA would be carried out and improved resource mobilization and cost recovery measures recommended); finally, (c) the improvement of the information database commencing with aerial photography and the production of line maps for both technical and cadastral use.

B. Component Description, Cost and Financing

1. A line of credit would be established under the Project for the rehabilitation and improvement of infrastructure beginning in the towns of Oyo, Ilesa, Ile-Ife, Ogbomoso, Osogbo and Saki. Based on the preliminary work already carried out by the former Local Planning Authorities (LPAs) in conjunction with the LG's, and the studies referred to earlier, detailed proposals will be finalized, appraised by the PFIs following IDF appraisal criteria and implemented accordingly. A total of US$35.8 million base cost plus contingencies would be available for this component.

2. Initial programs to be carried out over the first two years of the project, costing up to US$2.50 million for each town, would be prepared and appraised as a matter of priority. Subsequent availability of funds for further sub-projects in each of the towns would be dependent on the performance of the LG's and their Town Planning Section (TPS); in the quality of the initial project in terms of design and construction; the speed of implementation and the arrangements established, both within the LG and the benefitting communities; the provision of adequate counterpart funds; and for operation and maintenance of facilities provided in the

initial programs. In addition, subsequent availability of funds would also be dependent on the performance of the LG's in adopting improved revenue generation policies and actual performance in the implementation of such policies (e.g. tenement or property tax system and collections). Initial program performance indicators would be developed together with the modalities for the implementation by a committee within the state government with relevant ministries represented as well as representatives from each LG and the PFIs, all coordinated by the PCU.

C. Implementation

1. The Town Planning Division of the MLHS would have overall responsibility for the whole component. For preparation of the Structure Plans, Infrastructure Development Plans and Investment Programs for each town, the Town Planning Division would be responsible for engagement of consultants and supplying counterpart staff and supporting facilities. The Division would be responsible for coordination with the TPS and LG's in each town and would involve the Department of Local Government as necessary.

2. Responsibility for implementation of the physical works programs in each town will rest primarily with the LG who would be the contractual party with contractors carrying out physical works. However, the LPA would act as advisors or agents of the LGA all under the supervision of the Town Planning Division of the MLHS. Responsibility for project supervision will rest with the Merchant Banks. A Steering Committee would guide and monitor implementation of the overall component.

D. Technical Assistance and Consulting Services

1. The Town Planning Division of the MLHS would engage consultants to work with staff of the Division and LG's of the priority towns to prepare the Structure Plans, Infrastructure Development Plans and Investment Programs. It is envisaged that consortia of local and foreign consultants would provide multi-disciplinary teams to carry out the studies. For economy and speed the first six towns would be divided into 2 groups with one consultancy for Oyo, Ogbomoso and Saki and the other for Osogbo, Ilesa and Ile-Ife. This grouping has been based on geographical considerations. Suggested draft Terms of Reference for consultancies had been prepared at appraisal. It is envisaged that for each town approximately 15 person months of professional input would be required. Thus for each consultancy covering 3 towns each approximately 45 person months of professional input is envisaged each study being completed within 6 months from commencement.

2. In addition to the two consultancy assignments for detailed plan and program preparation in the 6 towns a small expert advisory and training team would work with the Town Planning Division. This team would assist the Division in overseeing and reviewing the work of the consultants, TPS and LGs preparing the plans and programs for each town including

preparation of the Ibadan plan. In addition the team would, inter alia assist the Division in the review of the whole planning and development control guidance legislation for the state including the serviced land and housing delivery systems.

II. DRAFT TERMS OF REFERENCE FOR PREPARATION OF A STRUCTURE PLAN, INTEGRATED INFRASTRUCTURE DEVELOPMENT PLAN AND INVESTMENT PROGRAM OF SELECTED TOWNS

A. Introduction

1. It is apparent that many of the larger towns in Oyo State have developed in a largely unplanned and ad-hoc manner. Local Planning Authorities (LPA) without any 'Development Plan' to work to and little or no legislative powers to guide development, essentially were 'Building Approval' rather than 'Planning' authorities. The lack of a 'Development Plan' or even up-to-date accurate base maps showing the existing situation, and the lack of effective planning powers was exacerbated by the fragmented administration at the local level. There was no formal link between the local government and an area and the Local Planning Authority; water supply is the responsibility of the Water Corporation of Oyo State (WCOS); electricity is the responsibility of the National Electric Power Authority (NEPA); and solid waste management is the responsibility of the State's Environmental Protection Commission (EPC).

2. The above factors together with funding constraints on the part of those responsible for delivery of infrastructure and urban services, have resulted in the haphazard development of areas which are largely unserviced. The Land Use Decree appears to have further worsened the situation with regard to planned and properly serviced development. Development of larger tracts of land in a planned manner by private developers appears to be no longer possible as larger areas of land could be assembled only by the LPA's under the 'Town Planning Schemes'. The LPA's had attempted to demonstrate how development might be more efficiently planned and implemented under these Town Planning Schemes (LPA's can appropriate land with compensation payable only for the crops thereon). However, these schemes have generally been poorly located, inefficient in terms of land use (e.g. large square plots) and largely unserviced. With few exceptions they have been unsuccessful.

3. In summary, Oyo State therefore has sizeable towns (250,000 - 600,000 population) with no coherent planning, and no effective plot delivery/housing programs (public or private). There is overcrowding in the older existing core areas and individual developments taking place in many cases on unsuitable land, such as natural drainage channels, good agricultural land and steep slopes. These developments are both difficult and expensive to service by the responsible delivery agencies and thus, in most cases, have not been provided with services. Owners and occupiers normally fend for themselves with regard to water supply, sanitation and

drainage. Access is predominantly by unsurfaced gravel roads subject to severe erosion in the steeper areas. The existing infrastructure in many of the towns has often not been fully optimized in terms of its use nor has it generally been well maintained.

4. There is clearly a need to begin to address the problems and deficiencies of the secondary towns and to deal with their uncontrolled growth through the preparations of simple 'Structure Plans" and short range 'Integrated Infrastructure Development Plans.' These plans would constitute the framework for formulating infrastructure investment programs, likely to be rolling programs of a 3 year - 5 year time horizon.

5. It might be expected that the 'traditional' master plan (wherever such a plan existed) would assist in a balanced, orderly and economic development of infrastructure. This tends not to be the case. Traditional master plans usually take a long time to produce, and are often out of date when completed, thus failing to respond to the dynamic nature of development. Furthermore, emphasis is usually on land use without sufficient consideration for topography, buried utilities and other constraints. Their most significant shortcoming, is that in most cases, the inability of implementing agencies to fund such physical proposals is not taken into account. Plans are based only on perceived need and traditional standards, i.e. such plans are often totally unrealistic as they disregard the available financial means. Hence it is proposed that simple 'Structure Plans', 'Integrated Infrastructure Development Plans' and 'Infrastructure Investment Programs' be prepared based on reasonable funding projections.

6. To prepare the plans as quickly as possible it is envisaged that the Ministry of Lands, Housing and Surveys State Town Planning Division, and the Town Planning Sections in the various LGs would require the assistance of consultants. (Note: The formerly separate Local Planning Authorities have as of January 1, 1989 been transformed into Town Planning Sections which are part of the LG Council administration). Significant inputs to the exercise would however be necessary not only from the Town Planning Division, but also from local governments, sectoral and utility agencies and community groups within the respective towns. Planners, engineers, financial officers, administrators, social workers, non-governmental organizations and the private sector should all be involved.

7. Key factors in plan development would not only be priority needs, but also implementation capacity of delivery agencies, consideration of the benefits to be gained from discrete plan proposals, and affordability at state government, local government, sectoral agencies and beneficiaries levels. Attention would thus be paid to existing resource mobilization and the scope for its enhancement. This would be of paramount importance for the successful and timely implementation of plan proposals.

8. The structure plans would cover a 5-7 year time frame (to year 1995) and proposals would be prioritized. The assembly and review of on-

going and proposed plans of the various sectoral agencies involved in development would be an important part of plan preparation.

B. Estimates of Inputs Required

1. The preparation of the plans and programs would be an intense exercise taking no more than 6 months of elapsed time and requiring no more than 12-15 person months of professional input from consultants per town. The following disciplines would, inter alia, be necessary: urban planning, municipal engineering, financial analysis/economics, sociology and environmental sciences. A counterpart team from the Town Planning Division, TPS, LG's, with input from sectoral agencies would be necessary to assist the consultants in the plan preparation exercise.

C. Detailed Scope of Work and Tasks--Data Collection, Review and Assessment

1. Base line planning data to be reviewed will include statistics, plans and reports which, with field visits and discussions with the relevant department officials, will determine the existing situation regarding engineering infrastructure, municipal services, housing, commercial and industrial plots delivery; population distribution; projected growth; present and proposed land use; environmental problems; areas of high agricultural potential; natural drainage courses etc., and organization and financial arrangements of delivery of infrastructure, housing and services.

2. Previously prepared, partially completed "Master Plans" and available data, records, maps, etc. for infrastructure system will be reviewed.

3. Field visits to verify data will be carried out where necessary.

4. Plans for ongoing and future development (residential, institutional, commercial and industrial) together with infrastructure proposals will be studied with particular regard to current water supply (raw and treated); augmentation proposals; waste water disposal proposals; major roads and drainage proposals and electrification proposals, as well as natural (topography, geology, etc.) opportunities and constraints.

5. To assist in determining alternatives for water supply, waste water collection and/or disposal, road and drainage routing, the following will be studied: hydrological data, watercourse profiles, areas suitable for irrigation, groundwater recharge, sludge/solid waste disposal areas, soil characteristics, development densities, topography of the various catchment areas of town, and existing land use.

6. For water supply, the existing plan and equipment, collection and distribution networks will be studied, and options for expansion and rehabilitation of the system will be evaluated.

7. To be reviewed and assessed in the light of present economic and financial realities are the existing practices, standards and specifications, historically used in the planning, design, and construction of infrastructure. The provision of services both primary, secondary and tertiary as well as housing, commercial and industrial plot delivery will also be considered.

8. Annual capital expenditures on infrastructure separated by state and local government in the towns will be reviewed as with committed and actual expenditures. Operating costs expended annually over the previous 5 years will also be reviewed. Present cost recovery systems and their efficiency will be examined with emphasis on deterring appropriate improvements thereto.

D. Plan Design and Investment Program Preparation

1. On the basis of the data collected and reviewed and further guided by the population projections, the infrastructure and maintenance requirements for the subsequent 5-7 year period will be assessed with regard to: potable water, waste water generation, electrical supply, telecommunications, housing, commercial and industrial plots, transportation, access and circulation, garbage collection and disposal.

2. Deficiencies and requirements to cope with growth (residential, commercial, and industrial) will be identified and strategies for providing affordable infrastructure and services suggested. Where facilities exist, development plans will, as a first priority, attempt to optimize the use of such facilities through rehabilitation and other suitable means.

3. Technically feasible alternatives for infrastructure and services delivery (water supply, drains and roads) will be developed and reviewed. Where appropriate, evaluation of alternatives will be carried out to determine least-cost solutions. Affordability by LGs, beneficiaries and ratepayers would be an important consideration in the acceptability of proposals put forward. Development of appropriate functional and affordable standards for infrastructure/services would therefore be necessary.

4. A simple Structure Plan map indicating existing and proposed land uses to guide directions of growth would be prepared, and from this staged plan which would provide infrastructure in a balanced and a coordinated manner, would be proposed. The plan would be clearly shown on base maps of appropriate scale.

5. Based on this plan, a suggested investment program appropriately prioritized, costed and phased will be prepared.

6. In addition, for selected priority areas in each town e.g. central districts, major market, etc., detailed local development plans would be prepared to appropriate scale and to a sufficient level of detail

to permit rapid preparation of detailed engineering, bid documents and subsequent implementation.

E. Outputs and Report Requirements

1. An Inception Report setting out the consultants detailed approach and work plan, timing of individual consultants inputs, counterpart requirements would be prepared and submitted within 2 weeks of commencement of the study.

2. A Draft Final Report (30 copies) with the Structure Plan and Integrated Infrastructure Development Plan, would be prepared and submitted within 4 months of commencement of the study. The report would include all necessary text, maps, charts, table diagrams etc. to support the plan recommendations and to respond fully to the scope of work and tasks set out earlier. The recommendations would clearly indicate how 'Structure Plan' proposals for improvements to urban services and infrastructure network expansions would increase the level, efficiency and coverage of infrastructure and services and be of economic, as well as social, benefit to the town. Where appropriate, rates of return calculations would support sub-projects proposed within the plans/investment programs.

3. A detailed Investment Program would be produced (as part of the draft report) for a ten year period. Annual prioritized programs would be presented for the first 5 year period with indicative costs for the subsequent 5 year period of time. Unit costs used in estimating investing program requirements would be clearly shown together with any foreign exchange requirement duties and taxes. Present day costs at the time of plan preparation would be used throughout the investment program. Price contingencies, physical contingencies and other costs would be estimated separately on the annual base costs.

4. The draft report will also make preliminary recommendations for the maintenance arrangements for infrastructure elements to be provided and for assets operations and maintenance costs. These would be considered together with capital costs in arriving at optimum solutions.

5. Following review and comment on the 'Draft Final Report' by relevant Government agencies within one month of submission, a 'Final Report' (30 copies) which would be similar to the Draft Final Report but suitably amended to reflect comments, would be submitted within one month of receipt of such comments (i.e. 6 months after commencement of the study).

AF4IN
October 1989

NIGERIA

OYO STATE URBAN REHABILITATION PROJECT (IDF II)

DETAILED COST TABLES

COMPONENT	TOTAL		
	LOCAL	FOREIGN	TOTAL
		(US$ '000)	
A. INFRASTRUCTURE REHABILITATION (IBADAN)			
Storm Drainage & Flood Control			
Drain Channelisation			
Lower Ogunpa	301	1,208	1,508
Middle Ogunpa	317	1,268	1,585
Mid Ogunpa Sec Drns(Struct.only)	79	314	393
Gogo Stream	228	913	1,141
Upper Ogunpa	389	1,554	1,943
Up Ogunpa Sec Drns(Struct. only)	78	292	365
Yemetu (Struct./Erosion Protctn)	159	635	794
Kudeti Stream	569	2,274	2,843
Ogbere (Bridge only)	76	317	396
Subtotal Channelization	2,192	8,770	10,962
Clearing of Reserves	731	0	731
Drain Rehabilitation	259	777	1,036
Maintenance Equipment	69	1,080	1,149
Design	137	411	548
Supervision	168	285	433
Storm Drnage. & Flood Control Base	3,542	11,323	14,865
Physical Contingencies	521	1,624	2,145
Price Contingencies	892	1,664	2,556
Storm Drnage. & Flood Control Total	4,955	14,611	19,566
Solid Waste Management			
Civil Works			
Office	97	227	324
Workshop	111	334	446
Transfer Station	129	515	644
Landfill Site incl. access road	118	354	471
Compensation	52	0	52
Design and Supervision	30	121	151
Subtotal Civil Works	538	1,550	2,088
Equipment			
Collection Vehicles	56	1,818	1,874
Containers (8 cubic meter skips)	51	203	254
Transfer Trucks	11	341	351
Trailers (60 cubic meter)	16	511	527
Bulldozers	19	613	632
Wheeled Loaders	10	309	319
Misc. Vehicles and Equipment	11	341	351
Cars for Supervisors	5	164	169
Workshop Equipment	14	216	230
Misc. Tools and Equipment	11	101	113
Spare Parts	7	227	234
Procurement Assistance	20	81	101
Subtotal Equipment	230	4,925	5,155
Solid Waste Management Base Cost	767	6,475	7,243
Physical Contingencies	104	752	856
Price Contingencies	156	640	796
Solid Waste Management Total Cost	1,028	7,867	8,895

COMPONENT	TOTAL		
	LOCAL	FOREIGN	TOTAL
		(US$ '000)	
Environmental Rehabilitation			
Landfill Site Rehabilitation	79	79	159
Erosion Control Measures	115	20	136
Design and Supervision	5	19	24
Environmental Rehabilitation Base	199	119	318
Physical Contingencies	20	12	32
Price Contingencies	36	8	44
Environmental Rehabilitation Total	255	139	394
Public Transport Assistance			
Line of Credit (Spare parts)	42	381	424
VIO Equipment	11	74	85
Subtotal Public Transport	53	455	509
Public Transport Assist. Base Cost	53	455	509
Physical Contingencies	5	46	51
Price Contingencies	11	48	59
Public Transport Assist. Total Cost	70	549	619
Community Improvement Program			
MOKOLA			
Access			
Roads Rehabilitation	2	6	8
Distributor Road W 7.3	15	35	50
Access Road Type 1 W 6	51	118	168
Access Road Type 1 W 4	11	25	35
Footpath Type W 1 SD	18	42	60
Footpath Type W 2 SD	12	27	39
Subtotal Access	108	253	361
Drainage			
Storm Sewer	25	57	82
Open Channel Type Lined	111	259	371
Open Channel Type Lined	3	6	9
Culverts Pipe	2	5	7
Ancillary Works	21	50	71
Subtotal Drainage	162	378	539
Water Supply			
200 mm diam. Pipelines	16	64	80
150 mm diam. Pipelines	10	39	49
100 mm diam. Pipelines	5	19	24
Booster Pump Station	18	71	89
Service Reservoir	18	70	88
Subtotal Water Supply	66	264	330
Sanitation			
Public Toilets VIP (20 places)	9	21	30
Electric Supply			
500 Kva Transformer S/S	8	52	60
300 Kva Transformer S/S	2	11	12
11 Kv & 415 v Combined O/H Line	2	12	14
415 v 3 Phase Supply	1	10	11
Rehabilitation	1	6	7
Subtotal Electricity Power Supply	14	91	104

COMPONENT	TOTAL		
	LOCAL	FOREIGN	TOTAL
		(US$ '000)	
Streetlighting			
.6 m Col & Luminaire & Control	5	36	41
.4 x 10 sq.mm Cable	7	49	56
.4 x 6 sq.mm Cable	1	7	9
Kiosks	0	3	3
Subtotal Streetlighting	14	95	109
Telecommunications			
Public Call Boxes	3	21	24
Rehabilitation	0	2	2
Subtotal Telecommunications	3	23	26
Community Facilities			
Dispensary	2	6	8
Police Post	4	9	12
Open Space	1	3	4
Subtotal Community Facilities	7	17	24
Off-site Infrastructure			
Electricity	4	24	28
Land and Compensation			
Land - Community Facilities	8	0	8
Compensation - Comm. Facilities	27	0	27
Subtotal Land and Compensation	35	0	35
Design and Supervision	143	16	159
Mokola Total Base Cost	565	1,181	1,746
Physical Contingencies	76	176	252
Price Contingencies	134	156	290
Mokola Total Cost	775	1,513	2,288
YEMETU			
Access			
Roads Rehabilitation	13	31	44
Distributor Road W 7.3	17	40	58
Access Road Type 1 W 4	35	81	115
Access Road Type 1 W 3	15	35	50
Footpath Type W 2 AC	6	13	19
Footpath Type W 1 S'	15	35	51
Subtotal Access	101	235	336
Drainage			
Storm Sewer	44	103	147
Open Channel Type Lined	79	185	264
Open Channel Type Lined	1	2	3
Open Channel Type Lined	5	12	18
Open Channel Earth	1	2	2
Culverts Pipe	1	2	3
Culverts Box	9	20	29
Subtotal Drainage	140	327	467
Water Supply			
200 mm diam. Pipelines	14	57	71
150 mm diam. Pipelines	15	60	75
100 mm diam. Pipelines	11	44	55
Subtotal Water Supply	40	160	201
Sanitation			
Public Toilets VIP (20 places)	27	63	90

COMPONENT	TOTAL		
	LOCAL	FOREIGN	TOTAL
		(US$ '000)	
Electric Supply			
500 Kva Transformer S/S	12	78	90
11 Kv & 415 v Combined O/H Line	4	28	32
415 v 3 Phase Supply	7	44	50
Rehabilitation	2	11	12
Subtotal Electricity Power Supply	24	161	185
Streetlighting			
.8 m Col & 250w Luminaire Compl.	1	8	10
.8 m Col & 125w Luminaire Compl.	1	10	11
.6 m Col & 125w Luminaire Compl.	2	12	13
4 x 10 sq.mm Cable	1	7	8
4 x 6 sq.mm Cable	7	46	52
Kiosks	0	3	3
Subtotal Streetlighting	13	85	98
Telecommunications			
Public Call Boxes	4	29	33
Aerial Cable & Poles	2	13	15
Rehabilitation	0	3	3
Subtotal Telecommunications	7	45	52
Community Facilities			
Dispensary	2	6	8
Post Office	3	7	10
Community Center	2	4	6
Open Space	5	11	16
Subtotal Community Facilities	12	28	41
Off-site Infrastructure			
Electricity	13	14	28
New Serviced Plots (100)	30	32	62
Subtotal Off-site Infrastructure	43	47	90
Land and Compensation			
Land	18	0	18
Building Compensation	63	0	63
Subtotal Land and Buildings	80	0	80
Design and Supervision	140	16	156
Yematu Total Base Cost	628	1,167	1,795
Physical Contingencies	88	174	257
Price Contingencies	145	154	300
Yematu Total Cost	858	1,496	2,352
AGUGU			
Access			
Distributor Road W 7.3	25	59	84
Access Road Type 1 W 4	51	119	170
Access Road Type 2 W 3	12	29	41
Footpath Type W 2 AC	6	14	20
Footpath Type W 1 SD	17	40	57
Footpath Type W 2 SD	2	4	6
Subtotal Access	113	265	378

COMPONENT	TOTAL		
	LOCAL	FOREIGN	TOTAL
		(US$ '000)	
Drainage			
Storm Sewer	35	83	118
Open Channel Type Lined	94	219	312
Open Channel Type Lined	6	13	19
Open Channel Earth	1	2	3
Culverts Pipe	2	5	8
Culverts Box	15	34	48
Subtotal Drainage	152	355	508
Water Supply			
200 mm diam. Pipelines	27	109	136
150 mm diam. Pipelines	22	86	108
100 mm diam. Pipelines	15	61	76
Booster Pump Station	13	53	66
Subtotal Water Supply	77	308	386
Sanitation			
Public Toilets VIP (20 places)	27	63	90
Electric Supply			
500 Kva Transformer S/S	10	65	75
11 Kv & 415 v Combined O/H Line	3	18	21
415 v 3 Phase Supply	9	59	67
Rehabilitation	1	7	8
Subtotal Electricity Power Supply	22	149	171
Streetlighting			
8 m Col & 250w Luminaire Compl.	2	15	17
8 m Col & 125w Luminaire Compl.	1	5	6
6 m Col & 125w Luminaire Compl.	2	16	19
4 x 10 sq.mm Cable	1	9	10
4 x 6 sq.mm Cable	8	53	61
Kiosks	0	3	3
Subtotal Streetlighting	15	100	115
Telecommunications			
Public Call Boxes	3	23	26
Aerial Cable & Poles	4	24	27
Ancillary Works	0	3	3
Subtotal Telecommunications	7	50	57
Community Facilities			
Health Clinic	8	18	25
Post Office	3	7	10
Fire Station	6	14	20
Open Space	2	4	6
Subtotal Community Facilities	19	43	62
Off-site Infrastructure			
Electricity	4	24	28
New Serviced Plots (25)	21	48	69
Subtotal Off-site Infrastructure	24	72	96
Land and Compensation			
Land	11	0	11
Building Compensation	101	0	101
Subtotal Land and Buildings	113	0	113

