



<b>1. Project Data :</b>
<b>OEDID:</b> L2985
<b>Project ID:</b> P002082
<b>Project Name:</b> Lagos State Water Supply Project
<b>Country:</b> Nigeria
<b>Sector:</b> Other Water Supply & Sanitation
<b>L/C Number:</b> L2985 - UNI
<b>Partners involved :</b> UNDP, Canada, French commercial banks
<b>Prepared by :</b> Charles Derek Poate, OEDST
<b>Reviewed by :</b> Tauno K. Skytta
<b>Group Manager :</b> Roger H. Slade
<b>Date Posted :</b> 08/03/1998

**2. Project Objectives, Financing, Costs and Components :**  
Objectives: (i) increase population access to public water supplies by doubling production capacity and more than doubling the number of house-connections; (ii) eliminate subvention from the Lagos State Government to Lagos State Water Corporation (LSWC) for recurrent expenditures; (iii) strengthen LSWC including its management, operations and maintenance, training facilities and programs, manpower development, accountability, economic efficiency, financial performance and future viability .

Components: expansion of water production facilities at Adiyun; construction of transmission and distribution system; provision of installation materials and meters for new service connections; rehabilitation of existing water production facilities; improvement of administrative infrastructure; and institutional support.

Costs and financing: The total project costs were US\$ 380.5 million (US\$ 461.8 at appraisal) of which the Bank financed US\$ 173.3 million. Co-financing was to be provided by the European Investment Bank (EIB), the Government of Canada, UNDP, and French Commercial Banks, but EIB withdrew its support in 1992. The Bank loan was approved on March 31, 1989 and was eventually closed on December 31, 1997 after being extended twice. Final disbursement took place on May 13, 1998 at which time the loan was fully disbursed.

**3. Achievement of Relevant Objectives :**  
The project's physical objectives were partially achieved . Due to EIB's withdrawal, only 640kms of the planned 1157kms of secondary and tertiary pipelines were built . About 25% of the planned connections were installed and 90% of the planned standpipes constructed. Population access has increased by 50% to about 3.1 million and service through standpipes has more than doubled to about 1 million. Achievement of the financial objectives was adequate . However, although the objective of increasing water supply was partially met, delays in strengthening institutional capacity will make it difficult for the sector to become financially viable . Achievement of the economic objectives was partial . The decline in real tariffs over time and low capacity utilisation did not allow the projected increase in the delivery of water with associated economic benefits .

**4. Significant Achievements :**  
There are no significant achievements in this project, beyond what was planned in the SAR .

**5. Significant Shortcomings :**  
LSWC was expected to generate sufficient earnings to eliminate operating subventions and meet all operating costs as well as the greater proportion of debt service and depreciation . However, revenue

figures have been grossly overstated and operating expenses understated to fit expected cash flows . Actual annual revenue collection averages 20% of billings with the result that LSWC remains dependent on government recurrent and debt service subvention.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Unsatisfactory	Marginally Unsatisfactory	The partial achievement of the physical and institutional objectives has improved the Lagos water supply to the extent that the project will have some limited development results, including upward trend of actual collections.
<b>Institutional Dev .:</b>	Partial	Modest	
<b>Sustainability:</b>	Uncertain	Uncertain	
<b>Bank Performance:</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Deficient	Unsatisfactory	
<b>Quality of ICR:</b>		Satisfactory	

**7. Lessons of Broad Applicability :**

Expectations for project start up should take into account the implementing agency's prior experience with Bank projects. Weak institutions should be assisted incrementally with projects that are modest in design and objectives. A more radical approach, such as private sector participation in operations, could help achieve sustained results.

**8. Audit Recommended?**  Yes  No

**Why?** Audit would look into lessons from a complex and large project, especially the issues of achieving institutional objectives.

**9. Comments on Quality of ICR :**

The quality of the ICR, which addresses all the project issues clearly and specifically, is entirely satisfactory. It provides comprehensive information analysis of the current situation and future orientation of the project. The aide-memoire of the ICR mission is clear and focused . The comments from the borrower are adequate but comments from the co-financiers were not available.