COMPONENT	TOTAL LOCAL	TOTAL FOREIGN	TOTAL
		(US$ '000)	
Design and Supervision	168	19	186
Agugu Total Base Cost	736	1,424	2,162
Physical Contingencies	97	213	309
Price Contingencies	169	188	357
Agugu Total Cost	1,008	1,825	2,828
Community Improvement Program Base	1,980	3,772	5,702
Physical Contingencies	258	561	819
Price contingencies	448	490	947
Community Improvement Program Total	2,684	4,824	7,468
INFRASTRUCTURE REHAB. (IBADAN) BASE COST	6,498	22,144	28,686
PHYSICAL CONTINGENCIES	906	2,996	3,902
PRICE CONTINGENCIES	1,548	2,859	4,408
INFRASTRUCTURE REHAB. (IBADAN) TOTAL COST	8,942	27,999	36,941
B. PRIORITY TOWNS and OTHER LGAs			
Future Subprojects	3,168	13,957	17,125
PRIORITY TOWNS BASE COST	3,168	13,957	17,125
PHYSICAL CONTINGENCIES	380	1,675	2,055
PRICE CONTINGENCIES	809	1,930	2,739
PRIORITY TOWNS TOTAL COST	4,357	17,562	21,919
C. REVENUE ENHANCEMENT & INST.STRENGTHNG.			
Project Coordination - PCU Support			
Long and short-term T.A.	34	136	169
Training	15	59	74
Public Education and Information	18	8	25
Vehicles and equipment	3	65	69
Subtotal Proj. Coord. - PCU Support	70	268	337
Min. of Finance & Ec. Planning			
Civil Service Training School			
Equipment	0	5	5
Vehicle	1	23	25
Internal Revenue			
Tech. Assistance	27	109	137
Training	33	14	48
Equipment	2	33	35
Vehicles	13	249	262
Subtot. Min. of Finance & Ec. Plnng	77	433	510
Department of Local Government (DLG)			
Loc.Govt. Coord. and Monitoring			
Rating Coordination and Training	39	157	197
LG Development Assistance	25	98	123
Equipment and Vehicles	3	56	59
Subtotal Department of Local Govment	67	312	379

COMPONENT	TOTAL		
	LOCAL	FOREIGN	TOTAL
		(US$ '000)	
Ibadan Municipal Government (IMG)			
Operat. & Admin. Imprv. (Twinning)			
Long-term T.A.	30	198	228
Short-term T.A.	12	83	95
Training	36	146	182
Equipment	10	66	76
Rating and Valuation			
Valuation (Ibadan)	317	212	529
T.A.	22	87	109
Training (Local)	30	13	43
Equipment	2	47	49
Vehicles	6	113	119
Collection			
T.A.	6	40	46
Training	8	3	11
Equipment	2	33	35
Vehicles	5	94	99
Subtotal Ibadan Municipal Gvmt.(IMG)	486	1,133	1,620
Min.of Lands,Housing & Surv.(MLHS)			
Multi-purpose L.I.S.			
Feasibility Pilot Study	18	119	137
Data Verification/Augmentation	46	182	228
Mapping (Ibadan)	71	1,351	1,422
T.A.	27	178	205
Training	15	99	114
Equipment and Software	14	263	277
Vehicles	1	29	30
Town Planning Division			
Plnng. Legislat.& Pract. Study	16	66	82
T.A. (Planning Coordination)	22	87	109
Structure & Investment Plans	59	236	295
Subtotal Min.Lnds.,Housing&Surv.(MLHS)	288	2,610	2,898
Environmental Protection Commission (EPC)			
Storm Drainage and Flood Control			
Maintenance Assistance	44	176	219
Solid Waste Management			
Operations Assistance	72	480	552
Training	21	86	106
Pilot Studies:Recyc/Compst/Treat	34	136	169
Environmental Management			
T.A.	18	119	137
Equipment (Educ.)	2	42	44
Vehicles	1	28	30
Subtotal Env.Protectn.Commissn.(EPC)	192	1,064	1,256
Ministry of Works and Transp.(MWT)			
Traffic and Transport Unit			
T.A.	30	120	150
Transport Planning Study	11	54	65
Highways (Maintenance)			
Maintenance T.A.	36	146	182
Maintenance Study	16	77	93
Subtotal Min. Works and Transp.(MWT)	93	397	490
REVENUE ENHANC.& INST.STRENGTH. BASE COST	1,278	6,217	7,490
PHYSICAL CONTINGENCIES	127	622	749
PRICE CONTINGENCIES	242	501	747
REVENUE ENHANC.& INST.STRENGTH.TOTAL COST	1,647	7,340	8,987

COMPONENT	TOTAL		
	LOCAL	FOREIGN	TOTAL
		(US$ '000)	
D. FMWH SUPPORT			
Trg.of HQs(Infrst.select.;Apprâ Spn)	6	26	32
Consultants for Proj.Perfrmnce.Audit	13	51	64
Trg.:FMWH staff(evaluat.of Inf.Proj)	13	51	64
Studies to prepare Future Projects	103	423	526
Vehicles and Equipment	3	65	69
FMWH SUPPORT BASE COST	141	616	757
PHYSICAL CONTINGENCIES	14	62	76
PRICE CONTINGENCIES	33	71	104
FMWH SUPPORT TOTAL COST	188	748	936
OYO STATE URBAN REHAB PROJECT BASE COST	11,076	42,924	54,000
PHYSICAL CONTINGENCIES	1,427	5,365	6,792
PRICE CONTINGENCIES	2,681	5,361	7,992
OYO STATE URBAN REHAB PROJECT TOTAL COST	15,184	53,649	68,784

NIGERIA

OYO STATE URBAN PROJECT (IDF II)

Procurement Arrangements

(US$ '000)

Project Category / Element	Number of Packages	Agency Responsible	Procurement Methods: ICB	LCB	Internat. Shppng.	Local Shppng.	Other	Total
Civil Works								
Drainage Works	5	EPC	14,578 (11,450)	1,393 (1,021)				15,972 (12,471)
Solid Waste Facilities	3	EPC		2,758 (1,892)				2,758 (1,892)
CIP	3	IMPA		6,528 (4,774)				6,528 (4,774)
Priority Towns	12	LPA/LGAS	8,788 (7,025)	8,788 (7,025)				17,576 (14,050)
Equipment								
Drain Maintenance	2	EPC	1,384 (1,294)					1,384 (1,294)
Solid Waste Mangement	2	EPC	5,984 (5,068)					5,984 (5,068)
Spare Parts (Public Transport)	2	PMB(MWT)					519 (463)	519 (463)
Computers and Office Equipment	Sundry	PCU	332 (314)		583 (504)	292 (252)		1,207 (1,070)
Vehicles	4	PCU	506 (482)		798 (681)	398 (340)		1,694 (1,503)
Services								
Design and Supervision	5	EPC, MWT, IMPA					3,971 (1,515)	3,971 (1,515)
Technical Assistance	Sundry	EPC, MWT, PCU					3,940 (1,514)	3,940 (1,514)
Studies	6	PCU					1,940 (1,002)	1,940 (1,002)
Training	Sundry	PCU					1,758 (1,001)	1,758 (1,001)
Mapping	1	MLHS	1,884 (1,574)					1,884 (1,574)
Property Valuation	6	IMG		666 (249)				666 (249)
Land and Compensation	Sundry	IMPA, EPC					1,328 (0)	1,328 (0)
Total Procurement Values			33,185 (27,800)	20,108 (14,980)	1,376 (1,185)	688 (503)	13,451 (5,496)	68,788 (50,033)

Note: Figures in parentheses are the respective amounts financed by IBRD.

NIGERIA

OYO STATE URBAN PROJECT (IDF II)

Disbursement Schedule a/

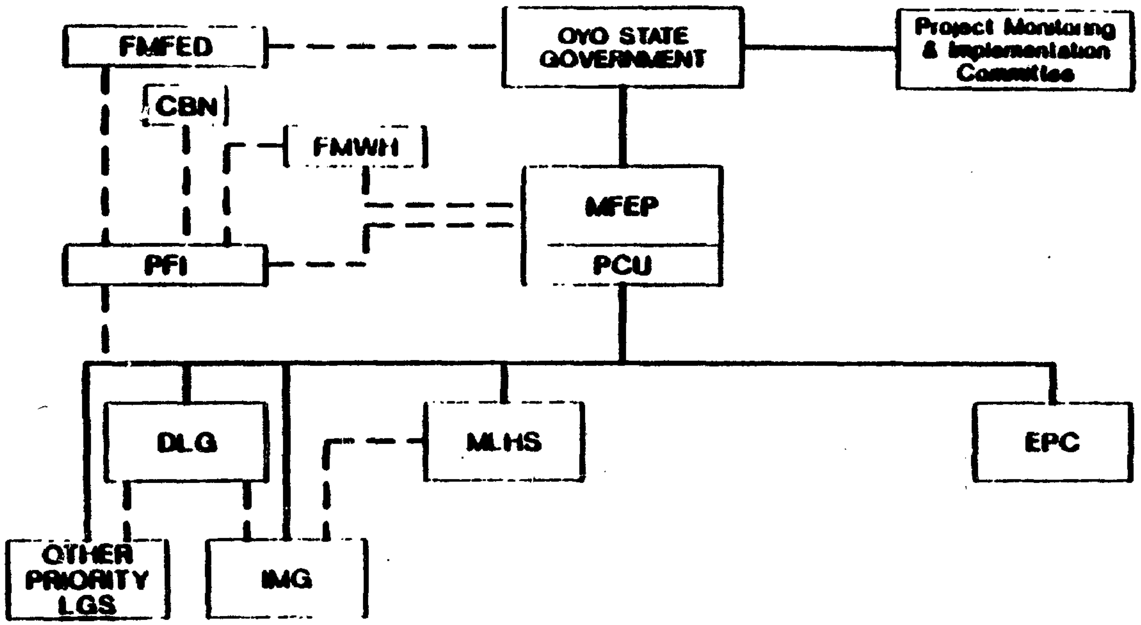
Cumulative Disbursements

(US$ million)

Quarter Ending	Appraisal Estimate	Appr. Estimate %
FY90		
March	0.0	0.0%
June	0.0	0.0%
FY91		
September	0.4	0.8%
December	1.0	2.0%
March	2.3	4.6%
June	5.0	10.0%
FY92		
September	8.5	17.0%
December	12.2	24.4%
March	15.4	30.8%
June	18.6	37.2%
FY93		
September	21.8	43.6%
December	24.8	49.6%
March	27.8	55.6%
June	30.6	61.2%
FY94		
September	33.2	66.4%
December	35.8	71.6%
March	38.1	76.1%
June	40.1	80.1%
FY95		
September	42.1	84.1%
December	43.6	87.1%
March	44.8	89.5%
June	46.0	91.9%
FY96		
September	47.2	94.3%
December	48.2	96.3%
March	49.2	98.3%
June	50.0	100.0%

a/ Loan effectiveness is assumed in November 1990

NIGERIA
OYO STATE URBAN PROJECT
Implementation Arrangements



PROJECT COMPONENTS

- Community Improvements
- Revenue Enhancement
- Inst. Strengthening
- Municipal Maintenance
- Infrastructure Rehab
- Mapping & GIS
- Physical Planning
- Compensation & Resettlement
- Storm Drainage & Flood Control
- Solid Waste Disposal
- Environmental Management

(FMFED) - Fed Ministry of Finance & Economic Development
(CBN) - Central Bank of Nigeria
(FMWH) - Fed Ministry of works & Housing
(PFI) - Participating Financial Institution
(MFEP) - Oyo State Ministry of finance & Ec Planning
(DLG) - Department of Local Government
(MLHS) - Min of Lands, Housing & Survey
(EPC) - Environmental Protection Commission
(IMG) - Ibadan Municipal Government
(LG) - Local Government

Annex 3-4
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NIGERIA

OYO STATE URBAN PROJECT

Implementation Schedule

	90	91	92	93	94	95	96
A. Infrastructure Rehab. (Ibadan)							
Storm Drainage & Flood Control							
Drain Channelisation	DDDT	ACCC	CCCC	CCCC	CCCC	CC	
Drain Rehabilitation		CCC	CCCC	CCCC	CCCC	CCCC	
Maintenance Equipment		DDTA	EEE				
Solid Waste Management							
Civil Works	DDDT	ACCC	CCCC	CCCC			
Equipment		DDTA	EEE				
Environmental Rehabilitation		DD	DTAC	CCCC	CCCC		
Community Improvement Program							
Mokola	DDTA	CCCC	CCCC	CC			
Yemetu	DDD	TACC	CCCC	CCCC			
Agugu	DD	DTAC	CCCC	CCCC			
B. Priority Towns Subprojects		DDDD	TTAA	CCCC	CCCC	CCCC	CC
C. Revenue Enhancement & Inst. Strengthng.							
Internal Revenue T.A.		EE	EEEE	EEEE	EE		
Rating & Valuation	DD	TAEE	EEE	EEE	EE		
IMG Operat. & Admin. Support	EEE	EEEE	EEEE	EEEE	EE		
Ibadan Structure Plan		EEEE	EEEE				
Ibadan Mapping (LIS)	D	DDT	AEEE	EEEE			
EPC Op. & Maint. Assistance	EEEE	EEEE	EEEE	EEEE			
Environmental Pilot Studies			EEEE	EE			
Transport Planning Study			EEEE	E			
Maintenance Study		EEE	EE				
D. FMWH Support							
Staff & MB Training		EEEE	EEEE	EEEE	EE		
Project Preparation Studies		EE	EEEE	EEEE	EE		

AAAA Award
CCCC Construction
DDDD Design
EEEE Execution
TTTT Tender Call

FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT (IDF II)

OYO STATE ENVIRONMENTAL PROTECTION COMMISSION

Schedule of Functions and Objectives

(1) Responsibility for formulating and enforcing policies, statutory rules and regulations on waste collection and disposal, general environmental protection, control and regulation of the ecological system and all activities related thereto.

(2) Co-ordinating the activities of all agencies in Oyo State connected with environmental and ecological matters.

(3) Conducts public enlightenment campaigns and disseminates vital information on environmental and ecological matters.

(4) Renders advisory services and support to all Local Governments in the State in areas of flood control, solid waste management, ecological and sanitation matters.

(5) Responsibility for measures to guarantee consistent effectiveness of environmental structures throughout the state for flood control, solid waste collection and disposal, and general sanitation.

(6) Preparation of master plan for drainage, solid and liquid wastes, and general aesthetics.

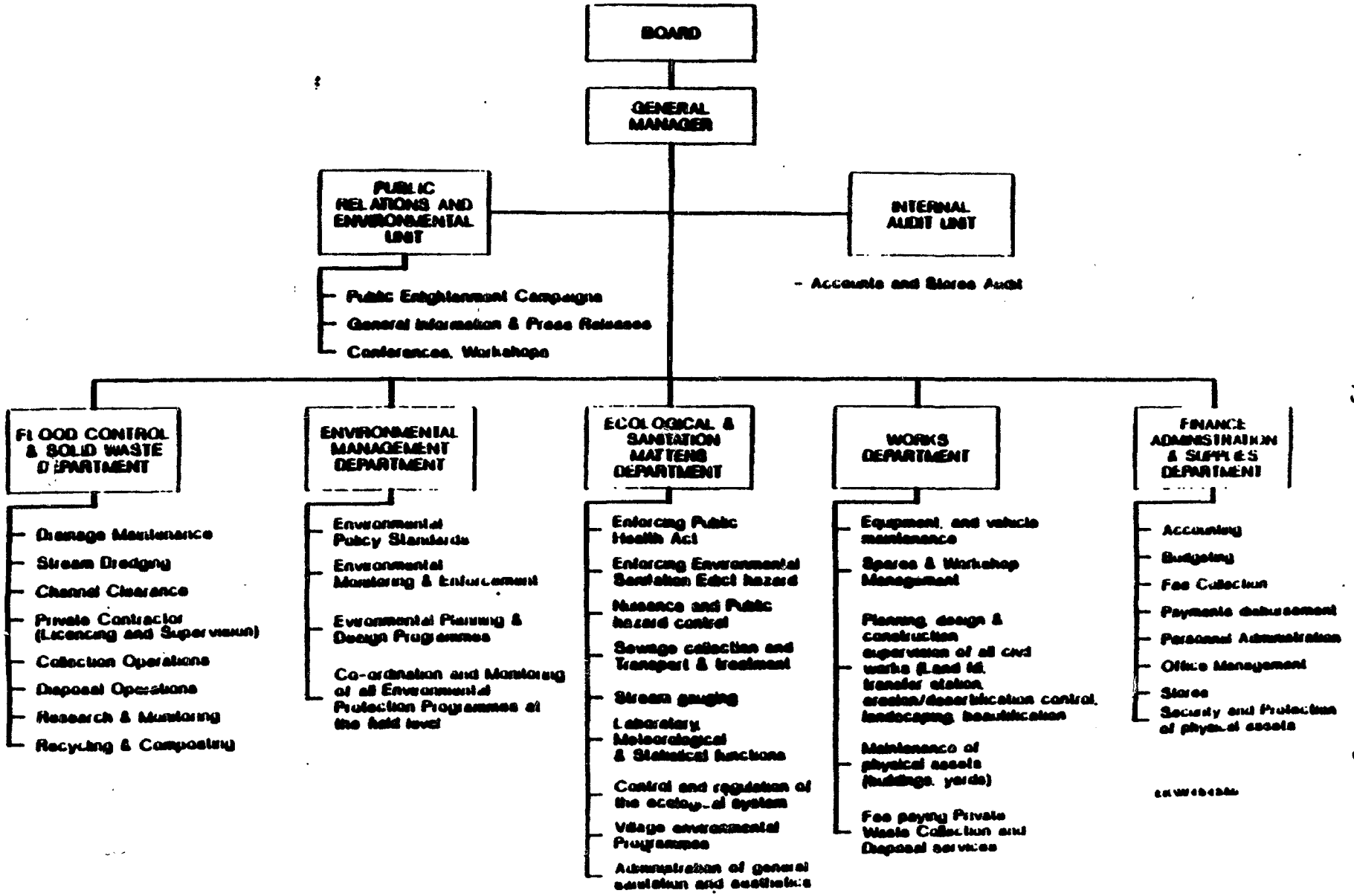
(7) Monitoring of sources of toxic pollution in air, land and water and offering of necessary advice to industrial establishments.

(8) To mobilize the inhabitants of all areas in the State for effective observance of environmental rules and guidelines for purpose of healthy and safe environment.

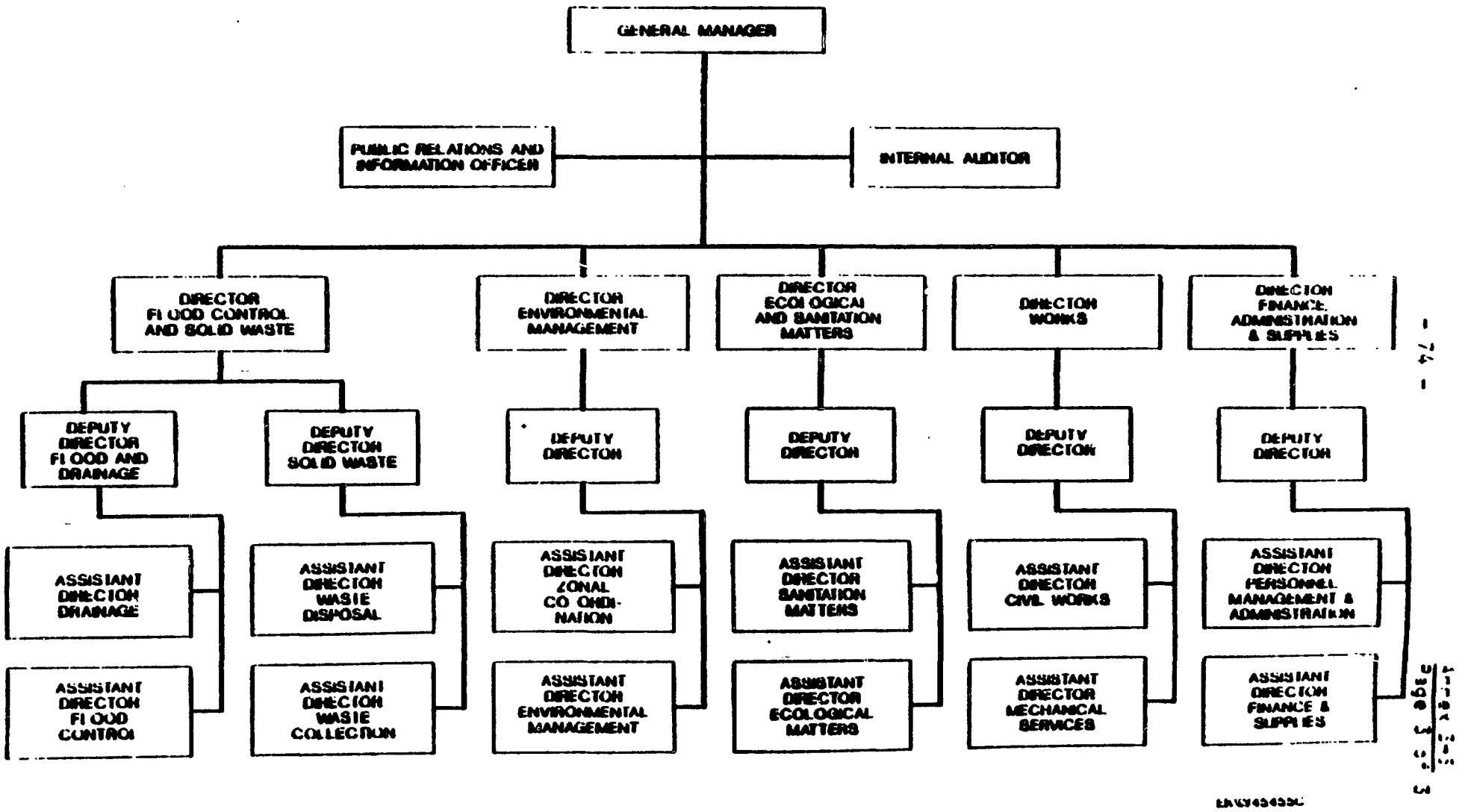
(9) To initiate measures to ensure pollution-free air, land and water throughout the State including any other steps to obviate, mitigate or eliminate environmental discomfort to individuals or groups, or danger to lives and properties.

(10) To carry out administrative, supervision and establishment duties with a view to ensuring good financial management and administration of the Commission in line with Government policies.

NIGERIA
OYO STATE URBAN PROJECT
OYO STATE ENVIRONMENTAL PROTECTION COMMISSION
ORGANIZATION STRUCTURE



NIGERIA
OYO STATE URBAN PROJECT
OYO STATE ENVIRONMENTAL PROTECTION COMMISSION
Key Staff Positions



FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT (IDF II)

ORGANIZATION, FINANCE AND PERFORMANCE OF PARTICIPATING FINANCIAL INTERMEDIARIES (PFIs)

A. THE FINANCIAL SECTOR SETTING

1. Nigeria has a relatively well-developed and diversified financial sector, comprising the Central Bank and about 89 commercial and merchant banks (with over 1,833 branches throughout the country), several insurance companies, several pension funds and a provident fund, leasing companies and saving banks, two stock exchanges, three major public development finance institutions and a public mortgage bank and some twenty regional development finance companies. Since 1977, following the promulgation of the Nigerian Enterprises Promotion Decree, all banking institutions in the country are required to be at least 60% owned by Nigerians. Most of the leading commercial and merchant banks have significant foreign minority ownership, ranging from 20 to 40%.

2. The Central Bank embodies the monetary authority in the country and as such, is the lender of last resort to the banking system. It also manages foreign exchange reserves and payments. Commercial Banks predominate in the financial system in terms of total asset holdings, accounting for about 74 percent of assets held between commercial and merchant banks. Merchant banks, however, have been gaining very rapidly both in terms of numbers of banks and of total assets. Merchant banks concentrate exclusively on corporate and institutional clients and serve a role as wholesale banks while providing a wide range of investment and commercial banking services.

3. Despite this relatively sophisticated institutional framework, a high degree of Government regulation and control has in the past retarded the full development of the financial sector and limited its allocative efficiency. The result has been the evolution of a relatively rigid and compartmentalized credit system with limited market determination of the terms and conditions of financial intermediation. The financial sector has been subjected to a complex system of controls by the Central Bank of Nigeria (CBN) regarding the sectoral allocation of loans and their maturities, and to low legal limits on nominal interest rates for both borrowers and savers. In general, as inflation increased, traditional deposit and lending instruments of the banking sector have been limited by low nominal interest rate ceiling which, until recently, did not permit the adjustments necessary to ensure positive yields in real terms.

4. In October 1986, the CBN began to liberalize the interest rate policy; time deposits were allowed to be negotiated between banks and borrowers, the maximum lending rate was increased by two points to 15% and the differential between preferred and nonpreferred sectors was eliminated. In August 1987 the Government eliminated all ceiling on lending and deposit rates, and the discount and treasury bill rates were increased by 4 percentage points from 11% to 15% and from 10% to 14%, respectively. The discount rates, however, were reduced in December 1987 by 2.25 percentage points, to stimulate growth in the economy. While the rate of inflation was less than 10% in 1987, it was 38.3% in 1988. This situation continued--and even worsened--until mid-1989 when the CBN sharply tightened credit (see below). The result was a jump in interest rates and a reduction in inflationary pressures. Indeed, after rising by 35% in the first 6 months of 1989, prices fell by 9% in the following 4 months. With lending rates in the 30 percent range and deposit rates in the 20 percent range, real interest rates are now positive. Late last year the CBN introduced a treasury bill auction. Interest rates on that market have averaged 17 percent and the discount rate has been set at 18 percent.

5. The main restriction to the activities of commercial and merchant banks is now through annual ceilings on the expansion of loans and advances, and sectoral credit allocations criteria which specify minimum percentages of the portfolio for certain sectors. The credit ceilings on the growth of the bank's credit to the private sector was raised from 7.4% to 12.5% in January 1988 to assist in stimulating the economy, and was lowered to 10% in 1989 as a result of an increase in the inflation rate. For 1990, the aggregate credit ceiling was again increased to 12.5% but the ceiling now applied to all types of credits, not just loans and advances.

6. During 1989 the CBN applied a series of stringent measures to restrict the credit expansion beyond the regulated ceilings. The first measure taken in May 1989, involved the abolition of offshore guarantees of Naira-denominated loans. Unless borrowers were able to provide alternative local guarantees the loans were recalled. The second measure taken in June 1989, involved the transfer of Government (Federal, State and parastatal) deposits from the commercial and merchant banks to the CBN. The result of this measure was to pull out over 10% of the total assets of the banking system (roughly ₦8 billion out of ₦80 billion) and obviously a higher percentage of the deposit base. The result was that several banks became illiquid and have overdrawn by large margins in their CBN accounts. How many of these banks will become insolvent is still open to question. The end result was to boost both deposit and lending rates; however, interest rates are still negative 1/.

7. Nevertheless, the most important structural problem facing the banking system is its lack of stability, resulting from the readjustments taking place in the economy under the Government's Structural Adjustment

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1/ Interest rates on savings account and certificates of deposits now range from 13% to 20% and lending rates range from 22% to 28%. Also Banks are now required to pay interest on current accounts.

Program. As a result, banks are faced with potentially high arrears, and CBN is not strictly enforcing their power to request additional provisioning for doubtful loans. In this context, the capital adequacy of banks is critical. Commercial banks and to a lesser extent merchant banks, have in the past, been highly leveraged, and there is a need to subject the banks to stronger regulatory pressure to classify their portfolios properly, work out their non-performing assets, make up the provision shortfall, and strengthen their capital base.

B. BANKS' ORGANIZATION, STAFFING AND PROCEDURES

8. The five Nigerian merchant banks 2/ already selected to participate in the IDF project would be eligible to participate under the proposed project. Four of the banks have continued to demonstrate their financial strength, technical capacity and interest in participation. ICON has in the past also demonstrated these attributes, but the recent CBN measures to restrict credit expansion has revealed some weaknesses in ICON's liquidity management and portfolio. ICON's continued participation will depend on the outcome of a more detailed assessment of ICON's recent financial status which is currently underway. Together, these five banks account for about 70% of the assets held by Merchant Banks in Nigeria, and three of the above selected banks are associated with prominent international banks. The ownership, organization and staffing, operations and procedures of the banks and their financial structure and performance are analyzed and described below. In addition, several commercial and merchant banks have expressed their interest in participating in the project and will very likely participate once their eligibility is confirmed 3/. Some preliminary financial information is also included and a detailed analysis of their management, organization and finance is still underway.

9. Ownership. Nigerian banking institutions are required by law to be at least 60% Nigerian owned, and the five participating banks conform to this ruling. In the case of three of the banks (CMB, IMB and NMB) this 60% shareholding has been retained directly by the Federal Government through the Ministry of Finance Incorporated (MOFI), a wholly-owned subsidiary of the Federal Ministry of Finance. MOFI, in addition, continues to retain a 20% share holding with NAL. Nigerian parastatals are also figuring prominently in the ownership structure of the banks, with Nigeria Industrial Development Bank (NIDB) owning 45% of the shares of ICON, and the National Insurance Corporation of Nigeria (NICON) owning 15% and 25% of ICON and NAL, respectively.

2/ NAL, ICON, International (IMB), Continental (CMB), and Nigerian (NMB) Merchant Banks.

3/ Nigeria International Bank (NIB, a Citicorp affiliate); Grindlays Merchant Bank, Chartered Bank Ltd. and Merchant Bank of Africa (an affiliate of Bank of America).

10. Three of the five banks (NAL, IMB and CMB) have had strong foreign banking participation. American Express and Credit Lyonnais together own 28.6% of NAL while First National Bank of Chicago and Chase Manhattan Overseas Banking own 40%, respectively, of IMB and CMB. Until 1985, Morgan Guarantee and Baring Brothers together held 40% of the shares in ICON, however, they decided to relinquish these holdings several years ago. ICON is still seeking a foreign banking partner, although Morgan and Baring Brothers continue to provide them with correspondent banking services. NMB is unique among the five banks since it does not have any direct foreign banking participation, and is not planning to have any in the near future; however, this does not appear to have limited their operations.

11. The active participation of the above mentioned foreign banks in the ownership and operations of the Nigerian banks has added greatly to the range and depth of experience, skills and services available, as well as provided a sense of stability and confidence to the banking sector. Contrary to what might have been expected because of their importance in the banking sector and their specific financial business with the parastatal enterprises, the banks have been largely free of Government intervention in their lending and syndicating operations, as well as in the management of their portfolios. Merchant banks can now make equity investment operations, which by regulation is limited to no more than 10% of its capital in a single company. The total of the equity shareholding cannot exceed 1/3 of the merchant banks capital. In fact, banks compete intensely among themselves, for savings, letters of credit, syndications and borrowers, and with the development banks for long-term projects. Basically, the difference between merchant and commercial banks consist of business size. The merchant banks are primarily in wholesale financial activities (dealing with relatively large corporate, parastatal and Government clients) while the commercial banks also handle retail banking business, which means providing services to individuals. The merchant banks operate strictly on the basis of commercial criteria and have developed the reputation of being among the most profitable, effective and efficiently run organizations in Nigeria. The following table summarizes the ownership structure of the five eligible banks selected as PFIs; also indicated is the size of their assets and staffing. Preliminary data is also included for Merchant Bank of Africa (MBA) and Nigeria International Bank (NIB) (a commercial bank); Grindlays Merchant Bank and Chartered Bank (a merchant bank); their eligibility as PFIs is pending detailed appraisal of their management, organization, operations and finances.

TABLE 1
OWNERSHIP STRUCTURE OF THE PFIs

PFI	Year 4/	Total Assets (₦ mil)	Staff 5/	Shareholding	
				Local	Foreign
NAL	1960	1,504 b/	407	20%-MOFI 25%-NICON 10%-New Nigeria Dev. Co. 6.4%-NAL Staff	26%-American Expr. 10%-John Holt Group 2.6%-Credit Lyonnais
ICON	1974	2,389 a/	604	45%-NIDB 15%-NICON 5%-Staff (Reserved)	35%-(Reserved for Foreign Partner)
IMB	1974	1,868 a/	586	60%-MOFI	40%-First National City Bank/Chicago
CIB	1975	1,678 a/	661	60%-MOFI	40%-Chase Manhattan Overseas Banking
NMB	1979	1,540 b/	331	60%-MOFI 40%-United Bank for Africa (UBA)	None (UBA is in turn owned 40% by Banque Nationale de Paris)
MBA c/	1982	850 a/	N/A	55%-private 5%-MOFI	40% Bank Of America
NIB c/	1984	1,604 a/	N/A	60%-private Nigerian	40% Citicorp
Grindlay c/	1984	339 a/	bb	60%-private (none more than 5% of shares)	40% ANZ Banking group
Chartered c/	1988 (Nov. 1989)	207 a/	N/A	100%-private (none more than 5% of shares)	

a/ 31/12/88
b/ 31/03/89
c/ For MBA and NIB, Grindlay and Chartered appraisal is pending and are not yet PFIs.

4/ Formation Year.

5/ July, 1989

12. Organization and Staffing. The five eligible PFIs are all fairly similar in their organizational structure and staffing, reflecting the similarities in their operations. They are generally organized into three main sectors (corporate banking, corporate finance and management services), within which there are specialized divisions (credit and marketing, trade and correspondent banking, operations, securities, corporate affairs, finance and administration, etc). While the reporting relationships differ somewhat among the banks, the basic organizational elements are quite similar. The main sectors are usually headed by a general manager, and the divisions by an assistant general manager. During the appraisal mission it was confirmed that most of the five PFIs for the Project start up phase have already organized and are operating Special Units within their respective Corporate Finance Divisions, and through them most financial intermediation operations are being handled. The creation of these Special Units represents an important achievement for both the IDF Project and for the proposed Project. The selected PFIs' new Units are in fact development finance windows of the PFIs. At present their main operation is channelling the World Bank's various lines of credit. Each Special Unit is headed by a well qualified officer who is directly assisted by at least three professionals and two support personnel. For these Units, specialist staff and occasional short-term consultants have been assigned to manage all the development projects as well as to improve their capacity to deal with the intricacies of state finances and become familiar with urban infrastructure sectoral issues. Nevertheless, it is necessary to strengthen the installed capacity of these Units by hiring additional professionals (as required) with background in areas related to the sector objectives, since there is a lack of personnel with training in this area. It is expected that under the Project's technical assistance component the PFIs would be assisted in strengthening their technical skill in subprojects preparation, evaluation and supervision. For specific technical aspects of the project, consultants would be hired, as needed. The Special Units' functions cover a wide range of activities starting from promotion and advisory services to subproject preparation, evaluation, and supervision. The Special Units will be assisted by other PFIs' divisions particularly by the Marketing and Credit Divisions.

13. Currently, ICON is in the process of making some adjustments to its institutional framework, and the new scheme will be presented to its Board of Directors in the near future for approval. The following table presents the geographic distribution of the PFI's branches:

TABLE 2

SELECTED PFIs BRANCHES 6/

	NAL	ICON	IMB	CONTINENTAL	NMB
Branches:	Kaduna Kano Owerri Ibadan	Kaduna Kano Calabar Benin Abuja	Kano Kano P-Harcourt Aba	Kaduna Jos Kaduna Port Harcourt Onitsha	P-Harcourt
Headquart:	Lagos	Lagos	Lagos	Lagos	Lagos
Total:	5	6	6	6	3

14. The decisions for subproject financing approvals are centralized in Lagos Headquarters, but for subproject preparation and supervision activities the Special Units would be supported by the above 20 branch offices, which would also carry out initial promotional activities. The three largest banks average just over 600 staff. The professional staff in all the banks are strong in financial and accounting skills but lack many of the technical skills that would be directly relevant to urban infrastructure subproject lending. In spite of this significant gap, the general caliber of the staff is impressive, particularly at the middle and senior management levels (project officer, assistant manager and upwards). Typical of the banks as a group, more than half of staff is at the level of deputy manager and above possessing masters degrees or equivalent in finance, accounting or marketing, and the rest possessing bachelor's of equivalent degrees in disciplines relevant to banking.

15. Some banks are clearly stronger than others in specific subject areas, however, none is considered significantly better organized or more strongly staffed than the others. In general, they are all well run and capably staffed. The typical middle and senior level managers have had 10 years experience in the banking sector. As a result of the rapid proliferation of banks in the past two years, all PFIs have lost some high quality staff to newly established banks, but have managed to fill the vacancies left from within without too much difficulty, as many competent staff remains. Nevertheless, the staffing status will need to be closely monitored. In the future some of the newly established institutions may be considered as future PFIs given the tested management some have recruited.

16. Operations and Procedures. While the banks offer a wide range of services to their clients, the Bank appraisal mission focussed most specifically on syndications and project lending, these areas being most relevant to the project. The operations and procedures of the banks are, again, quite similar. In general, they attempt to spread their risks by

6/ At June, 1989

syndicating their larger loans. But given both the size of the PFIs and the average cost of the proposed priority towns subprojects ($1-2.5 million), the syndicating of loans may not be necessary. The procedures for loan syndication are well established, regulated and supervised by CBN. Though not regulated by CBN, the procedures for project lending and supervision are fairly standardized, well developed and documented in the operations manuals of each of the banks.

17. The banks have the capacity to evaluate as well as to advise on the technical and financial viability of the projects, and in most cases project lending involves both operations. Existing project lending is concentrated in the manufacturing (46.3% average for the five PFIs) the real estate and construction (10% average) and more recently the agriculture, forestry and fishing (14% average) sectors. Two types of projects are typical. In the usual industrial project the banks rely on the participation of a strong technical partner, and the operational procedures focus on the financial viability of the project. This is especially the case where proprietary technology is being provided by the technical partner. In most such cases, however, the bank spot-checks equipment specifications and prices, and seeks comparisons with similar projects. The experience of foreign banking partners has proven particularly helpful in this regard as international price comparisons can be quickly and easily checked by telex with foreign branch offices and corporate headquarters. In cases where the technical partner is found to be weak, the banks assist the client to identify a suitable technical partner or to retain appropriate consultants.

18. In both of the above cases, banks are willing to supply consulting advice in the areas of marketing and finance--the areas in which they are well endowed with staff resources. Most clients require advice and assistance with project preparation, and the banks have offered this consulting service, seeing it as a growing and lucrative source of revenue. Over the years, particular bank officers have developed a familiarity with certain sectors and types of projects and this has, to some extent, compensated for the lack of engineering expertise.

19. Because of the variability of the quality of project preparation done by the banks' clients and the consequent variability in the extent of consulting assistance required, it is difficult to generalize about the loan appraisal period. However, where adequate preparatory work has been undertaken by the client, the technical partner is strong and legal and collateral requirements are not overly complex, loan appraisal and processing can be completed within a six month period. The typical appraisal consists of thorough (and standardized) analyses of recent and projected performance based on assessments of balance sheets, income statements and cash flow projections. Audited financial statements for the past three years of operation are normally required. Based on the above, a standardized set of ratios is derived, assessing project profitability, liquidity, asset utilization, capital structure and degree of risk. These quantitative indicators are supplemented by qualitative evaluations of company history, management capability, stability and the probabilities of successful project implementation. In addition, clients are required to

demonstrate the capacity to adequately (and quite conservatively) capitalize projects from their own resources, often in the form of cash equity to be deposited with the banks on the approval of a loan.

20. Project assessment would usually be the responsibility of a particular project officer who is responsible for undertaking the necessary financial and managerial analyses, ensuring that sound and appropriate technical advice has been obtained by the client, and that the project is feasible. On completion of this assessment, a report is submitted, through a senior manager, to a loan committee comprising the senior officers of the bank. This loan committee recommends to the managing director that a particular loan be approved or otherwise disposed of. Managing Directors are allowed discretionary approval limits which vary from bank to bank. Above these limits, approval has to be sought from a loan committee of the board and, in special cases, by the board itself. Once approval is given to a particular project, the client is informed in writing, and all the legal and financial conditions attendant on approval are stated. Loan disbursement is then contingent on the fulfillment of these conditions, including, inter alia, the payment of commitment fees, the pledging of equity and collateral, and guarantees of performance. Payments would normally be made only against engineer's or architect's certification.

21. In general, all the banks adhere to prudent and well documented procedures; in most cases, project supervision goes well beyond the simple monitoring of payments. The banks consider it not only normal but essential that their project officers should attend site meetings during the construction stages of projects, and develop a firm grasp of the critical project activities and the progress of the project as a whole.

22. The five PFIs have the basic capability to appraise and supervise state urban infrastructure subprojects, provided that special unit staff are supported by consultancy services as required to cover the technical aspects of the subprojects to be financed. The banks have considerable experience in disbursing against appropriate documentation and in field supervision of industrial projects. However, there are two important project objectives which go beyond the narrow requirements of a typical bank project, namely:

(a) reviewing the creditworthiness of the State Governments to ensure repayment of the subloans, and helping the States, to the extent possible, improve their creditworthiness; and assessing and monitoring the creditworthiness of State Governments; and

(b) helping the States and Local Governments prepare infrastructure projects, develop a capacity for project execution and improve their revenue bases--in particular, substantially improving cost recovery to make infrastructure services self-financing---and generally putting State's infrastructure on a sounder financial, technical and institutional footing.

23. These are important project objectives on which the Federal Government of Nigeria and the World Bank are in agreement, but which go

beyond the normal business practices of the local banks. There are no existing institutions in Nigeria dealing effectively with these complex questions. The technical assistance and training to be provided under the project will address these larger objectives. The combination of technical assistance directly to the States, training of PFI staff to enhance their capabilities, competition among PFIs for State subprojects and the States' self-interest in improving their creditworthiness should help to achieve these objectives.

C. FINANCIAL STRUCTURE OF THE PARTICIPATING FINANCIAL INTERMEDIARIES (PFIs)

24. The tables accompanying this Annex present the past audited financial statements, summary financial ratios and structure and quality of the portfolio of the five PFIs which have so far been classified as eligible to participate in the on-going IDF and proposed Oyo Urban Project. Total assets of the five banks have grown at an average annual rate of 45% over the past eight years. The fastest growth took place in the 1981-1982 period, during which the banks grew at an unprecedented annual rate of 78%. During the 1986-1988 period, the PFIs grew at an annual rate of 45%; however, in 1988, when restraints on credit growth were applied by the Government (para 4), growth dropped to 21%.

25. The financial structure of the merchant banks is characterized by relatively short-term deposits (less than one year), with little medium and long-term debt (over five years). In general, cash, receivables, short-term loans and advances, and other short-term assets accounted for well over 60% of total assets during 1984-1988. While limiting earnings, these liquid assets have assisted the banks in reducing their exposure during economic downturns. Given that an average of 40% of their portfolio is in loans with maturities of over three years, and given that over three-fourths of their total resources are represented by short term liabilities, this leads to a significant amount of term-transformation,7/ and liquidity problems can materialize to the extent that a sudden withdrawal of deposits do not flow back quickly into the banking system. Precisely such a situation took place during June and July 1989 with the sudden withdrawal of all government deposits. Banks with significant percentage of government deposits have had to rely on overdrafts from the NDIC and CBN as a safety net. The survival of some of the Banks is still questionable and is being monitored closely.

7/ Term transformation, which involves using short-term deposits for medium to long term lending, is a normal banking practice, but poses two main risks; (a) the possibility that interest rates paid by the banks for their short-term deposits could increase over the interest rate charged on long-term loans outstanding, thereby causing a loss to the banks; and (b) the possibility of illiquidity from deposit withdrawals.

26. Capitalization. As shown below, historically, the PFIs have maintained debt/equity ratios of roughly 22:1, which is on the high side for a medium to long-term lending institution. As also shown below, with the exception of ICON, banks have already taken some steps to reduce their debt/equity ratios; however, the needed adjustments would be addressed under a proposed financial sector operation. In addition, the quality of the portfolio off the PMBs would be monitored during the implementation of the project, with the support of CBN (para. 31).

TABLE 3
DEBT/EQUITY RATIOS
PFIs

Fiscal Year	NAL a/	ICON	IMB	CMB	NMB a/	NIB b/	MBA b/	Char-tered b/	Grind-lays b/
1981	-	21.4	21.2	22.3	-	-	-		
1982	15.6	21.2	28.7	27.9	14.7	-	-		
1983	18.5	26.9	25.3	32.4	25.5	-	N/A		
1984	19.4	19.5	23.9	31.3	25.6	-	N/A		
1985	17.2	20.6	21.1	20.6	22.4	19.8	27.6		15.7
1986	13.4	25.8	26.1	22.1	20.2	33.2	42.9		36.3
1987	29.2	28.2	26.2	25.6	26.6	23.5	50.6		36.3
1988	12.8	29.6	26.8	17.8	19.3	16.4	34.6		26.6
1989	6.6	-	-	-	18.6	-	-	6.3	16.8
Average	16.5	23.3	23.4	24.9	21.5	23.2	45.9	6.3	23.9

a/ For NAL and NMB the fiscal year (FY) ends in March. For Grindlays FY ends in September. For all other banks the FY is the same as the calendar year.

b/ NIB, MBA, Chartered and Grindlays are not yet eligible to participate since detailed appraisal of their organization/finances has not yet been completed.

27. Profitability. The profitability of the PFI is adequate. The nominal after tax rates of return on average equity of the five PFI are shown below:

TABLE 4
AFTER-TAX RETURN ON EQUITY
PFIs

Fiscal Year	NAL	ICON	IMB	CMB	NMB	NIB	MBA	Char-tered	Grind-lays	Price Index
1981	-	36.1	35.1	35.5	-	-	-			20.8
1982	46.6	24.8	41.9	39.3	26.6	-	-			7.7
1983	22.4	19.4	31.3	33.1	18.1	-	n/a			23.2
1984	31.6	24.3	39.7	28.3	29.9	-	n/a			39.6
1985	46.6	25.6	31.2	39.5	31.7	16.6	15.9			5.3
1986	38.5	44.3	41.8	39.5	38.6	127.6	40.8		31.6	5.4
1987	31.7	48.6	58.6	38.2	49.4	187.6	79.4		55.9	16.6
1988	98.6a/	37.5	36.2	51.5	66.3	126.6	90.9		64.6	37.9
1989	64.5a/	-	-		45.4	-	-	44.4	43.7	
Average	46.5	32.5	39.4	38.1	38.2	111.6	56.8	44.4	49.6	21.9

a/ Includes extraordinary profit due to revaluation of foreign assets.

28. In the past, the five PFIs earned very positive real rates of return on equity during periods of low inflation, but lost much ground

during years of higher inflation due to the fixed loan margins (caused by interest rate ceilings) which did not distinguish adequately between real and nominal profits of financial intermediaries. They were able to maintain their profitability in spite of these restrictions through commissions and other charges on loans and through the substantial interest-free advances placed with banks by importers pending release of foreign exchange by CBN. Following the liberalization of interest rates in 1987, the PFIs have dramatically improved their real rate of return on equity. As a percent of average total assets, the gross spread (interest income less interest expense) shows narrow margins (1.8% to 3.9% during the last year), but when other income is included the margins increase significantly (4.9% to 7.0%). In general, administrative costs expressed as a percent of average total assets have been kept in the range of 1.0% to 2.5% which is very reasonable. However, during subsequent reviews of the PFI's financial situation, a more detailed assessment would need to be made to determine the degree to which profitability has been overstated due to underprovision for problem loans and other potential losses.

29. Portfolio Structure, Quality and Reserves. In general, the portfolios of the five PFIs are concentrated in loans of N0.5 million and more with loans under N100,000 in size comprising less than 5% of all lending. Both CMB and NAL have a majority of their portfolios in loans in excess of N4.0 million which reflects their emphasis on lending to large corporate names in Nigeria. As mentioned earlier, the term structure of the lending is medium term, with loans over three years representing an average of about 50% of all loans. The significant amount of term transformation has been encouraged actively by CBN despite the lack of medium-term sources of funds available to the banks. Unfortunately, this officially encouraged a mismatched situation which has recently become a source of vulnerability to the PFIs in particular as a result of the recent FGN directives (para 6). Loans to Government (State and Federal) represented a fairly insignificant proportion of the total portfolio, except for NMB which has about 7% of its portfolio in State Government loans. Loans to the public sector, including public utilities, in general are also relatively insignificant.

30. The real estate and construction portfolios have declined to 10.2% (down from 23% average three years ago), with relative increase in the agriculture, forestry, and fishing sector to 14.0% (up from 9% average three years ago) and the general commerce sector to 16.0% (up from 11.2%).

31. Based on available data 8/, it is generally concluded that some deterioration of the PFIs' portfolio quality has occurred over the past few years. The recent measures taken by the Government pertaining to withdrawal of deposits has exacerbated the situation and brought to light

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8/ Detail information on arrears over 90 days (principal and interest), portfolio affected by these arrears, and portfolio affected by provisions were supplied to the Bank on a confidential basis, and are thus not presented here, but have been retained in the project file.

some intrinsic weaknesses in the portfolio quality. The provisioning levels of the PFIs range from 7% to 27% of their gross portfolios. About 12% of the gross portfolio (up from 9% in 1986) is over 90 days in arrears. However, there are some differences between PFIs, with ICON clearly showing a weaker portfolio quality. During negotiations, it was agreed that CBN would review with the Bank annually: (i) the financial performance of the PFIs with particular reference to their capital adequacy and their liquidity position; and (ii) where necessary, measures to improve the financial performance of PFIs, provided that such measures are consistent with the overall credit and monetary policy objectives of the CBN.

D. IMPACT OF PROJECT ON PFIS

32. Projections of balance sheets, income and funds flow statements for the five PFIs have been carried out. The projections assume the continued interest rate deregulation through 1995, and a relative conservative growth rate of 20%. Continued interest rate premia on long-term deposits and long-term lending are expected to slowly alter the financial structure of the merchant banks; thus, merchant banks would increasingly play their intended role as providers of medium and long-term funds in the financial system.

33. The projections incorporate the on-going IDF loan, and the proposed Oyo Urban Project, and an even distribution of the proposed line of credit to the priority towns, amongst the PFIs. The projections indicate that at no time would borrowing from IBRD exceed about 16% of outstanding liabilities.

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ANALYSIS OF PFI's PORTFOLIO

	CONTINENTAL		INB		NAL		ICON		NNB	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	December 31. 1988		December 31.1988		March 31. 1989		December 31. 1988		March 31.1989	
1. By Loan Amount (000)										
N50 and below	5.0	0.7	7.8	1.6	2.8	0.6	37.8	4.6	2.3	0.6
from N50-N100	4.3	0.6	15.7	3.2	1.9	0.4	20.8	2.5	9.0	1.3
from N100-N500	35.4	4.8	50.3	10.4	17.0	3.9	101.9	12.4	59.9	15.5
from N500-N1,000	40.5	5.5	69.6	14.4	27.0	6.2	84.4	10.3	68.3	17.7
from N1,000-N2,000	98.1	13.4	165.1	34.1	79.2	18.0	114.4	13.9	250.4	64.9
from N2,000-N4.000 2/	149.2	20.4	60.0	12.4	82.7	18.8	194.6	23.7	0.0	0.0
over N4.000	400.2	54.6	115.9	23.9	228.3	52.0	266.6	32.5	0.0	0.0
Total 1/	732.7	100.0	484.4	100.0	438.9	100.0	820.5	100.0	385.9	100.0
2. By Term										
On Call	154.1	21.0	100.0	20.6	0.0	0.0	162.6	19.8	0.0	0.0
Less than 3mo.	40.8	5.6	1.5	0.3	0.0	0.0	11.9	1.5	0.0	0.0
3mo.-6mo.	20.0	2.7	4.9	1.0	0.0	0.0	43.6	5.3	0.0	0.0
6mo.-12mo.	9.2	1.3	84.4	17.8	98.3	22.4	228.3	27.8	3.8	1.0
1yr-3yr	259.5	35.4	78.5	16.2	125.7	28.6	156.5	19.1	17.5	4.5
3yr-5yr	34.7	4.7	103.0	21.2	157.0	35.8	148.0	18.0	322.2	83.5
over 5yr.	214.4	29.3	111.1	22.9	57.8	13.2	69.6	8.5	42.4	11.0
Total 1/	732.7	100.0	485.4	100.0	438.8	100.0	820.5	100.0	385.9	100.0
3. By Economic Sector										
Agriculture Forestry and Fishin	89.6	12.2	64.4	13.3	67.2	15.3	98.7	12.0	65.7	17.0
Mining and Quarrying	11.4	1.6	10.1	2.1	17.4	4.0	6.1	0.7	16.8	4.4
Manufacturing	399.2	54.5	185.3	38.2	224.6	51.2	354.7	43.2	171.6	44.5
Real Estate & Construction	49.0	6.7	56.6	11.7	65.3	14.9	56.6	6.9	42.6	11.0
Public Utilities	0.0	0.0	7.3	1.5	10.0	2.3	0.0	0.0	13.2	3.4
General Commerce										
Exports	10.4	1.4	37.1	7.6	3.4	0.8	149.0	18.2	7.3	1.9
Imports	77.6	10.6	43.2	8.9	16.2	3.7	48.5	5.9	6.1	1.6
Domestic	31.4	4.3	27.7	5.7	9.0	0.0	60.1	7.3	8.0	2.1
Transportation & Communication	29.2	4.0	15.2	3.1	0.0	0.0	25.9	3.2	13.7	3.6
Credit and Financial Inst.	14.7	2.0	5.7	1.2	0.4	0.1	7.6	0.9	13.1	3.4
Government										
Federal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State	0.0	0.0	0.4	0.1	0.0	0.0	0.8	0.1	25.7	6.7
General	20.2	2.8	32.2	6.6	34.4	7.8	12.3	1.5	7.1	1.8
Total 1/	732.7	100.0	485.4	100.0	438.9	100.0	820.5	100.0	385.9	100.0

1/ Based onCentral Bank of Nigeria's "report on Loans and Advances(Section 16(2))". and/or Form CBN/rd/37F.

2/ For NNB the amount is over N1,000,000

	NAL	IMB	CONTINENTAL	NMB	ICON
Balance Sheet Ratios					
Loans and Advances(Naira millions)	388.1	536.2	632.6	522.1	841.7
Gross Loans and Advances(Naira millions)	448.2	608.2	668.1	530.0	876.4
Average Loans and Advances(Naira millions)	352.6	536.5	541.0	489.9	721.1
Fiscal Year End(FYE) Equity(Naira millions)	216.2	85.7	89.4	78.6	78.0
Average Equity(Naira millions)	167.2	76.0	70.4	66.7	67.9
Average Total Assets(ATA) (Naira millions)	1569.5	1854.1	1522.2	1307.1	2087.4
Current Ratio	0.8	0.7	0.6	0.7	0.8
D/E Ratio	6.0	20.8	17.8	18.6	29.6
Average Loans and Advances/ATA(%)	22.5	29.4	35.5	35.2	35.4
Average Equity/Average Portfolio(%)	47.4	14.1	13.0	14.3	9.4
Annual Growth in Total Assets	-7.3	3.8	22.8	43.6	41.8
Income Statement Ratios					
Gross Spread(Naira millions)	43.5	43.0	15.4	13.9	38.1
Gross Spread/ATA(%)	2.8	2.3	1.0	1.1	1.8
Administrative Expenses/ATA(%)	2.0	2.2	2.5	1.1	1.7
Gross Earnings/ATA(%)	9.5	7.4	6.8	6.7	4.5
Net Profit/Equity(%)	64.5	36.2	51.5	45.4	37.5
Dividend/year end share capital(%)	60.0	22.5	50.0	28.7	28.4
Dividend Payout Ratio(%)	9.8	29.4	15.2	13.4	20.7
Interest Income as % Ave.Cash,Loans & Adv	13.5	7.7	13.7	12.6	12.1
Interest Expense as % Ave.Deposits,Loans Pay	12.2	5.1	12.4	11.9	15.0

(In Naira Million)

Classification	1982	1983	1984	1985	1986	1987	1988	1989
BALANCE SHEETS								
1. Assets								
Cash, Receivables & Other Short-Term Funds	63.8	132.4	118.8	254.2	385.2	285.6	344.8	688.6
Loans and advances due within 1 year (Net)	110.1	143.2	288.9	219.7	181.7	287.5	188.8	88.6
Other Short-Term Assets	3.7	89.3	84.8	26.6	223.8	857.7	615.4	222.8
Current Assets	178.8	325.9	418.4	499.5	718.5	1388.8	1317.4	989.2
Loans and Advances due after one year (Net)	0.0	0.0	0.0	0.0	0.0	0.0	181.8	285.5
Investments	0.0	0.0	0.0	0.0	0.0	0.0	30.8	88.8
Equipment on Lease	0.5	0.3	0.0	12.5	15.2	15.2	29.8	88.1
Fixed and other assets (Net)	1.9	4.1	7.2	7.4	22.8	43.9	64.8	88.2
TOTAL ASSETS	179.2	329.3	417.6	519.4	748.3	1388.9	1628.5	1884.1
2. Liabilities and Equity								
Current and Time Deposits (less than 1 year)	142.5	238.7	272.5	378.9	388.8	381.3	388.5	888.7
Loans Payable (current)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends Payable	1.4	1.8	2.2	4.1	5.9	7.1	18.3	11.3
Accounts Payable and Other Short-term Liabilities	24.5	74.1	122.4	115.9	389.8	884.9	1882.1	384.4
Current Liabilities	168.4	312.4	397.1	498.8	784.3	1288.3	1446.5	1185.4
Time Deposits (Over 1 year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans Payable (medium & Long-term)	0.0	0.0	0.0	0.0	7.2	21.5	18.3	18.3
Other Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	43.3	92.3
Medium & Long-term Liabilities	0.0	0.0	0.0	0.0	7.2	21.5	69.6	182.5
Share Capital	4.9	9.1	18.5	18.5	18.5	18.5	15.8	15.8
Retained Earnings and Reserves	6.9	7.8	18.8	18.1	28.3	34.6	168.2	288.4
Net Worth	10.8	16.9	28.5	28.6	36.8	46.1	117.9	216.2
TOTAL LIABILITIES and EQUITY	179.2	329.3	417.6	519.5	748.3	1388.9	1628.8	1884.1
Contingent Liabilities 1/	122.2	192.8	263.8	194.4	18.8	34.8	33.4	129.5
RATIOS								
Current Ratio	1.8	1.8	1.8	1.8	1.8	1.8	0.9	0.8
Total Debt/Equity	15.6	18.5	19.4	17.2	19.3	29.2	12.8	6.8
Annual Growth in Total Assets (%)	33.8	83.8	26.8	24.4	44.1	81.7	19.3	-7.3
Current Assets/Net Worth	16.4	19.3	26.8	17.5	19.3	28.8	11.2	4.6
Average Loans & Advances/ATA(%)	62.7	49.8	46.9	45.4	31.6	19.9	19.3	22.5
Average Equity/Ave Loans&Advances(%)	9.7	16.9	18.7	11.5	16.3	19.5	28.3	47.4
Average total Assets (ATA)	155.8	254.2	373.5	488.5	633.9	1054.1	1491.4	1583.5
Average Loans and Advances	98.3	128.6	175.8	212.8	288.2	289.6	288.2	352.5
Average Equity	9.5	13.9	18.7	24.6	32.7	41.8	81.5	167.8
Average Deposits	126.6	189.6	254.6	321.7	379.8	375.1	353.9	586.1
Average Deposits and loans payable	128.8	189.6	254.6	321.7	383.4	389.4	388.1	694.7
Average Cash, Loans and Advances	134.2	224.3	389.6	388.3	479.9	486.8	553.8	687.9
INCOME STATEMENT								
Interest Income	12.4	22.4	28.4	48.3	48.4	53.8	88.3	117.5
Interest Expense	7.6	14.9	15.8	15.9	17.9	19.4	38.1	74.1
Gross Spread	4.8	7.5	12.6	24.4	28.5	33.6	58.2	43.5
Other Income	6.8	5.4	8.3	9.6	9.5	12.8	84.8	184.6
Administrative Expenses	4.5	2.3	5.2	8.7	12.3	14.2	22.7	32.8
Other Operating Expenses	0.8	0.8	0.8	0.8	-3.9	-4.2	1.3	13.5
Loan-Loss Provision (Net)	0.7	0.8	5.3	9.1	18.3	13.3	21.7	-19.8
Taxes	2.5	6.7	4.6	4.9	6.7	18.1	9.5	14.8
Net Profit	3.8	3.1	5.8	11.3	12.6	13.8	79.9	187.7
Dividends	1.2	1.2	2.1	3.2	4.2	4.7	7.1	9.5
RATIOS								
Gross Spread as % of ATA	3.1	3.8	3.4	5.2	4.5	3.2	3.4	2.8
Administrative Costs as % of ATA	2.9	0.9	1.4	1.9	1.9	1.3	1.5	2.8
Gross Income as % of ATA	7.4	5.1	5.6	7.3	6.8	4.4	9.1	9.5
Net Profit as % of Aver. Net Worth	48.8	22.4	31.8	46.8	38.5	31.7	98.8	64.5
Dividend as % Year-end Share Capital	24.5	13.2	28.8	38.5	48.8	44.8	45.8	68.8
Dividend Payout Ratio (%)	31.8	38.7	38.2	28.3	33.3	38.2	8.9	9.8
(1) Total Income as % Ave.Cash,Loans&Advances	14.3	12.4	12.2	12.5	11.6	14.2	38.7	15.8
(2) Interest Income as % Ave.Cash,Loans&Advances	9.2	10.8	9.4	10.1	9.7	11.4	15.7	13.5
(3) Interest Expense as % Ave.Deposit,Loan Payable	6.3	7.9	6.2	4.9	4.7	5.8	9.9	12.8
(1)-(3)	8.8	4.5	6.8	7.6	7.8	9.2	28.9	13.3
(2)-(3)	2.9	2.1	3.2	5.2	5.8	6.4	5.8	1.3

1/ Acceptances, guarantees and other obligations for account of customers.

a/ For NIL, "Other Income" includes exceptional income due to revaluation of foreign assets of Naira 58.3 million in FY88 and Naira 73.8 million in FY89.

ANALYSIS OF MERCHANT BANK'S FINANCIAL STATEMENTS
ICON
(Audited Accounts as of December 31st)

(In Naira Million)

Classification	1981	1982	1983	1984	1985	1986	1987	1988
BALANCE SHEETS								
1. Assets								
Cash, Receivables & Other Short-Term Funds	99.1	233.7	243.6	288.9	348.1	345.6	989.6	1278.2
Loans and advances due within 1 year (Net)	22.6	147.8	124.2	188.6	121.6	185.9	277.6	45.9
Other Short-Term Assets	7.9	14.6	18.1	15.6	18.3	32.6	65.1	131.6
Current Assets	129.6	395.6	385.8	434.5	487.4	768.5	1238.4	1859.7
Loans and Advances due after one year (Net)	149.1	38.7	74.1	68.4	98.1	282.6	322.8	383.8
Investments	6.6	6.4	2.4	6.1	5.1	16.6	6.1	13.2
Equipment on Lease	8.2	9.6	5.9	5.3	3.1	11.6	89.5	122.5
Fixed and other assets (Net)	1.6	2.2	2.2	2.7	2.1	3.6	6.9	10.6
TOTAL ASSETS	279.4	437.6	478.4	518.6	595.8	1841.9	1685.6	2389.3
2. Liabilities and Equity								
Current and Time Deposits (less than 1 year)	269.4	385.9	298.7	348.6	376.9	578.2	1822.6	1484.9
Loans Payable (current)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends Payable	1.6	2.7	2.7	3.3	4.1	2.6	4.2	4.9
Accounts Payable and Other Short-term Liabilities	61.7	169.1	189.3	124.6	181.2	416.9	671.7	679.8
Current Liabilities	282.6	414.7	448.7	476.1	561.2	998.7	1598.4	2269.6
Time Deposits (Over 1 year)	3.9	3.4	2.2	2.4	6.2	16.3	29.3	6.7
Loans Payable (medium & Long-term)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0
Other Liabilities	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medium & Long-term Liabilities	4.3	3.4	2.2	2.4	6.2	16.3	29.3	36.7
Share Capital	7.0	14.0	14.0	15.0	15.0	15.0	20.0	20.0
Retained Earnings and Reserves	5.5	5.7	7.5	9.6	13.4	23.9	37.8	58.6
Net Worth	12.5	19.7	21.6	24.6	28.4	38.9	57.8	78.6
TOTAL LIABILITIES and EQUITY	279.4	437.8	478.4	518.6	595.8	1841.9	1685.6	2389.3
Contingent Liabilities 1/	191.1	219.3	74.9	135.2	169.4	158.7	78.2	42.1 9.8
RATIOS								
Current Ratio	0.5	1.0	0.9	0.9	0.9	0.8	0.8	0.8
Total Debt/Equity	21.4	21.2	20.9	19.5	20.0	25.8	28.2	29.6
Annual Growth in Total Assets (%)	61.7	56.7	7.4	8.9	18.4	74.9	61.8	41.8
Current Assets/Net Worth	9.6	20.1	17.9	17.7	17.2	19.6	22.4	23.8
Average Loans & Advances/ATA (%)	58.0	46.7	41.5	42.0	39.1	49.2	38.1	36.4
Average Equity/Ave Loans&Advances (%)	8.5	9.2	10.9	11.3	12.3	10.2	9.3	9.4
Average total Assets (ATA)	220.8	358.6	454.1	488.7	549.4	818.9	1358.7	2037.4
Average Loans and Advances	131.1	174.6	188.4	204.4	214.8	328.8	519.6	721.1
Average Equity	11.1	16.1	20.6	23.0	28.5	33.7	48.4	67.9
Average Deposits	171.8	261.3	302.6	323.6	368.7	482.8	817.7	1228.7
Average Deposits and loans payable	171.8	261.3	302.6	323.6	368.7	482.8	817.7	1243.7
Average Cash, Loans and Advances	218.3	338.7	427.8	468.6	523.3	776.7	1274.1	1838.6
INCOME STATEMENT								
Interest Income	18.6	25.8	33.1	34.6	37.2	53.2	148.4	223.8
Interest Expense	9.4	19.8	20.5	25.3	27.6	40.8	102.0	186.9
Gross Spread	1.2	6.0	12.6	9.3	9.6	13.2	46.4	36.1
Other Income	17.1	18.8	18.1	19.8	26.4	36.5	28.7	58.1
Administrative Expenses	5.9	8.8	11.7	13.3	14.9	18.4	22.8	34.9
Other Operating Expenses	2.8	3.9	4.5	4.6	3.8	3.5	8.6	15.1
Loan-Loss Provision (Net)	1.6	3.6	6.6	1.1	4.3	7.4	5.7	6.0
Taxes	4.2	4.5	4.5	4.5	6.4	7.5	6.5	10.7
Net Profit	4.8	4.8	4.8	5.6	6.6	14.9	23.5	25.5
Dividends	1.3	1.8	2.3	2.8	2.8	4.1	4.6	5.3 9.8
RATIOS								
Gross Spread as % of ATA	0.5	1.7	2.8	1.9	1.7	1.6	3.4	1.8
Administrative Costs as % of ATA	2.8	2.5	2.6	2.7	2.7	2.8	1.7	1.7
Gross Income as % of ATA	8.1	6.9	6.8	6.8	6.6	6.1	4.9	4.5
Net Profit as % of Aver. Net Worth	38.1	24.8	19.4	24.3	25.8	44.3	48.6	37.5
Dividend as % Year-end Share Capital	18.6	12.9	15.4	17.3	18.7	27.3	23.1	28.4
Dividend Payout Ratio (%)	32.5	45.8	57.5	48.4	42.4	27.5	19.7	38.7
(1) Total Income as % Ave. Cash, Loans&Advances	13.2	13.2	12.8	11.8	12.2	11.6	13.3	15.2
(2) Interest Income as % Ave. Cash, Loans&Advances	5.8	7.7	7.8	7.5	7.1	6.9	11.6	12.1
(3) Interest Expense as % Ave. Deposit, Loan Payable	5.5	7.6	6.8	7.8	7.5	8.3	12.5	15.0
(1)-(3)	7.7	5.7	6.2	4.0	4.6	3.3	0.8	0.2
(2)-(3)	-0.4	0.1	1.0	-0.3	-0.4	-1.4	-0.8	-2.9

1/ Acceptances, guarantees and other obligations for account of customers.

a/ For ICON the Medium-Long-Term Loan is a floating rate debenture of Naira 30.0 million maturing in 1994.

ANALYSIS OF MERCHANT BANK'S FINANCIAL STATEMENTS
INTERNATIONAL MERCHANT BANK
(Audited Accounts as of December 31st)

(In Naira Million)

Classification	1981	1982	1983	1984	1985	1986	1987	1988
BALANCE SHEETS								
1. Assets								
Cash, Receivables & Other Short-Term Funds	78.1	178.1	232.1	319.7	466.8	461.8	1113.8	1899.3
Loans and advances due within 1 year(Net)	29.8	59.8	99.8	87.9	99.8	128.3	289.1	132.8
Other Short-Term Assets	9.2	11.3	14.7	17.5	22.2	25.8	35.8	112.1
Current Assets	116.3	249.2	336.6	465.1	528.8	635.9	1388.7	1385.2
Loans and Advances due after one year (Net)	65.9	191.3	151.6	177.2	175.6	257.8	329.8	495.4
Investments	1.8	1.8	1.8	1.8	1.8	3.6	4.8	4.7
Equipment on Lease	6.6	5.3	5.1	8.2	7.3	19.8	76.8	118.7
Fixed and other assets(Net)	1.5	2.3	7.4	15.9	28.8	31.7	38.9	34.8
TOTAL ASSETS	191.2	449.1	501.8	667.6	738.7	947.2	1888.2	1888.1
2. Liabilities and Equity								
Current and Time Deposits (less than 1 year)	122.4	281.4	378.8	487.6	515.9	857.5	1618.1	1613.8
Loans Payable (current)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Dividends Payable	0.8	1.2	1.8	2.9	4.3	6.1	12.1	11.8
Accounts Payable and Other Short-term Liabilities	5.9	16.9	18.2	22.8	34.9	38.7	116.8	139.2
Current Liabilities	129.9	300.5	399.8	513.3	555.1	902.3	1772.9	1764.7
Time Deposits (Over 1 year)	1.8	8.2	2.1	0.8	0.8	0.8	1.1	17.8
Loans Payable (medium & Long-term)	51.9	109.6	99.6	126.6	149.8	0.8	0.8	0.8
Other Liabilities	0.8	0.8	0.8	0.8	0.3	0.8	0.8	0.8
Medium & Long-term Liabilities	52.7	118.8	92.7	127.4	159.1	0.8	1.1	17.8
Share Capital	4.8	8.5	8.5	13.5	13.5	22.8	22.8	38.8
Retained Earnings and Reserves	4.8	8.3	18.8	13.3	28.8	22.9	44.3	48.7
Net Worth	8.8	14.8	19.1	28.8	38.5	44.9	68.3	85.7
TOTAL LIABILITIES and EQUITY	191.2	448.1	501.8	667.6	738.7	947.2	1888.2	1888.1
Contingent Liabilities 1/	212.2	244.3	348.1	345.4	285.5	348.4	454.4	688.4
RATIOS								
Current Ratio	0.9	0.8	0.9	0.9	1.0	0.7	0.8	0.7
Total Debt/Equity	21.2	28.7	25.3	23.9	21.1	28.1	28.2	28.8
Annual Growth in Total Assets (%)	61.6	135.2	14.8	33.8	10.7	28.2	99.1	3.8
Current Assets/Net Worth	13.5	16.2	17.6	17.4	15.8	14.2	20.5	15.2
Average Loans & Advances/ATA(%)	47.8	53.4	51.3	48.3	38.4	39.2	38.6	29.4
Average Equity/Ave Loans&Advances(%)	9.2	6.9	7.8	9.1	11.2	11.9	12.8	14.1
Average total Assets (ATA)	154.8	315.7	471.8	584.7	788.1	843.8	1373.7	1834.1
Average Loans and Advances	74.8	168.5	241.8	253.3	278.8	338.1	482.1	538.5
Average Equity	6.8	11.7	17.8	23.8	38.2	39.2	56.8	78.8
Average Deposits	189.3	218.9	336.3	438.7	582.5	687.1	1234.3	1621.3
Average Deposits and loans payable	161.2	251.7	436.3	539.3	648.3	781.8	1234.3	1821.3
Average Cash,Loans and Advances	142.8	288.8	446.9	549.2	653.2	774.4	1259.9	1825.8
INCOME STATEMENT								
Interest Income	9.4	27.8	42.9	58.2	69.8	87.9	189.3	125.5
Interest Expenses	6.3	18.7	28.8	31.5	39.8	34.4	47.4	82.4
Gross Spread	3.1	8.3	14.3	24.7	38.8	34.5	82.9	43.8
Other Income	7.8	12.7	14.1	12.7	13.1	17.9	43.8	98.8
Administrative Expenses	4.1	6.5	8.1	11.3	14.5	17.8	28.8	30.5
Other Operating Expenses	0.8	2.7	3.3	3.4	3.7	5.2	17.8	37.2
Loan-Loss Provision (Net)	0.8	1.2	4.4	6.8	7.8	8.7	14.8	28.5
Taxes	2.2	5.7	7.3	6.8	8.5	8.3	8.8	11.2
Net Profit	2.4	4.9	6.3	9.1	9.4	16.4	32.2	27.8
Dividends	0.8	1.2	1.4	1.9	3.4	4.7	9.7	8.1
RATIOS								
Gross Spread as % of ATA	2.8	2.8	3.8	4.2	4.3	4.8	3.9	2.3
Administrative Costs as % of ATA	2.8	2.1	1.7	1.9	2.1	2.1	2.8	2.2
Gross Income as % of ATA	6.5	6.7	6.8	6.4	6.1	6.1	7.8	7.4
Net Profit as % of Aver. Net Worth	35.1	41.9	31.3	39.7	31.2	41.8	58.8	38.2
Dividend as % Year-end Share Capital	15.8	14.1	16.5	14.1	25.2	21.4	43.9	22.5
Dividend Payout Ratio (%)	25.8	24.5	28.4	28.9	36.2	28.7	38.8	29.4
(1)Total Income as % Ave.Cash,Loans&Advances	11.5	13.4	12.8	12.5	12.7	11.1	11.4	13.4
(2)Interest Income as % Ave.Cash,Loans&Advances	8.1	9.1	9.6	10.2	10.7	8.8	8.8	7.7
(3)Interest Expense as % Ave.Deposit,Loan Payable	3.9	6.4	6.6	5.8	6.2	4.5	3.8	5.1
(1)-(3)	7.6	7.8	6.2	6.7	6.5	6.6	7.6	8.4
(2)-(3)	4.2	2.7	3.8	4.4	4.5	4.3	4.1	2.6

1/ Acceptances,guarantees and other obligations for account of customers.

ANALYSIS OF MERCHANT BANK'S FINANCIAL STATEMENTS
CONTINENTAL MERCHANT BANK
(Audited Accounts as of December 31st)
(In Naira Million)

Classification	1981	1982	1983	1984	1985	1986	1987	1988
BALANCE SHEETS								
1. Assets								
Cash, Receivables & Other Short-Term Funds	188.9	192.8	281.9	422.3	319.3	417.7	619.8	535.8
Loans and advances due within 1 year(Net)	25.8	69.7	69.8	69.8	61.2	165.1	162.7	198.6
Other Short-Term Assets	13.1	27.5	118.8	71.6	69.7	79.8	98.3	287.1
Current Assets	139.8	279.8	469.6	563.7	444.2	661.8	876.1	986.5
Loans and Advances due after one year (Net)	69.3	76.6	161.9	161.6	161.3	137.6	286.6	439.8
Investments	6.8	6.8	6.8	6.7	26.5	3.7	3.6	12.8
Equipment on Lease	6.8	13.3	18.9	15.9	12.5	47.1	169.4	243.8
Fixed and other assets(Net)	3.9	5.7	13.8	21.7	34.3	38.8	41.8	46.3
TOTAL ASSETS	219.8	376.4	676.1	769.5	618.8	889.8	1386.7	1677.7
2. Liabilities and Equity								
Current and Time Deposits (less than 1 year)	115.8	234.7	333.6	469.8	382.2	428.1	851.3	1331.1
Loans Payable (current)	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Dividends Payable	6.5	6.9	1.4	1.9	2.2	3.8	4.4	5.5
Accounts Payable and Other Short-term Liabilities	15.1	16.4	184.2	69.6	183.2	368.7	423.1	242.3
Current Liabilities	138.6	332.8	439.2	541.5	577.8	817.8	1278.8	1578.9
Time Deposits (Over 1 year)	6.8	6.4	6.6	3.6	6.9	21.3	19.3	1.4
Loans Payable (medium & Long-term)	79.8	116.8	116.6	133.8	16.6	16.8	16.8	6.8
Other Liabilities	6.6	6.8	1.5	6.7	6.9	1.6	7.2	6.8
Medium & Long-term Liabilities	79.8	116.4	118.7	137.3	11.8	32.9	36.5	9.4
Share Capital	5.4	5.4	6.5	6.5	9.5	9.5	11.8	11.8
Retained Earnings and Reserves	4.8	7.8	8.7	18.2	19.9	28.8	48.4	78.4
Net Worth	9.4	13.8	17.2	21.7	29.4	38.5	61.5	89.4
TOTAL LIABILITIES and EQUITY	219.8	376.4	676.1	769.5	618.8	889.8	1386.8	1677.7
Contingent Liabilities 1/	185.7	269.8	212.3	157.5	184.6	241.2	224.2	543.9
RATIOS								
Current Ratio	1.1	1.1	1.8	1.8	8.8	8.8	8.7	8.6
Total Debt/Equity	22.3	27.9	32.4	31.3	29.8	22.1	25.8	17.8
Annual Growth in Total Assets (%)	98.4	71.4	83.2	21.8	-11.7	43.7	53.7	22.8
Current Assets/Net Worth	14.8	21.5	25.8	25.8	15.1	17.2	17.8	18.5
Average Loans & Advances/ATA(%)	88.6	38.8	32.3	28.7	25.1	38.9	33.3	35.5
Average Equity/Ave Loans&Advances(%)	9.8	9.8	9.8	11.4	15.4	14.6	12.8	13.8
Average total Assets (ATA)	164.3	297.2	476.3	637.8	659.7	753.9	1127.8	1522.2
Average Loans and Advances	88.2	114.8	153.5	178.8	166.4	232.6	378.8	541.8
Average Equity	8.2	11.2	15.1	19.5	25.8	34.8	46.8	78.4
Average Deposits	87.1	175.8	284.7	398.4	427.9	417.3	688.8	1181.5
Average Deposits and loans payable	188.1	289.8	398.8	523.2	488.4	427.3	688.8	1118.5
Average Cash,Loans and Advances	146.8	281.7	375.9	587.1	538.2	681.1	884.4	1118.4
INCOME STATEMENT								
Interest Income	18.2	28.8	28.4	41.5	55.4	88.2	188.4	182.8
Interest Expense	6.8	11.4	18.8	17.1	19.7	25.8	82.4	137.4
Gross Spread	3.4	11.8	15.8	24.4	35.7	24.8	24.8	15.4
Other Income	18.8	18.3	17.5	17.2	14.2	23.8	58.5	84.7
Administrative Expenses	5.3	8.8	18.1	13.7	13.5	17.8	24.1	37.9
Other Operating Expenses	1.9	2.5	5.8	7.5	8.1	8.9	19.4	22.5
Loan-Loss Provision (Net)	8.3	2.2	8.8	8.3	11.5	2.7	7.7	-4.8
Taxes	3.8	4.2	5.8	6.8	6.8	5.8	8.1	8.3
Net Profit	2.9	4.4	5.8	5.5	18.1	13.4	17.2	35.3
Dividends	8.5	8.7	8.9	8.9	1.9	3.8	4.4	5.5
RATIOS								
Gross Spread as % of ATA	2.1	3.9	3.3	3.8	5.4	3.3	2.1	1.8
Administrative Costs as % of ATA	3.2	2.9	2.1	2.1	2.8	2.3	2.1	2.5
Gross Income as % of ATA	8.2	7.4	7.8	8.5	7.8	8.4	8.9	8.8
Net Profit as % of Aver. Net Worth	35.5	39.3	38.1	28.3	38.5	38.5	38.2	51.5
Dividend as % Year-end Share Capital	9.3	13.8	18.8	18.8	28.8	48.8	48.8	58.8
Dividend Payout Ratio (%)	17.2	15.9	18.8	18.4	18.8	28.4	25.7	15.2
(1)Total Income as % Ave.Cash,Loans&Advances	13.9	12.7	11.7	11.8	13.8	12.3	17.9	21.2
(2)Interest Income as % Ave.Cash,Loans&Advances	7.8	8.8	7.8	8.2	18.3	8.4	11.9	13.7
(3)Interest Expense as % Ave.Deposit,Loan Payable	4.1	4.2	2.7	3.3	3.9	6.8	12.4	12.4
(1)-(3)	9.8	8.5	9.8	8.3	9.8	8.3	5.5	8.9
(2)-(3)	2.9	4.6	4.3	4.9	6.4	2.4	-8.5	1.3

1/ Acceptances,guarantees and other obligations for account of customers.

(In Naira Million)

Classification	1982	1983	1984	1985	1986	1987	1988	1989
BALANCE SHEETS								
1. Assets								
Cash, Receivables & Other Short-Term Funds	41.2	127.4	127.1	116.9	117.9	315.3	418.6	674.8
Loans and advances due within 1 year(Net)	14.1	16.9	23.2	28.4	45.8	29.8	48.1	8.8
Other Short-Term Assets	9.5	22.4	42.5	78.9	116.8	218.8	285.2	294.6
Current Assets	64.8	166.7	192.8	218.2	274.5	568.9	752.8	988.4
Loans and Advances due after one year (Net)	41.9	88.3	88.7	84.1	135.7	221.3	348.5	522.1
Investments	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Equipment on Lease	4.8	7.4	10.3	12.7	17.3	11.3	21.8	35.1
Fixed and other assets(Net)	0.4	0.8	0.8	1.9	1.8	1.8	1.7	6.2
TOTAL ASSETS	111.7	265.4	272.9	315.4	429.8	788.8	1073.8	1543.8
2. Liabilities and Equity								
Current and Time Deposits (less than 1 year)	88.8	178.2	192.8	227.8	288.8	559.9	675.5	1115.6
Loans Payable (current)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	78.7
Dividends Payable	0.4	1.8	0.8	0.8	1.8	1.8	3.8	3.4
Accounts Payable and Other Short-term Liabilities	..2	5.4	28.1	19.4	88.8	172.2	218.1	288.8
Current Liabilities	85.4	178.8	218.7	248.8	385.8	748.8	988.8	1488.2
Time Deposits (Over 1 year)	19.2	48.8	45.7	58.8	67.8	8.8	8.8	28.1
Loans Payable (medium & Long-term)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other Liabilities	0.8	0.8	0.8	0.8	8.8	18.8	14.8	38.8
Medium & Long-term Liabilities	19.2	48.8	45.7	58.8	75.8	18.8	23.8	88.8
Share Capital	4.8	5.8	5.8	5.8	5.8	18.8	18.8	18.8
Retained Earnings and Reserves	2.8	3.8	8.8	8.8	18.8	18.7	42.8	68.8
Net Worth	7.1	8.8	18.8	13.8	18.8	28.7	88.8	78.8
TOTAL LIABILITIES and EQUITY	111.7	238.4	272.9	318.4	429.8	788.8	1078.4	1548.8
Contingent Liabilities 1/	32.7	128.4	148.3	228.8	178.2	182.8	182.8	98.2
RATIOS								
Current Ratio	8.8	8.9	8.9	8.9	8.8	8.7	8.7	8.7
Total Debt/Equity	14.7	25.8	25.8	22.4	22.1	28.8	19.3	18.8
Annual Growth in Total Assets (%)	88.8	138.8	21.1	15.8	38.3	84.8	35.7	43.8
Current Assets/Net Worth	9.1	19.8	18.4	18.8	14.8	19.4	13.3	12.3
Average Loans & Advances/ATA(%)	88.8	38.5	31.8	34.7	38.5	38.4	34.8	35.2
Average Equity/Ave Loans&Advances(%)	12.3	12.7	11.8	11.7	18.8	18.8	12.8	14.3
Average total Assets (ATA)	88.2	188.8	248.2	294.2	372.8	618.3	882.1	1287.1
Average Loans and Advances	48.7	61.8	78.8	102.2	147.8	218.3	324.4	488.8
Average Equity	5.4	7.8	8.5	12.8	18.1	23.7	48.8	68.7
Average Deposits	77.8	158.3	224.5	268.1	316.1	482.7	638.8	912.8
Average Deposits and loans payable	77.3	158.3	224.5	268.1	316.1	482.7	638.8	982.2
Average Cash,Loans and Advances	78.8	148.8	288.8	224.2	284.4	432.8	688.3	1888.5
INCOME STATEMENT								
Interest Income	5.8	14.5	18.7	28.7	31.2	48.3	188.8	127.8
Interest Expense	3.8	18.7	15.2	18.2	22.4	31.2	88.8	118.1
Gross Spread	2.8	3.8	4.5	7.5	8.8	15.1	18.4	13.8
Other Income	2.5	5.4	7.8	9.7	9.4	18.7	41.5	73.3
Administrative Expenses	1.7	2.5	3.2	3.8	4.5	8.7	12.4	14.8
Other Operating Expenses	8.7	3.8	2.3	4.8	8.8	8.7	7.7	14.5
Loan-Loss Provision (Net)	8.2	8.8	1.7	1.2	1.8	4.4	4.5	7.8
Taxes	8.5	1.5	2.3	3.8	5.8	8.4	8.2	28.2
Net Profit	1.4	1.4	2.8	3.8	6.2	11.7	27.8	29.8
Dividends	8.4	8.8	8.8	8.8	1.8	1.5	3.8	4.8
RATIOS								
Gross Spread as % of ATA	2.3	2.3	1.8	2.5	2.4	2.5	1.8	1.1
Administrative Costs as % of ATA	2.8	1.5	1.3	1.3	1.2	1.1	1.3	1.1
Gross Income as % of ATA	5.2	5.5	5.8	5.8	4.8	5.2	6.2	6.7
Net Profit as % of Aver. Net Worth	25.8	18.1	28.8	31.7	38.6	48.4	68.3	45.4
Dividend as % Year-end Share Capital	8.3	12.8	15.8	16.8	28.8	15.8	38.8	28.7
Dividend Payout Ratio (%)	28.8	42.8	28.2	21.1	15.2	12.8	11.1	13.4
(1)Total Income as % Ave.Cash,Loans&Advances	18.4	13.8	13.3	15.8	15.4	14.6	28.5	19.8
(2)Interest Income as % Ave.Cash,Loans&Advances	7.3	9.8	8.5	11.5	11.8	18.7	14.5	12.8
(3)Interest Expense as % Ave.Deposit,Loan Payable	4.8	6.8	6.8	7.8	7.1	6.7	13.3	11.8
(1)-(3)	5.5	6.7	6.5	8.8	8.3	7.8	7.2	8.8
(2)-(3)	2.3	3.8	2.8	4.5	4.7	4.8	1.2	0.8

1/ Acceptances,guarantees and other obligations for account of customers.

FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT

CREDIT GUIDELINES AND FUNCTIONS OF PFIS

Objectives

1. The main objectives of the Oyo State Urban Project are to:

(a) strengthen the financial, operational and management capacity of the institutions responsible for urban management and services at the state and local government levels;

(b) improve urban physical and investment planning, coordination and evaluation;

(c) mobilize financial resources at the state and local government levels; and

(d) remove major city-wide constraints to promote the efficient functioning of Ibadan and of Oyo state's other major towns as regional development and service centers, with emphasis on rehabilitation and maintenance of existing infrastructure.

Functions of the PFIs

2. Selected Nigerian Banks will participate in financing, appraising and supervising the project. The Ibadan rehabilitation components, however, have been appraised by the Bank. In connection with the Ibadan components of the project, the Merchant Banks' functions are:

(a) to serve as financial intermediaries of the FGN. World Bank funds would be on-lent by FGN to OYSG, and PFIs would channel Bank proceeds plus lend their own funds (10%) to Oyo State. The PFIs would negotiate the appropriate fees, charges, terms and conditions with Oyo State;

(b) to operate one or more Special Accounts denominated in US dollars for disbursement of Bank funds;

(c) together with the World Bank to supervise and monitor procurement of civil works, equipment, and technical assistance in accordance with the sub-loan agreements, ensuring that they adhere to the applicable World Bank procurement guidelines;

(d) to maintain and operate one or more Project Accounts on behalf of Oyo State and to assist Oyo State to set aside the necessary local counterpart funds;

(e) to disburse funds on behalf of Oyo State to foreign or domestic suppliers, contractors, consultants (or as appropriate, reimbursing Oyo State's Project Accounts) for items eligible for financing under the Subsidiary Loan Agreements and to ensure that disbursements are not made for items that have not been procured in accordance with stipulated prosurement and disbursement conditions;

(f) to lend to Oyo State the required local currency funds (10%);

(g) to assist Oyo State in securing any additional local funds required to finance the project (bond issues, etc.);

(h) to provide other banking services (e.g. opening letters of credit, securing foreign exchange etc.) as required by Oyo State;

(i) to submit reports to FMWH, FMFED, CBN and the Bank on the physical and financial status of the project;

(j) to submit on an annual basis, audited accounts to the Bank, together with any other documentation regarding the status of the PFIs portfolio that the Bank may reasonably request;

(k) to liaise with the CBN to enable CBN to open and operate a Project Control Account;

(l) to liaise with FMWH to conduct an annual ex-post performance audit of the Project;

(m) to collect the amounts of principal, interest and other charges due from Oyo State under the Subsidiary Loan Agreement and make the necessary repayments to the FGN.

3. For the LG Towns Component, their functions would be identical to paragraph 2, except that sub-paragraphs (a) and (c) would be modified as follows:

(a) to serve as financial intermediaries of FGN and on-lend Bank loan proceeds plus their own funds (10%) to OYSG for re-lending to LGs. PFIs would negotiate interest rates and the loans would for a period of seven to fifteen years with two to three years grace period;

(c) to supervise and monitor (with primary responsibility and in consultation with FMWH) the implementation and the procurement of civil works, equipment, and technical assistance in accordance with the sub-loan agreements ensuring that they adhere to the applicable World Bank procurement guidelines and procedures.

Three further sub-paragraphs are added to the PFIs functions:

(n) to continue and complete preparation of the selected LG towns component which would include providing assistance with the (i) preparation of planning and investment prioritization studies for the selected LG towns; (ii) preparation of detailed design for the selected project components; and (iii) elaboration of institutional financial and cost recovery arrangements for the implementation of the LG towns component;

(o) to appraise the LG towns subprojects in compliance with the "Infrastructure Development Fund (IDF) Project Guidelines Criteria for Sub-project Selection and Appraisal"; and

(p) following review by the World Bank, and approval by Oyo State Government, to present the LG towns sub-projects to the PFIs Boards.

Project Components

4. The following are the main project components:

(a) Ibadan Components

- Storm Drainage and Flood control
- Solid Waste Management
- Community Improvement Program (covering Mokola, Yemetu and Agugu communities)

(b) Rehabilitation of Selected LG Towns

- A line of credit is established under the project for rehabilitation and improvement of infrastructure and services in Ile-Ife, Ilesa, Ogbomoso, Osogbo, Oyo and Saki;

(c) Institution Strengthening and Revenue Enhancement

- Investment Planning and Prioritization
- Project Coordination
- Local Government Strengthening
- Land Management, Physical Planning and Development.

Eligible Expenditures

5. The following are eligible expenditures under the project:

(a) roads and drainage, in particular the rehabilitation of existing road and drainage networks and the construction of new linkages to aid traffic flow and relieve congestion, public transport facilities parking areas;

(b) solid waste management, including the provision and/or rehabilitation of vehicles, equipment and containers for collection and disposal, development of sanitary landfills, offices, workshops, construction of transfer stations;

(c) sanitation, including the provision or improvement of low cost public sanitary conveniences;

(d) street lighting;

(e) markets, in particular the rehabilitation of existing facilities and the improvement of services; and

(f) other high priority infrastructure investments related to industrial, commercial and residential projects that are in accordance with project objectives.

6. In addition to physical works, the project will finance (i) studies aimed at sub-project identification and preparation, institutional development, resource mobilization, and improved financial and technical management; and (ii) technical assistance for sub-project implementation and monitoring.

Sub-Loan Amounts

7. The Bank loan of US$50.0 million equivalent and cofinancing of US$3.7 million equivalent will finance the foreign exchange component or 78% of total project cost. Of this amount, US$35.4 million equivalent will be used to finance the Bank-appraised Ibadan components and US$17.5 million equivalent will be for a line of credit to finance PFI-appraised sub-projects in selected LG towns.

8. Maximum amount of Bank loan proceeds for any LG town will not exceed 75% of total sub-project cost, excluding land.

9. Sub-loan in amounts of less than US$1.0 million equivalent will not require the prior approval of the World Bank ("free-limit sub-loans").

10. Maximum sub-project cost for any one LG town will not exceed US$2.5 million equivalent.

11. In order to ensure timely project implementation, the PFIs are required to commit the Bank line of credit for the selected LG towns sub-projects by the end of year 3 after project effectiveness failing which those Bank loan funds would be cancelled.

On-Lending Terms for PFI-appraised Subprojects

12. The variable interest rate applicable to on-lent Word Bank funds would reflect prevailing international rates and is to be agreed between Oyo state and the PFIs and reflected in the Sub-Loan Agreements. Such agreed interest rate will incorporate the cost of Bank funds to the PFIs, and a spread to cover administrative cost and credit risk which is to be borne by the PFIs. Oyo State would bear the foreign exchange risk, as the beneficiary of the project.

13. The commitment charge of 3/4 of 1% on the Bank funds not withdrawn from time to time will be borne by Oyo State.

14. The terms and conditions applicable for the PFIs own on-lent funds will be those prevailing in the market and will be established between Oyo State and the PFIs.

15. The Bank loan will be on-lent to Oyo State by the PFIs for a period of seven to fifteen years with a two to three year grace period. In case of prepayments by Oyo State, CBN must similarly be notified and this amount must also be prepaid to CBN.

Withdrawals

16. Special Accounts in foreign currency will be established in each PFI. A maximum of US$1.5 million (equivalent approximately to 3 months disbursement) will be deposited by the Bank in respect of the Oyo State Special Account and US$500,000 in respect of the PFI special account. The PFIs will be entitled to process periodic withdrawals from their respective Special Accounts to finance the foreign exchange component of the project. These accounts will be operated on terms and conditions acceptable to the Bank.

17. The initial deposits into these accounts will be made at the time of project effectiveness. Replenishment of such accounts will require submission to the Bank of full documentation or, in the case of smaller contracts, certified statements of expenditures (SOEs) for all eligible project expenditures by the relevant PFI, as well as evidence that the PFI had submitted duplicate copies of its disbursement requests and documentation.

18. PFIs disbursements from their respective Special Accounts will be on the basis of architect's or engineer's certificates against approved contracts or, where appropriate, under Bank Procurement Guidelines, against certified SOEs of approved project ministries or agencies. Full contract documentation is required for all eligible expenditures except for civil works contract of less than US$50,000 equivalent and other contracts of less than US$20,000 equivalent.

19. The detailed contract and disbursement documentation shall be retained by the PFU and made available for review by the Bank.

20. Bank loan disbursement shall be made on the basis of 100% of foreign and 75% of local project expenditures for civil works and equipment, and 100% of total costs for technical assistance and services.

AF4IN
October 1989

FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT (IDF II)

STATE AND LOCAL GOVERNMENT FINANCES

I. OYO STATE GOVERNMENT

A. Revenue

Recurrent - External

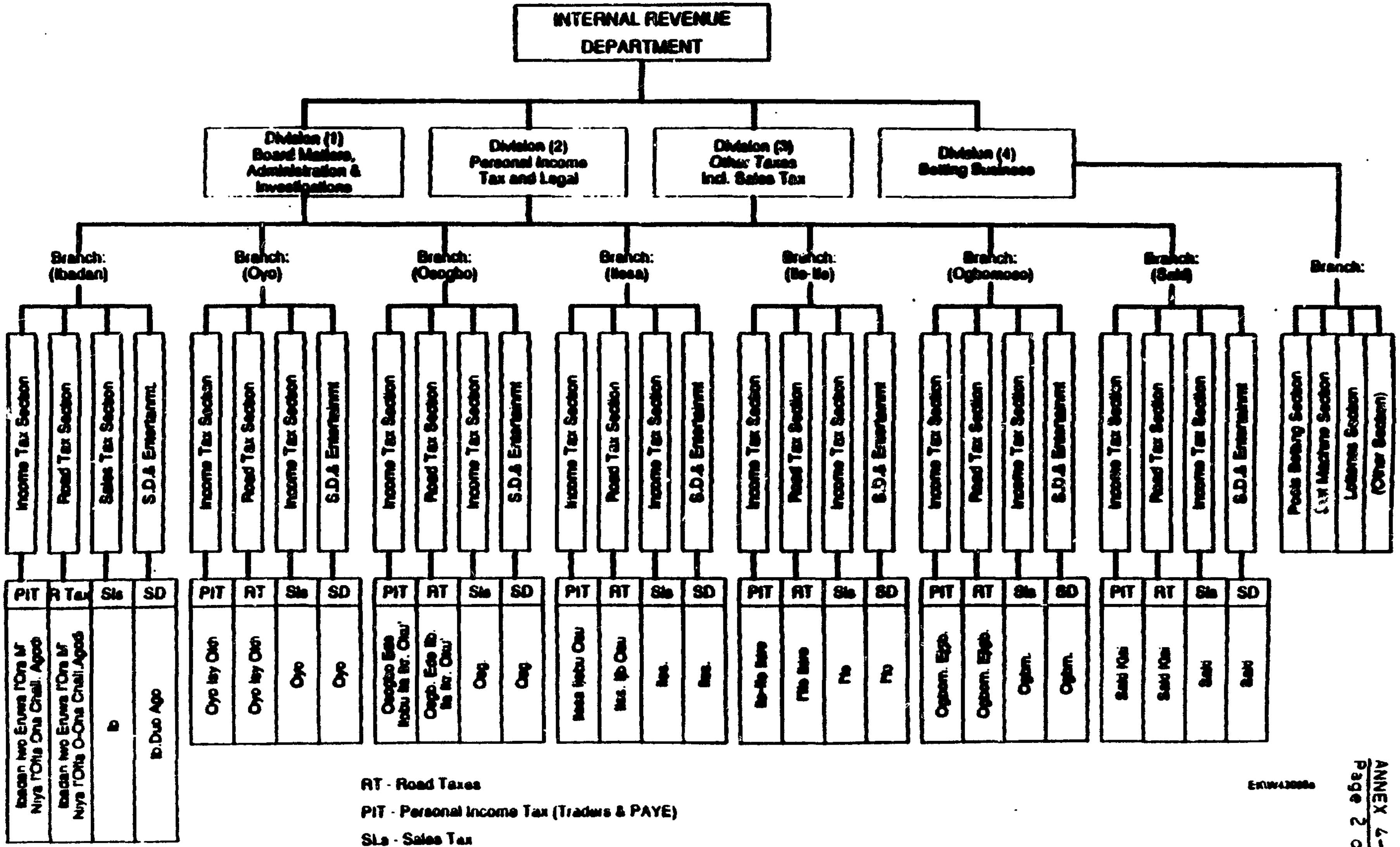
1. The basic instrument of revenue sharing is the Federation Account which is embodied in the Nigerian Constitution. The major constituents of the Federation Account are: (a) petroleum profit taxes, royalties and licenses (78%); (b) customs and excise duties (15.5%); and (c) corporate profit taxes. The Federal Government retains 55% of the Federation Account and distributes 35% to the state governments and 10% to the local governments. The statutory allocation constitutes between 75% and 85% of Oyo State's total recurrent revenue.

Internal

2. The major sources of internal revenue from taxes are: (i) Income Tax, Pay As You Earn (PAYE) and Direct Assessment (relating to income of self employed persons); (ii) sales tax; (iii) other taxes; and (iv) motor vehicle licenses. In addition, internal revenue is generated from licenses, fees, fines, rents and interest, etc.

3. The Internal Revenue collections from taxes increased from N37.8 million in 1981 to N52.3 million in 1984 and then declined to N48.3 million in 1987. The budgeted internal revenue from taxes in 1988 is N49 million, and N55.7 million for 1989. The main reasons attributable to the temporary decline in internal revenue are: (i) downturn in the economy in the recent past, and (ii) narrow tax base and poor tax administration and compliance in Oyo State. The poor tax administration is a result of inadequate institutional structure, lack of manpower equipment and transport in the Internal Revenue Department. There are 31 senior staff and 260 junior staff vacancies out of 267 and 666 established posts, respectively. Furthermore, there are only 9 functional vehicles out of which only one is under seven years old.

NIGERIA
OYO STATE URBAN PROJECT
OYO STATE MINISTRY OF FINANCE
PROPOSED ORGANISATIONAL CHART



RT - Road Taxes

PIT - Personal Income Tax (Traders & PAYE)

SLs - Sales Tax

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ANNEX 4-3
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4. A revised organization structure of the internal revenue section, in line with the guidelines from the Federal Government, has been submitted to the office of the Governor for consideration and approval. The basic difference at the management level is that the existing two divisions, one dealing with personal income tax and the other with remaining taxes have been replaced by four divisions with the following functions (see page 2): (i) Administration, and Board matters and investigations; (ii) personal income tax and a legal department, (iii) other taxes, (iv) betting business (pool, slot machines, lotteries, etc.). The changes to rationalize the structure at the branch and tax district level have also been incorporated in the proposed revised structure.

5. Although in practice individual states have little flexibility in determining tax rates, the tax base will enlarge as the population increases. Moreover, when the new management structure is implemented and the manpower, transport and equipment constraints are adequately addressed, it is estimated that the existing level of total internal revenue (taxes and Ministeries) of N121 million would increase to N208 million by 1992 and then continue to increase to N414 million by 1998. This will ensure that the heavy dependence of the state government on the Federation account will not increase any further in the foreseeable future.

B. Expenditure

Recurrent

6. The personnel cost in 1986 and 1987 amounted to 73.9% and 66.5% of the total recurrent expenditure, respectively. The expenditure on maintenance and overheads was 9.3% and 9.7% respectively. The inadequate allocation for maintenance is apparent from the state of disrepair of economic and social infrastructure.

7. Debt service was not a major problem before 1984, as on internal loans it was largely limited to long-term Federal Development loan stock at relatively low interest rates and on external loans which were mainly raised between 1980 and 1983 and carried a moratorium of 3-5 years. The decline in the exchange rate of the Naira against other currencies has considerably increased the cost of external debt servicing. The severe budgetary constraints have resulted in the state not being able to meet all its debt service obligations. The rescheduling of the debt service burden, agreed by FGN in principle, will enable the state to meet its obligations over the next ten years.

OYO STATE URBAN PROJECT

Oyo State Financial Projections

(1987-1998)
(Naira Million)

WITHOUT THE PROJECT	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1. Federal Transfers a/	452.0	572.0	596.0	677.0	785.0	903.0	1,041.0	1,122.0	1,201.0	1,297.0	1,380.0	1,457.0
2. Internal Revenue b/	120.7	129.8	139.7	150.5	162.8	175.2	189.3	204.7	221.6	240.1	260.5	282.0
3. Total Current Revenue	572.7	701.8	735.7	827.5	947.8	1,078.2	1,230.3	1,326.7	1,422.6	1,537.1	1,640.5	1,739.0
4. Transfer to LGAs c/	0.0	13.0	14.0	15.1	16.3	17.5	18.9	20.5	22.2	24.0	26.1	28.2
5. Transfer to Stabilization Account d/	0.0	70.2	73.6	82.8	94.7	107.8	123.0	132.7	142.3	153.7	164.0	174.0
6. Debt Service e/	90.6	164.7	246.4	255.2	244.7	338.0	532.4	462.3	455.0	287.0	241.4	34.5
7. Other Current Expenditures f/	302.1	336.6	375.4	437.5	490.5	550.6	619.0	696.6	765.6	887.1	1,008.4	1,136.0
8. Total Current Expenditures	392.7	584.5	709.3	790.5	846.7	909.9	1,293.3	1,332.3	1,392.1	1,451.9	1,535.7	1,373.6
9. CURRENT SURPLUS	180.0	117.3	26.4	37.0	101.1	168.3	(63.1)	(5.6)	30.5	85.2	112.8	365.4
10. SURPLUS RATIO	31.4%	16.7%	3.6%	4.5%	10.7%	15.6%	-5.1%	-0.4%	2.8%	5.6%	6.8%	21.1%

WITH THE PROJECT	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1. Federal Transfers a/	452.0	572.0	596.0	677.0	785.0	903.0	1,041.0	1,122.0	1,201.0	1,297.0	1,388.0	1,457.0
2. Internal Revenue b/	120.7	132.3	145.4	163.5	183.9	207.5	232.0	259.8	291.2	326.9	367.5	413.9
3. Total Current Revenue	572.7	704.3	741.4	840.5	968.9	1,110.5	1,273.0	381.8	1,492.2	1,623.9	1,755.5	1,870.9
4. Transfer to LGAs c/	0.0	13.2	14.5	16.3	18.4	20.8	23.2	26.0	29.1	32.7	36.8	41.4
5. Transfer to Stabilization Account d/	0.0	70.4	74.1	84.0	96.9	111.1	127.3	138.2	149.2	162.4	175.6	187.1
6. Debt Service e/	90.6	164.7	246.4	260.0	256.0	260.6	563.2	505.7	490.7	420.7	281.0	70.3
7. Increased Rec. Exp. with Project g/				0.5	2.0	3.3	4.4	5.1	5.6	5.8	5.0	5.6
8. Other Current Expenditures f/	302.1	336.6	375.4	437.5	490.5	550.5	619.0	696.8	765.6	887.1	1,008.4	1,136.6
9. Total Current Expenditures	392.7	586.0	710.4	798.5	863.8	936.2	1,337.0	1,371.6	1,450.3	1,518.5	1,506.8	1,441.2
10. CURRENT SURPLUS	180.0	118.4	30.9	41.9	105.1	174.2	(64.0)	10.0	41.9	105.4	159.3	429.7
11. SURPLUS RATIO	31.4%	16.9%	4.2%	5.0%	10.8%	15.7%	-4.2%	0.7%	2.8%	6.5%	8.7%	23.0%

For 1987 actual performance is shown.

a/ Constructed from IBRD RMSM Model for Nigeria (August 1989)
b/ Projections based on assumptions outlined in the text of the report.
c/ Fixed at 10% of internal revenue by the Constitution.
d/ Fixed at 10% of total revenue as per Federal Government directive to State Governments.
e/ Assumed rescheduling of Federal Government debt over 20 years at 10% annual interest; local banks over five years at 16.5%, contractors over five years at no interest and external loans over 10 years from 1988 at 10% with five years grace period IBRD prepayment over 20 years at 8.25% interest and five years grace period
f/ Wages and salaries assumed to grow by 10% per annum, other CRF charges by 5% per annum and maintenance and overhead expenses by 20% per annum except in 1990 when the increase will be 50% to establish a Rehabilitation and Maintenance Fund.
g/ Assumed to be 2% of project cost per annum

Capital Expenditure

8. The capital expenditure incurred during 1982 and 1983 was financed largely with syndicated external loans contracted at inappropriate terms, i.e. high interest rates and slow repayment periods. The Federal Government loans were the biggest source of local borrowing. The state government also undertook capital projects financed by contractors, local banks and surplus on the current account.

9. A comparison of the state's budgeted and actual performance of capital expenditure from 1981 and 1986 shows that between 1981-83, the actual performance was between 16.6% and 21.2% of the planned levels, while between 1984-86 it was between 50.4% and 65.5%. In 1987 the actual expenditure exceeded the budgeted figure, and in 1988 budgeted and actual capital expenditures were equal, primarily, due to realistic budgeting.

Capital Expenditure - Comparison of Budget and Actual Performance

	1981	1982	1983	1984	1985	1986	1987	1988
Budget	379.1	420.3	396.2	99.9	133.7	207.6	191.5	359.3
Actual	80.3	61.9	65.8	65.4	80.6	104.7	234.3	361.3
Achievement	1.2%	14.7%	16.6%	65.5%	60.3%	50.4%	122.3%	100.6%

C. Financial Projections

10. Summary projections of revenue and expenditure for Oyo State "without and with the Project" are shown on Page 4.

Board of Internal Revenue

(i) Pay As You Earn (PAYE) which constitutes over 55% of internal revenue is assumed to grow at a nominal rate of 5% over the 1988-98 period because the deductions are made at source by the employers and remitted to the state. It is, however, possible to improve collections through improved inspection of employers' records to ensure that correct amounts are collected, all eligible employees are covered and the tax deductions are promptly remitted to the State. With improved management, and enlarged tax base due to population growth, it is assumed that the revenue from this source will grow at the rate of 10% per annum.

(ii) The Direct Assessment, which presently constitutes 15% of internal revenue, is poorly collected and is not likely to grow by more than 10% per annum. At present only about 25% of the potential is exploited. With improved management, through

revised revenue management structure, it is assumed that this will increase by 15% in 1988 and 1989; 20% in 1990, 1991 and 1992 and then by 15% from 1993 to 1998.

(iii) The sales tax income in 1987 was N6.3 million compared to N2.7 million in 1986 this is an impressive 133% increase. Its contribution to internal revenue increased from 5% to 13%. There is a lot of scope to further exploit this source of revenue. With the existing system it is assumed to grow by 10% per annum but the administration of sales tax can be improved in scope and effectiveness. More items and institutions would have to be covered. It is assumed that sales tax will grow by 20% in 1988 and 1989, 30% in 1990, 1991 and 1992 and 20% from 1993 to 1998.

(iv) The other taxes have been assumed to grow by 10% but with the project it is assumed that in 1989 and 90 the growth rate will be 20% and there after 10% from 1991 to 1998.

(v) Similarly the license revenue is assumed to grow by 5% without the project and 10% with the project. License revenue constitutes about 5% of internal revenue.

11. Contributions from Ministries

(i) The general growth in income from Ministries is assumed at 7.5% per annum. However, for education the growth rate is taken as 5% of the existing level. Income is already over N36 million per annum, and it is assumed that the government is not likely to impose heavy additional charges in the form of school fees.

(ii) The revenue from the Health Ministry is assumed to grow by 15% per annum from 1987 to 1998, because it is the government's declared intention to improve revenue generation to cover at least the cost of drug supplies.

Statutory Allocation

12. Oyo State's share of the Federation account has been calculated at 7.2% of the total projected Federation account allocations for all states.

Stabilisation Account

13. All state governments have been directed by the Federal Government to set aside 10% of their total revenue in stabilization accounts with effect from 1988 in order to offset the impact of fluctuations in statutory allocations due to changes in oil prices on the world market. OYSG has set up a stabilization account.

Capital Receipts

14. The major sources of capital receipts of the state government include recurrent budget surpluses, domestic borrowing (Federal Government, Banks and Bond Issues). The domestic borrowing from Federal Government for financing capital projects, until 1986, had been from development loan stock (DLS) which was shared among the states using the same formula as the statutory allocation. However, Federal Government stopped issuing development loan stocks in 1986. The state governments are now expected to raise their own capital finance in the domestic capital market. The Oyo State Government successfully floated its first bond issue in 1988 and raised N30 million repayable in 1999 at 16.5% coupon rate.

Outstanding Debt and Debt Service

15. The external outstanding debt at the end of 1987 (at exchange rate of US$1 = N4.3) was N1,457.7 million while the internal debt was N507.9 million, giving a total of N1,965.6 million. This amount includes accumulated arrears of interest amounting to N65 million, which have been capitalized. The Federal Government has agreed in principle to reschedule the debt. The debt service cost remains between N164.7 to N233.9 million during 1988 and 1992 and then rises up to N532.4 million as a result of the expiry of the moratorium period. As the foreign debts are assumed to be rescheduled over the ten-year period from 1988, the debt service cost in 1998 drops to N34.5 million.

16. The State should be able to service the rescheduled debt over the next ten years although in 1993 there will be a budget deficit. This will be offset by the amount transferred from the stabilization account. The projections show that the surplus ratio is 4.2% in 1998 and gradually grows to 15.7% by 1992. It will decline to (-4.2%) in 1993 as the full impact of the capital element of the debt service cost will be felt at the end of the five-year moratorium period and then steadily grow to 23.0% in 1998. The state government will continue to be heavily dependent on its share of the Federation account in order to meet its projected level of expenditure until 1998 and beyond.

D. Infrastructure Maintenance and Rehabilitation Fund

17. The existing infrastructure such as roads, houses, commercial buildings and drains, etc. have been allowed to run down due to inadequate provision of funds for maintenance purposes. In order to reverse this trend, a separate "Infrastructure Maintenance and Rehabilitation Fund" has been established and a separate bank account opened. 15% of the annual Recurrent Budget of OYSG will be transferred to the above Fund on a monthly basis. The Fund will be maintained, controlled and monitored by the Budget Department of OYSG.

18. The Fund will be exclusively used for expenditure in respect of rehabilitation and maintenance work relating to materials and equipment, etc. but excluding cost of salaries and wages of staff as

such costs will remain under the Personnel Enrollments votes as at present.

19. The allocation to the Fund and the items qualifying for expenditure from the Fund will be annually reviewed by the Bank/OYSG.

E. Development Plan 1990-1992

20. OYSG submitted a revised Development Plan (1990-92) which was adopted in September 1989. The plan has allocated N1.18 billion to various sectors as follows:

Sector	Treasury Component	Foreign Component	Total
	(N Million)		
Agriculture and Rural Development	164.4	60.00	224.4
Industry	64.0	-	64.0
Rural Electrification	9.8	-	9.8
Commerce and Co-operative	12.8	-	12.8
Transport	128.0	39.2	167.2
Education	128.0	-	128.0
Health	138.0	15.0	153.0
Information and Culture	70.9	-	70.9
Social Development	19.7	-	19.7
Town and Country Planning	7.9	-	7.9
Water	98.5	50.0	148.5
Sewerage and Drainage	29.5	32.7	62.2
Housing	44.3	-	44.3
General Administration	68.9	-	68.9
Total	984.7	196.9	1,181.6

The Plan is based on the assumption that the statutory allocation over the three year period, at current prices, will contribute N3 billion and internal revenue N1.1 billion. This is expected to yield a budget surplus of N984 million. The balance of the funding will come from external loans.

II. IBADAN MUNICIPAL GOVERNMENT FINANCES

A. Revenue

Internal

21. The municipal government derives its internal revenue from Community Tax (Head tax), tenement rates (property tax), markets, car parks, licenses, fees and rents. The internal revenue of the Council in

1982 was N1.6 million which rose to N3.9 million in 1985, then declined to N3.8 million in 1986 and rose again to N5.4 million in 1987. The estimated internal revenue in 1988 is N9.7 million.

External

22. The Council is entitled to receive a share of 10% of the Federation account which is distributed among the 301/ Local Governments (LGs) throughout the Country. In practice, the Council has received amounts varying from N2.9 million to N3.2 million between 1981 and 1986. The share of the Federation account is channelled by the FGN to the LGs through the state governments.

23. The OYSG maintained a state and local government joint account. The LGs were required to meet 65% 2/ of the cost of primary school teachers salaries. The state government deducted this cost at source from the LGs' share of the Federation account.

24. The flow of funds from the FGN to the State Governments relating to the LGs' share of the Federation account for the past four years, is shown below. The table also shows the amount held at source by OYSG in respect of the local government authorities' share of the cost of Primary Education and the balance allocated to the joint account.

	1984	1985	1986	1987
	----------(N million)----------			
LGAs' Statutory Allocation	76.6	91.6	85.0	146.4
Contribution to Primary Education	47.9	49.8	48.0	70.1
Amount Allocated to Joint Account	28.7	41.8	37.0	76.3

25. The state government was also required to pay 10% of its total revenue (now internal revenue) to the LGs. In practice it was not paid. However, in line with the FGN's declared intention to channel the LGAs' share of the Federation account directly to the LGs, the system has been changed with effect from 1989.

1/ In May 1989 the number of LGs was increased to 449.

2/ The FGN has established a National Primary Education Fund and from 1989 the FGN will contribute 65% of the cost of Primary School Teachers Salaries whereas the SGs and LGs share will be 20% and 15% respectively.

B. Expenditure

Recurrent

26. About 75% of the total recurrent expenditure was used to finance the cost of salaries and wages of staff. During the period 1982-86 the expenditure on health and social services ranged between 34% to 50% of the total recurrent expenditure. The expenditure on General works and services has ranged between 16% and 21.3% for the same period. In 1987 the health and social services were responsible for 39.5% of the total recurrent expenditure while general administration, treasury and general works and services were responsible for 30.7%, 16.8% and 10.8% respectively. The expenditure for general works and services department which is responsible for maintenance of infrastructure is totally inadequate. The Ibadan Municipal government has allowed its existing infrastructure to deteriorate to such a point that immediate action is required to halt further deterioration and to reverse the trend. The allocation of maintenance and rehabilitation of infrastructure needs to be substantially increased and in this regard a separate 'Maintenance and Rehabilitation Fund' would be setup. The contributions to this fund would be on a progressively increasing basis which would be agreed with Ibadan Municipal Government during implementation.

Capital

27. The Council has a five-year development plan 1986-90 with a proposed investment program of N79.5 million. The Council is not likely to achieve this level of investment as the Council has defaulted on meeting its commitments to contractors for three market construction projects. The Council's ability to finance capital projects from its own resources (apart from minor projects) is virtually non-existent at present but is likely to improve when the enhanced property rating system is fully operational and statutory allocations are directly channelled to the Council by the Federal Government. A summary of the Revenue and Expenditure Projections for Ibadan Municipal Government (IMG) is shown on page 11.

IBADAN MUNICIPAL GOVERNMENT

Summary of Expenditure Projections

1987 - 1998

(Naira '000)

CATEGORY	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
INTERNAL REVENUE												
A. Taxes	1,174.9	1,281.9	1,399.1	2,578.5	4,926.5	6,807.8	9,437.3	13,113.9	14,410.5	15,836.0	17,403.4	19,126.6
A1 Community Tax a/	209.7	220.2	231.2	242.8	254.9	267.6	281.0	295.1	309.8	325.3	341.6	358.7
A2 Tenement Rates	965.2	1,061.7	1,167.9	2,335.8	4,671.6	6,540.2	9,156.3	12,818.8	14,100.7	15,510.7	17,061.8	18,768.0
B. Licence Fees & Rents	2,029.4	2,130.9	2,237.4	2,349.3	2,466.7	2,590.1	2,719.6	2,855.6	2,998.3	3,148.3	3,305.7	3,471.0
C. Investment Revenue	60.2	63.2	66.4	69.7	73.2	76.8	80.7	84.7	88.9	93.4	98.1	103.0
D. Central Administration	724.0	760.2	798.2	838.1	880.0	924.0	970.2	1,018.7	1,069.7	1,123.2	1,179.3	1,238.3
E. Market Fees and Charges	1,472.8	1,620.1	1,782.1	1,960.3	2,156.3	2,372.0	2,609.2	2,870.1	3,157.1	3,472.8	3,820.1	4,202.1
F. Statutory Allocation *	6,867.7	7,897.9	9,082.6	10,444.9	12,011.7	13,813.4	15,885.4	18,268.2	21,008.5	24,159.7	27,783.7	31,951.2
TOTAL INTERNAL REVENUE	12,329.0	13,754.1	15,365.7	18,240.8	22,514.4	26,584.1	31,702.3	38,211.2	42,733.0	47,833.4	53,590.2	60,092.1
EXPENDITURE												
1. Local Government Council	22.1	24.3	26.7	29.4	32.4	35.6	39.2	43.1	47.4	52.1	57.3	63.1
2. General Administration	1,931.2	2,124.3	2,336.8	2,570.4	2,827.5	3,110.2	3,421.2	3,763.4	4,139.7	4,553.7	5,009.0	5,509.9
3 Treasury	1,042.6	1,146.9	1,261.5	1,387.7	1,526.5	1,679.1	1,847.0	2,031.7	2,234.9	2,458.4	2,704.2	2,974.7
4 Education	5.9	6.5	7.1	7.9	8.6	9.5	10.5	11.5	12.6	13.9	15.3	16.8
5. Health and Social Services	2,487.1	2,735.8	3,009.4	3,310.3	3,641.4	4,005.5	4,406.0	4,846.7	5,331.3	5,864.5	6,450.9	7,096.0
6 General Works and Services	681.5	817.8	981.4	1,962.7	2,551.5	3,317.0	4,312.1	5,605.7	6,446.6	7,413.6	8,525.6	9,804.4
7. Contributions to other L.G. Bodies	2.0	2.2	2.4	2.7	2.9	3.2	3.5	3.9	4.3	4.7	5.2	5.7
8. Customary Courts	119.8	131.8	145.0	159.5	175.4	192.9	212.2	233.5	256.8	282.5	310.7	341.8
Total Current Expenditure b/	6,292.2	6,989.6	7,770.3	9,430.6	10,766.2	12,353.1	14,251.6	16,539.4	18,473.6	20,643.3	23,078.3	25,812.4
9. Capital Expenditure	5,363.8	5,900.2	6,490.2	7,139.2	7,853.1	8,638.5	9,502.3	10,452.5	11,497.8	12,647.6	13,912.3	15,303.5
TOTAL EXPENDITURE	11,656.0	12,889.8	14,260.5	16,569.8	18,619.3	20,991.5	23,754.1	26,991.9	29,971.4	33,290.9	36,990.6	41,115.9

a/ Includes development levy of N 228,800.
b/ It is assumed that the recurrent and capital expendure will increase by 10% per annum from 1988 to 1998.

* Increase by 15% per annum.

Market fees and charges are assumed to grow by 10%, statutory allocation by 15% and all other revenue except property rates are assumed to grow by 5%. Property rates on the new basis of capital values are assumed to grow by 10% in 1988-89, 100% in 90-91, 40% in 92-94, and 10% in 95-98 to reflect the time scale for introduction of new system.

C. Institutional Arrangements

28. After the local government elections held in December 1987, a new Council was constituted. The IMG had a full-time chairman and four councillors which constituted the Management Committee. The chairman was the chief executive of the Council and each of the councillors was responsible for a specific function or functions such as finance, health and works, etc. The policies of the Council were implemented by the administration, headed by the secretary to the Council. The secretary is assisted by departmental heads of Legal, Estate, Health, Treasury and Engineering departments. Although Primary Education, Agriculture and Natural Resources are Council functions, they were performed by the state government due to the weak resource position of the Council. The Council in line with the FGN decision was dissolved and a sole administrator appointed in July 1989 to facilitate the holding of elections towards the end of the year 1989 in all Councils throughout the Federation.

D. Staff and Training

29. The overall, present managerial and technical capacity of Ibadan local government is extremely limited. The Treasury Department which is responsible for all financial matters including revenue collection has one qualified accountant. The post of Deputy Treasurer has been vacant for over eighteen months. The Treasury Department is short of trained staff, equipment and transport required for effective management of revenue mobilization and collection.

30. The training facilities, though limited in terms of space and resources, are available at the Civil Service Training School in Ibadan for courses ranging from six weeks to six months for staff at the lowest level to the executive officer level. The higher executive officers can attend a two-year Diploma course at Obafemi Awolowo University, Ile Ife. Treasurers can attend one-year higher Diploma course at the same university.

31. The IMG's ability to train its staff is limited by its lack of financial resources available for training and the non-existence of training grade posts on its establishment so that day-to-day operations of the Council are not disrupted when staff are sent on training.

32. The efforts in training of existing staff, in improving their operational skills, should be enhanced by joint effort of IMG the Civil Service Training School. The Civil Service Training School staff are very enthusiastic and keen to assist by developing tailor made courses for IMG staff and with marginal assistance in the form of transport and audio visual aids the training school can improve its effectiveness. In the long run the state government has agreed, in principle, to turn the Civil Service Training School into a Staff Development College to cater for civil servants at all levels. It is advisable to create a number of trainee grade posts, particularly, in

the Treasury Department to improve staff's technical and professional skills.

E. Future Prospects of Revenue

33. The improved management through training, equipment and transport support will have a general positive effect on revenue collection. The biggest potential to enhance the Councils' internal revenue is from property rates based on Capital values. It is projected that at 1987 constant prices the revenue from property rates will increase from its existing level of under N1 million in 1987 to about N18.8 million in the next ten years.

34. The recent policy changes announced by the FGN indicate that the FGN is placing greater emphasis on rural development and wish to give greater responsibilities to the LGs together with additional resources. The Council can now request the state or FGN for secondment of professional or technical staff. A new scheme of service has been introduced for LG staff which is comparable to the civil service. This should make Council service more competitive and attract technically and professionally qualified persons to the service. The Ministries of LG at the State level have been abolished and the functions brought under direct control of the State Government. The LGs' share of the Federation Account is now being channelled directly from FGN to LGs.

35. The combination of significantly improved revenue from property tax and direct channelling and increased share of Federation account should greatly improve the financial position of the Council. The FGN with effect from 1988 will meet 65% of the cost of primary school teachers salaries.

36. The state government operated a joint account for LGs and put the Local Government Authorities' (LGAs) share of the Federation account into that account. It met the expenditure on teachers' salaries and other expenditure on provision of services which are the LGAs' responsibility and paid a part of the balance to the municipal governments in the state. Under the arrangement it is difficult to disaggregate the expenditure incurred by the state government on behalf of IMG. It is possible to estimate the Council's share of the Federation account but since the net position cannot be reasonably ascertained, the projections of the Council's share of the Federation account are based on the actual net amounts received by the Council from the state government. However, now that the Federal Government is channelling the Council's share of the Federation account directly and as the Council starts meeting its obligation of providing statutory functions, such as rural and semi-rural water supply, sewerage, roads, public housing, public parks, gardens and open spaces, nursery, primary and adult education, health, maternity centers and clinics and various licencing and developmental central functions, the position will become clearer in the future.

III. OTHER LOCAL GOVERNMENTS IN OYO STATE

37. The other LGAs in Oyo State also face problems highlighted in the case of IMG. They have a narrow tax base, weak management structure, lack of skilled manpower and are heavily dependent on their share of the Federation account.

38. The project will provide assistance with training, address the management and structural constraints and establish systems to address rehabilitation and maintenance problems.

IV. PROPERTY RATING

A. Present System

39. The present tenement rating system in Ibadan does not produce a significant contribution to LG revenue due to inadequate assessment methods and poor collection performance. The present system is simple as the assessments are based on a limited number of variables, i.e. location and use of building. The system has many deficiencies, i.e. inequity between rate payers, inflexibility in alteration of scale, arbitrary nature of the scale and collection difficulties in determining targets and measuring performance. The average yield under the present system in IMG is about N1 million, although the potential on the existing basis is estimated at about N5 million. The poor collection is due to inadequate manpower resources, equipment, transport and ineffective control and supervision.

B. Valuation-Based System

40. A valuation-based rating system will be more equitable, provide a wider tax base and considerably higher yield thus making LGs more self-reliant and relatively less dependent on state and Federal governments.

41. The valuation-based system requires assessment of each rateable property and in view of the lack of skilled manpower available both at LG and state levels, private sector valuation specialists would have to be used to prepare the valuation rolls which will form the basis of the rating system. The private sector valuers work will be supervised by the State's Rating Valuation Coordinator, and LG valuation staff will work side by side with the private valuers so that they gain the necessary expertise and experience in order to enable them to keep the valuation rolls up to date and to prepare interim valuation rolls on an annual basis bringing new properties into the rating system.

42. The work already done on the "geo-coding exercise" to establish urban property information system by consultants for OYSG would provide useful inputs to the property valuation exercise in terms

of street names and property numbers for indentification of rateable properties.

43. The valuation-based rating system though involving initial high costs in setting up the system will provide potentially high revenue yields with main urban areas of Oyo state to enhance the existing tenement rating system operated by LGs. It is estimated that the new system has the potential of yielding over N30 million as compared to the N1 million per annum presently collected by IMG.

C. Action Plan for Implementation

Actions already taken

44. OYSG confirmed their commitment to the introduction of an enhanced tenement rating system as agreed during project appraisal, and as outlined in the July 1988 aide memoire and described in greater detail in the Report prepared by I.P. Sanderson (Consultant) of August 1988. Introduction of the enhanced system would concentrate on the urban areas of Oyo State, starting with the IMG.

45. IMG presented outline proposals for achieving improved rate collection performance commencing in 1990. The proposals addressed three key areas: (i) improved management structure for direction, organization, control and supervision of the staff; (ii) additional resource requirements such as staff, equipment and vehicles, and (iii) staff training needs and corresponding training program.

46. OYSG Ministry of Local Government presented draft terms of reference for a Rating Valuation Coordinator to supervise implementation of Property Rating Component, initially in Ibadan and subsequently in selected towns.

47. IMG presented draft terms of reference for a Chief Rating Valuation Officer and other senior professional staff required to implement property rating in Ibadan.

48. OYSG advertised for international recruitment, the post of Rating Valuation Coordinator and IMG the post of Chief Rating Valuation Officer.

49. OYSG reviewed the existing legislation, identified modifications necessary to implement the enhanced tenement rating system and submitted these to the Bank for comment.

During Project Implementation

50. OYSG to appoint Rating Valuation Coordinator of appropriate ability and experience satisfactory to the Bank.

51. IMG to appoint Chief Rating Valuation Officer and other staff necessary for the rating valuation unit and provide it with

adequate accommodation, furniture and equipment to undertake the proposed functions.

52. OYSG to engage private sector valuation specialists to undertake the valuation program under terms of reference prepared by the Rating Valuation Coordinator and reviewed by the Bank.

53. OYSG to establish a monitoring system to be reviewed by the Bank to ensure that adequate progress is made with the introduction of the enhanced rating system and improved collection performance. The monitoring system would review on a quarterly basis agreed targets vs. actual performance of the following key indicators: (i) staff resources deployed; (ii) number of properties identified registered and valued; (iii) total value of assessments; (iv) total revenue collected; and (v) number of staff trained. Remedial action for shortfalls in performance would be proposed.

54. IMG to demonstrate continued improvement in their rate collection performance in accordance with the targets, outlined below:

Year	Targets to be collected (₦ million)
1990	3
1991	7
1992	11
1993	16
1994	25
1995	30

Note: The above targets are based on current inflation rates in the 10-12% range. Should future inflation rates be substantially higher, the targets would be reviewed correspondingly.

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FEDERAL REPUBLIC OF NIGERIA

OYO STATE URBAN PROJECT

ECONOMIC ANALYSIS AND POVERTY IMPACT

A. ECONOMIC EVALUATION

Summary

1. Table 1 contains a summary of the economic analysis including the two components for which benefits could be quantified: (a) storm drainage and flood control; and (b) community improvement program. The total cost of the two subcomponents comprises 56% of the Ibadan rehabilitation component. The weighted average ERR is estimated at 22%.

Storm Drainage and Flood Control

2. To determine economic costs, total local costs were converted into border costs by the standard conversion factor of 0.85. Foreign inputs were valued at c.i.f. import prices plus local transport costs. Annual maintenance cost was assumed to be 3% of physical capital costs plus physical contingencies and converted into border cost by its own conversion factor. The equipment for maintenance work was assumed to be replaced every 5 years and their costs were also converted into border costs. Project life was assumed to be 25 years.

3. The benefits of this component were measured by the reduction of physical flood damages. Based on data of past flood events and resulting damages as well as rainfall records, three levels of flood damages were identified and estimated at appraisal and subsequently updated to January 1989 prices: (a) annual damages of about N1 million (on average about 200 properties affected annually); (b) damages due to floods every 5 years of about N2.6 million (the average of past recorded damages); and (c) damages due to floods every 25 years of about N540 million (value of damages due to the 1980 flood which was the largest and estimated to occur once in every 25 years based on precipitation patterns). The benefits were converted into US dollars at the current exchange rate, and the conversion factor was applied. The conversion factor was computed assuming that flood damages consist of 40% local cost and 60% foreign cost. Benefit streams were quantified by taking the probability of occurrence of these damages without the project. For example, a 5-year flood has a probability of one-fifth to

Table 2 ECONOMIC ANALYSIS
STERN DRAINAGE AND FLOOD CONTROL
(Unit: us$'000 at January 1989 prices)

Year	Economic Cost				Economic Benefit					Net Economic Cash Flow	Sensitivity Analy.	
					Flood Damages Prevented						Net Eco. Cash Flow	
	Capital Cost	Maintenance Cost	Maintenance Equipment Cost	Total Economic Cost	Annual Flood	5-Year Flood	25-Year Flood	Economic Salvage Value	Total Economic Benefit	Base Case	20% Red. in Ben.	20% Up in Cost
	us$'000	us$'000	us$'000	us$'000	us$'000	us$'000	us$'000	us$'000	us$'000	us$'000	us$'000	us$'000
1988	457.1			457.1					0.0	(457.1)	(457.1)	(548.6)
1989	1,200.5			1,200.5					0.0	(1,200.5)	(1,200.5)	(1,440.6)
1990	2,305.8			2,305.8					0.0	(2,305.8)	(2,305.8)	(2,766.9)
1991	2,027.0			2,027.0					0.0	(2,027.0)	(2,027.0)	(2,432.4)
1992	2,430.0	56.0		2,486.0	25.1	19.1	797.8		835.5	(1,650.5)	(2,017.0)	(2,347.7)
1993	2,047.5	86.0		2,133.5	30.0	30.7	1,266.7		1,327.5	(806.0)	(2,074.5)	(2,486.5)
1994	629.6	156.4	372.1	1,158.1	71.4	87.1	2,280.2		2,377.0	1,243.7	767.1	1,015.7
1995		226.0		226.0	146.4	78.2	4,651.9		4,874.5	4,647.7	3,572.8	4,462.4
1996		226.0		226.0	146.4	78.2	4,651.9		4,874.5	4,647.7	3,572.8	4,462.4
1997		226.0		226.0	146.4	78.2	4,651.9		4,874.5	4,647.7	3,572.8	4,462.4
1998		226.0		226.0	146.4	78.2	4,651.9		4,874.5	4,647.7	3,572.8	4,462.4
1999		226.0		226.0	146.4	78.2	4,651.9		4,874.5	4,647.7	3,572.8	4,462.4
2000		226.0	372.1	598.1	146.4	78.2	4,651.9		4,874.5	4,176.4	3,260.7	4,088.8
2001		226.0		226.0	146.4	78.2	4,651.9		4,874.5	4,647.7	3,572.8	4,462.4
2002		226.0		226.0	146.4	78.2	4,651.9		4,874.5	4,647.7	3,572.8	4,462.4
2003		226.0		226.0	146.4	78.2	4,651.9		4,874.5	4,647.7	3,572.8	4,462.4
2004		226.0		226.0	146.4	78.2	4,651.9		4,874.5	4,647.7	3,572.8	4,462.4
2005		226.0	372.1	598.1	146.4	78.2	4,651.9		4,874.5	4,176.4	3,260.7	4,088.8
2006		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2007		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2008		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2009		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2010		226.0	372.1	598.1	146.4	78.2	3,163.8		3,388.9	2,790.8	2,381.9	2,947.2
2011		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2012		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2013		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2014		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2015		226.0	372.1	598.1	146.4	78.2	3,163.8		3,388.9	2,790.8	2,381.9	2,947.2
2016		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2017		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2018		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2019		226.0		226.0	146.4	78.2	3,163.8		3,388.9	3,162.8	2,381.9	2,948.7
2020		226.0	74.4	401.2	146.4	78.2	3,163.8	6,007.0	9,481.9	9,081.7	7,186.1	9,081.4
Present Value at 10% Discount =				11,813.1					28,942.2	11,629.1		
NPV at 10% =										11,629.1		
IRR =										21.19%		

Sensitivity Analysis

(1) 20% reduction in benefits:

NPV at 10% =	6,980.6	
IRR =	17.21%	
NPV at 10% =		9,306.5
IRR =		17.91%

(2) 20% rise in costs:

Table 1. SUMMARY OF ECONOMIC RATES OF RETURN
IBADAN INFRASTRUCTURE REHABILITATION

(Unit: us$'000 at January 1989 Prices)

Ibadan Component	Financial Base Cost		Economic Rate of Return	Percentage Share in Infrastruc. Rehab. Ibadan Base Cost
	us$'000	%	%	%
Storm Drainage and Flood Control	10,950.0	60.6	21.2	
Community Improvement Program	6,497.0	28.4	24.1	
IBADAN INFRA REHAB BASE COST APPRAISED	16,447.0	100.0	22.2	58.2
IBADAN INFRASTRUCTURE REHAB BASE COST	29,254.0			100.0

NOTE
(1) Storm drainage and flood control component excludes rehabilitation and maintenance equipment subcomponents.
(2) Community improvement component excludes new serviced plots subcomponents.

occur each year. However, because the 25-year flood did not occur for 8 years after 1980 until present, its chance for occurrence will be higher in the next 17 years. The salvage value of the system after 25 years was assumed to be 50% of physical capital costs plus physical contingencies.

4. The base case economic analysis is presented in Table 2. The net present value discounted at 10% is estimated at about US$11.6 million. The ERR is estimated at about 21%.

Community Improvement Program (CIP)

5. The three communities to be improved (Mokola, Yemetu and Agugu) were combined and evaluated as one. The standard conversion factor of 0.85 was also applied. The total economic cost of capital was estimated at US$5.8 million at January 1989 prices. An amount equivalent to 2% of physical capital cost was assumed for the maintenance of the CIP.

6. Benefits of the CIP were measured in terms of an increase in property values of the three communities mentioned above. Two communities (Oke Ado and Old Ife) which show housing characteristics similar to Mokola, Yemetu and Agugu), and which do have adequate infrastructure and services, were selected as comparable communities. The average property value of a comparable structure in the CIP was about N44,000 compared with N77,000 in the comparable communities--76.4% higher. Hence it is assumed that property values in the CIP communities will increase by an average of 76.4% with the project.

7. Due to data constraints the total current property values of the CIP were measured by the average property value per room multiplied by the total number of rooms in the CIP. The average property value per room was estimated based on sample surveys conducted during the appraisal mission. Total economic benefits of the CIP was estimated at US$12.5 million in January 1989 prices. Since this amount represents additional benefits arising from improvements made by the CIP, this benefit will be realized immediately after completion of the CIP even though the actual market values of properties will rise gradually for several years. The ERR for the CIP was estimated at 24% as shown in Table 3.

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Table 8. ECONOMIC ANALYSIS
COMMUNITY IMPROVEMENT PROGRAM
(Unit. us$'000 at January 1980 Prices)

Year	Economic Cost					Total Economic Benefit	Net Economic Cash Flow	Sensitivity Analysis			
	Capital Cost			Maintenance Cost	Total Economic Cost			(1) 10% Down in Benefit		(2) 20% Up in Cost	
	Land and Relocation Cost	Other Costs	Subtotal					Total Economic Benefit	Net Economic Cash Flow	Total Economic Cost	Net Economic Cash Flow
1980	214.2	554.8	769.0		769.0		(769.0)		(769.0)	922.8	(922.8)
1981		1,663.7	1,663.7		1,663.7		(1,663.7)		(1,663.7)	1,996.4	(1,996.4)
1982		1,940.9	1,940.9		1,940.9		(1,940.9)		(1,940.9)	2,329.1	(2,329.1)
1983		1,109.1	1,109.1		1,109.1		(1,109.1)		(1,109.1)	1,330.9	(1,330.9)
1984		277.8	277.8		277.8		(277.8)		(277.8)	333.3	(333.3)
1985				105.7	105.7	12,497.6	12,391.9	9,993.8	9,892.9	126.8	12,370.7
1986				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
1987				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
1988				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
1989				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2000				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2001				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2002				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2003				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2004				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2005				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2006				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2007				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2008				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2009				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2010				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2011				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2012				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2013				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
2014				105.7	105.7		(105.7)		(105.7)	126.8	(126.8)
Net Present Value at 10% =					5,020.6	7,054.5	2,034.1				
					NPV at 10% =		2,034.1				
					IRR =		24.07%				
Sensitivity Analysis											
(1) 20% reduction in the benefit.					NPV at 10% =				623.2		
					IRR =				16.18%		
(2) 20% rise in the costs.					NPV at 10% =						1,020.0
					IRR =						16.08%

B. POVERTY IMPACT

Poverty Threshold

1. GNP per capita in 1988 is estimated at US$221 based on the revised RMSM model for Nigeria in the Bank. The Bank's definition of rural poverty level is 40% of per capita GNP; the urban poverty level is 25% higher. Hence the urban poverty threshold in Nigeria for 1988 was estimated at N497.3 or US$110.5 per capita per annum. The following adjustments were made by the appraisal mission to reflect a more realistic threshold for Ibadan.

2. The average household size for the urban area in Oyo State in 1984 was estimated at 3.88 persons. Assuming the same size for 1988, the urban poverty threshold is estimated to be N160.8 per household per month. In Ibadan, however, families with incomes below N200 to N250 per month are considered to be low income. Taking the average of the two figures (N225) and assuming the average size of a household to be 3.88, the poverty threshold of Ibadan was estimated at N696 per capita per annum. These revised figures were used for this analysis.

Income Distribution and Poverty Share

3. Table 4 gives the income distribution in urban areas of Nigeria. Assuming that this distribution also applies to the city of Ibadan, its poverty share was estimated at 56.6%. Based on available data, Table 5 gives the best estimates of income distribution in the three CIP communities. The poverty share was estimated at 65.9%. Its share is higher than that of Ibadan city implying that the average household in the community improvement program (CIP) areas is poorer than the average households in the city.

Poverty Impact

4. The storm drainage and flood control component will benefit households with income levels almost equivalent to that of the CIP areas. The solid waste management component will mainly serve the poor and densely populated areas of the city where income levels are equal to the CIP areas at the most. Table 6 summarizes the results of the poverty impact analysis which shows that about 66% of the Ibadan infrastructure rehabilitation expenditures would directly benefit the poor. Since poverty shares are estimated conservatively, as discussed above, 66% is considered to represent the minimum share of expenditures to benefit the poor.

TABLE 4: INCOME DISTRIBUTION IN URBAN NIGERIA
(N at 84/85 Prices and 88 Prices)

Income per HH per Month in 83/84 (N)	Income per Capita per Annum in 1988 (NN)	Distribution (%)
~99	~392	31.11
100~199	393~789	33.28
200~299	790~1,185	19.60
300~499	1,186~1,978	10.58
500~	1,979~	5.43
TOTAL	-	100.00

SOURCE: Ibid, Table 6.12.

NOTE: The household income in 1983/84 were converted into the per capita income in 1988 by using (1) the average size of urban households in 1983/84 being 6.68 persons (Social Statistics 1985) and (2) the inflation rate of GNP between 83/84 and 88 being 54.59% (revised RMSM for Nigeria).

TABLE 5: INCOME DISTRIBUTION IN THE CIP COMMUNITIES
(N at 1988 Prices and %)

Income per Surveyed Individual per Month in 1988	Income per Capita per Annum in 1988	Agugu (%)	Yemetu (%)	Mokola (%)	Weighted Average
~100	~309	25.1	28.7	23.6	26.0
100~200	310~619	33.9	36.8	30.3	33.8
201~300	620~928	27.4	23.0	24.9	24.9
301~500	929~1,546	9.0	8.1	14.3	10.4
501~1,000	1,547~	4.6	3.4	6.9	4.9
TOTAL		100.0	100.0	100.0	100.0
Estimated	18,500	25,000	22,000	65,500	

SOURCE: Table 3.6, NISER, Socioeconomic Survey of Ibadan City, 1988

TABLE 6: POVERTY IMPACT OF IBADAN INFRASTRUCTURE REHABILITATION COMPONENT

	Cost		Poverty Share
	Basic Cost (Million $)	Share (%)	(%)
Storm Drainage and Flood Control	10.95	46.2	65.9
Solid Waste Management	7.25	30.6	65.9
Community Improvement	5.50	23.2	65.9
Weighted Average	23.70	100.0	65.9

AF4IN
October 1989

NIGERIA

OYO STATE URBAN PROJECT
DOCUMENTS IN THE PROJECT FILE

Ref. No.		File No.
A.	Approved Oyo State of Nigeria Estimates 1988 including Budget Speech	D18991
B.	Approved Oyo State of Nigeria Estimates 1987 including Budget Speech	D18992
C.	Ibadan Municipal Government, Annual Financial Statements 1982-88, prepared by: The Municipal Treasurer	D18993
D.	Oyo State - Analysis of Financial Structure and Performance, 1981-86 and Prospects, 1987-95, prepared by: Emmanuel C. Anusionwu February 1987	D18994
E.	Report of the Inter-Ministerial Committee on the World Bank Assistance on the Improvement of Ibadan Metropolis, (incl. Upgrading of Three Core Areas) April 1985	D18995
F.	Ibadan Transportation and Traffic Management Study Traffic Management Report, Part One and Two; Transportation Study, Report of Surveys, prepared by: Associated Engineers and Consultants (Nigeria) Limited, Colin Buchanan & Partners, and Norman & Dawbarn Associates, January 1983	D18995 A,B,C
G.	Master Plans for Wastes Disposal and Drainage, Ibadan, Vol. I-IV prepared by: MacLaren International Limited, May 1971	422-07 (79-2-4)
H.	Master Plan for Ibadan Metropolitan Area - Phase I, Vol. I-IV, 1983	D18997
I.	ADB Loan for Emergency Rehabilitation Project for Ibadan Water Supply, prepared by: African Development Bank, November 11, 1986	D15412
J.	Ibadan Region, prepared by: Department of Geography University of Ibadan, April 1982	D15406

Ref. No.		File No.
K.	Ibadan Infrastructure Development Project Identification Mission - Solid Waste Component, prepared by: L. Moore, May 1984 (Office Report)	D18998
L.	Ibadan Urban Drainage and Flood Control Component, prepared by: Haskoning July 1987	D15411
M.	Ibadan Drainage Component, Photographic Impressions, prepared by: Haskoning June 1987	D18999
N.	Ibadan - Institutional Strengthening & Administrative, Financial & Technical Services Improvement, prepared by: The Swedish Team, July 1987	D15408
O.	Ibadan Solid Waste Management Project preparation Mission, B-T-O Memorandum Prepared by: Sandra Cointreau (Consultant), March 1987	D19003
P.	Ibadan Urban Project, Institutional Considerations Report, prepared by: A.R.A. Consultants, Murray Glow, July 1987	D19000
Q.	Ibadan Water Supply, prepared by: B. Heine and A. Sweetnam, July 1987	D19001
R.	Ibadan Storm Drainage Component Part I, including Annex A (Strip Plans) prepared by: Haskoning, DHV, Konsadem and Badafash, June 1988	D19002 A,B & C
S.	Solid Wastes Component Preliminary Design, prepared by: Haskoning, DVH and Konsadem, June 1988	D19004
T.	Socio-economic Survey of Ibadan City prepared by: NISER, June 1988	D19005
U.	Ibadan Urban Renewal Project Preliminary Design Report, prepared by: Osot Assoc., June 1988	D19006
V.	Community Improvement Program, Proposals for Community Participation, Implementation, Maintenance, Finance and Cost Recovery, prepared by: University of Ibadan, June 1988	D19007
W.	Preliminary Physical Planning Proposals for Agugu, Mokola & Yemetu Study Areas, prepared by: I.M.P.A., June 1988	D19008

Ref. No.		File No.
X.	Civil Service Training School Ibadan - 1988 Course Calendar	D19009
Y.	Upgrading of Core Areas (Report on Three Selected Areas in Oyo), prepared by: Oyo Local Planning Authority, June 1988	D19010
Z.	Preliminary Report on Upgrading of Three Selected Areas in OSOGBO, prepared by: OSOGBO Local Planning Authority, June 1988	D19011
AA.	Preliminary Report on Ilesa prepared by: Ilesa Local Planning Authority, June 1988	D19012
BB.	Three Selected Areas in Ile-Ife, prepared by: Oranmiyan Local Planning Authority, June 1988	D19013
CC.	Upgrading of Core Area (A Report on Two Areas in Saki), prepared by: IFEDAPO Local Planning Authority, June 1988	D19014
DD.	Upgrading of Core Area (Preliminary Report on the Three Selected Areas in OGBOMOSO), prepared by: OGBOMOSO Local Planning Authority, June 24, 1988	D19015
EE.	Preliminary Plans for Upgrading in Priority Towns, June 1988	D19016
FF.	Oyo State Urban Project Rating Valuation Component Report, prepared by: I. P. Sanderson, July 1988	D19008
GG.	IDF Project Guidelines	D00154
HH.	IDF Policy Statement	D00964
II.	Oyo State Urban Project State & Local Government Finances, prepared by: J. Bahal, September 1988	D19273
JJ.	Oyo State Urban Project Economic Analysis prepared by: H. Ueno, September 1988	D19272
KK.	Ibadan Traffic & Transport Component Tech. Note on Preliminary Economic Evaluation, prepared by: J. Cracknell, July 1988	D19274

NIGERIA

OYO STATE URBAN PROJECT

COMMUNITY IMPROVEMENT AREAS IN IBADAN

MOKOLA, YEMETU, AND AGUGU

LAND USE:
- Residential
- Commercial
- Industrial
- Public / Semi-public
- Open Space
- Resettlement Area
- Places of Worship

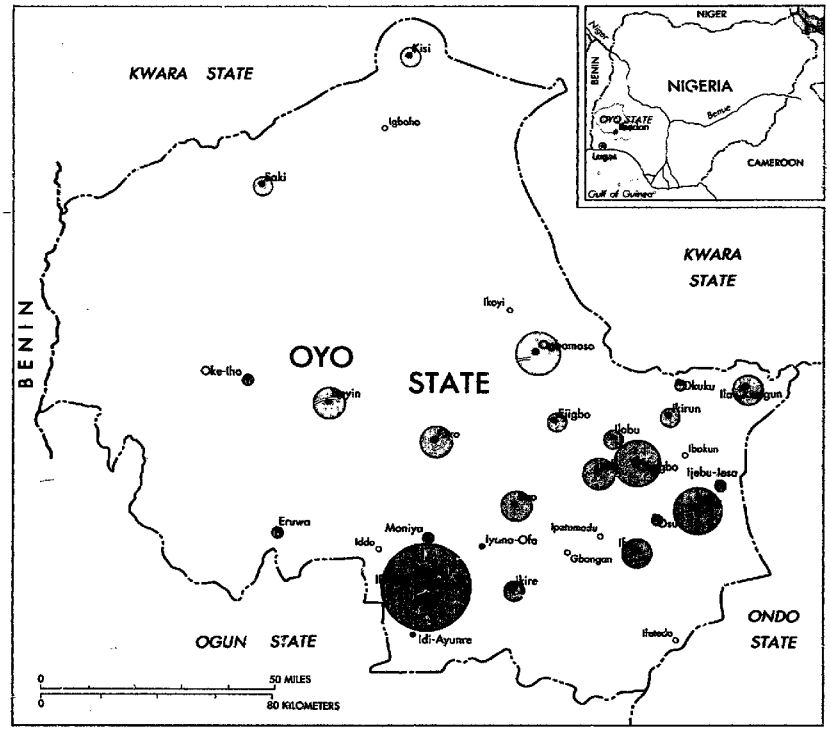
- Rivers and Streams

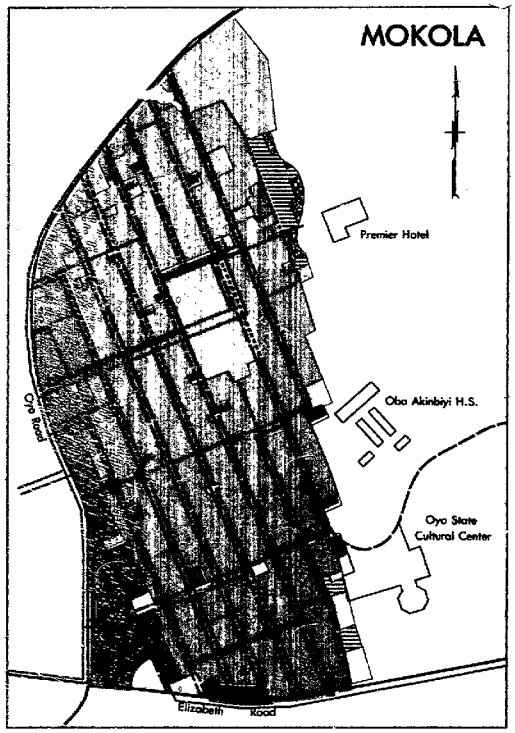
Roads:
- Primary Distributors
- Secondary Distributors
- Access Roads

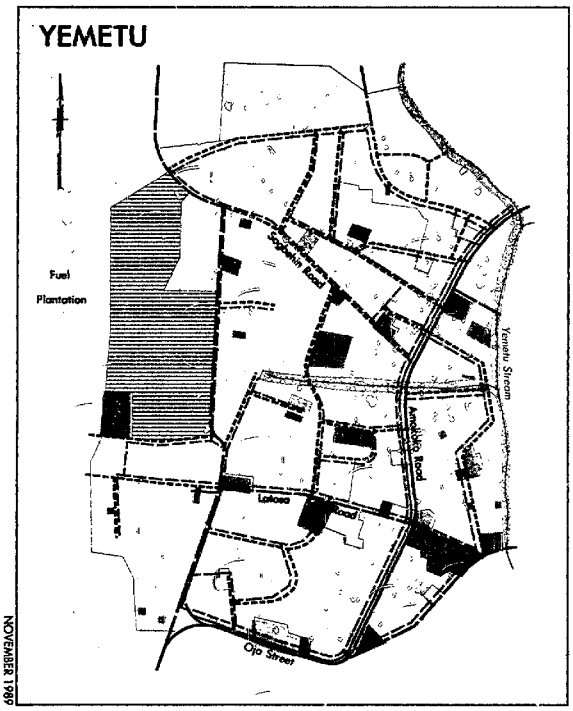
Population:
- over 1,000,000
- 500,001 - 1,000,000
- 200,001 - 500,000
- 100,000 - 200,000
- less than 100,000

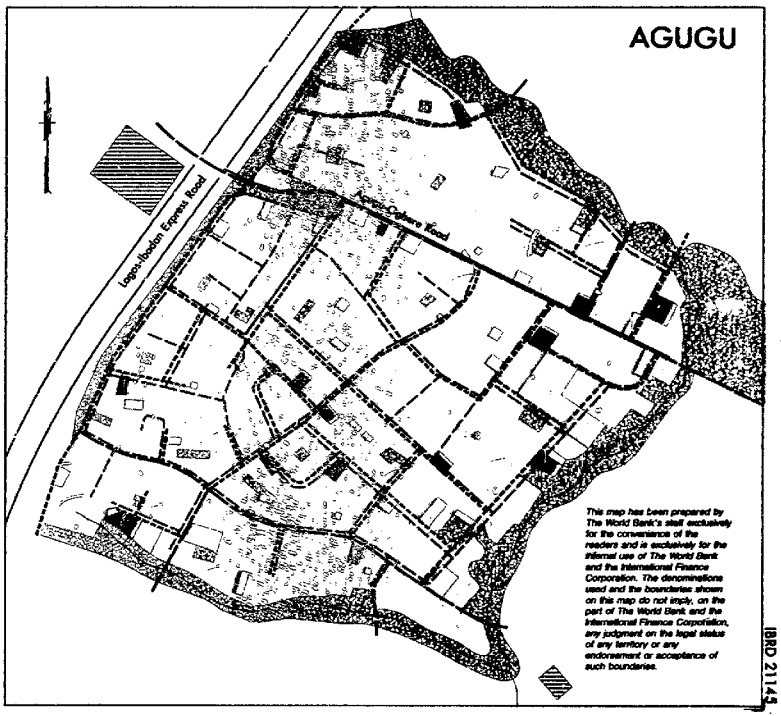
Water Supply
- Existing
- Proposed

- Major Towns
- Local Government Headquarters
- State Boundaries
- International Boundaries









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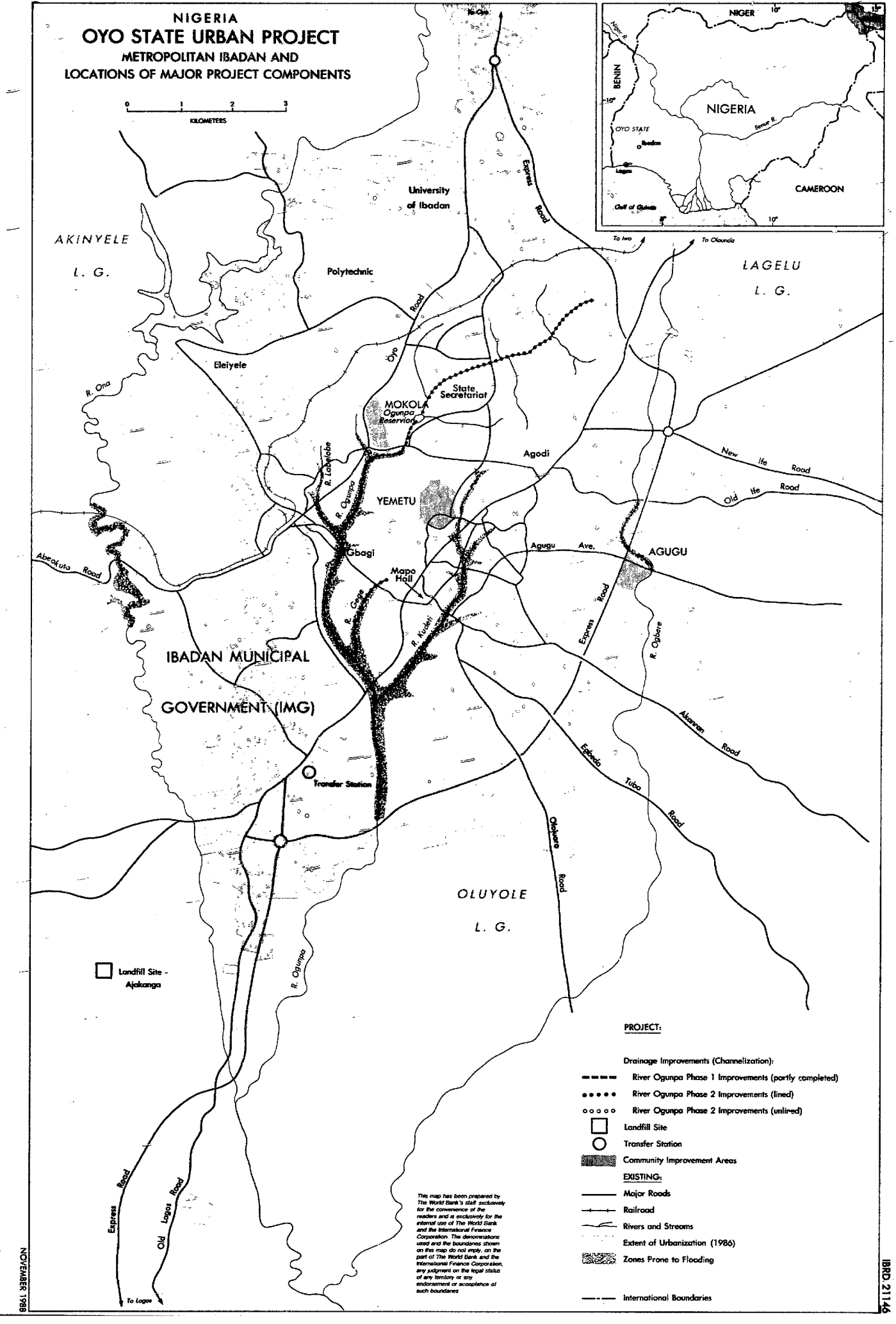
NIGERIA
OYO STATE URBAN PROJECT
METROPOLITAN IBADAN AND
LOCATIONS OF MAJOR PROJECT COMPONENTS
0 1 2 3
KILOMETERS
NIGER
BENIN
NIGERIA
OYO STATE
Ibadan
Lagos
Gulf of Guinea
CAMEROON
Niger R.
Benue R.
To Oyo
Express Road
University of Ibadan
To Iwo
To Olounda
AKINYELE L. G.
LAGELU L. G.
Polytechnic
Oyo Road
Eleiyele
R. Ona
MOKOLA
Ogunpa Reservoir
State Secretariat
R. Labelobe
R. Ogunpa
YEMETU
Agodi
New Ife Road
Old Ife Road
Gbagi
Agugu Ave.
AGUGU
Mapo Hall
R. Gege
R. Kudeti
Abeokuta Road
IBADAN MUNICIPAL GOVERNMENT (IMG)
Express Road
R. Ogbere
Akanran Road
Eyidelo Tuba Road
Transfer Station
Olokuta Road
OLUYOLE L. G.
Landfill Site - Ajakanga
R. Ogunpa
Express Road
Old Lagos Road
To Lagos
PROJECT:
Drainage Improvements (Channelization):
River Ogunpa Phase 1 Improvements (partly completed)
River Ogunpa Phase 2 Improvements (lined)
River Ogunpa Phase 2 Improvements (unlined)
Landfill Site
Transfer Station
Community Improvement Areas
EXISTING:
Major Roads
Railroad
Rivers and Streams
Extent of Urbanization (1986)
Zones Prone to Flooding
International Boundaries
This map has been prepared by The World Bank's staff exclusively for the convenience of the readers and is exclusively for the internal use of The World Bank and the International Finance Corporation. The denominations used and the boundaries shown on this map do not imply, on the part of The World Bank and the International Finance Corporation, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries
NOVEMBER 1988
IBRD: 21146