

AFRICAN DEVELOPMENT BANK



PROJECT: EBONYI STATE RING ROAD PROJECT

COUNTRY: NIGERIA

PROJECT APPRAISAL REPORT

RDNG/PICU

April 2019

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Currency Equivalents

As of February 2019

| | | |
|-------|---|---------------|
| 1 UA | = | 427.893 NGN |
| 1 UA | = | 1.40070 USD |
| 1 USD | = | 305.48511 NGN |

Fiscal Year

1 January – 31 December

Weights and Measures

| | | |
|-------------------|---|-------------------|
| 1 metric tonne | = | 2204 pounds (lbs) |
| 1 kilogramme (kg) | = | 2.200 lbs |
| 1 metre (m) | = | 3.28 feet (ft) |
| 1 millimetre (mm) | = | 0.03937 inch (“) |
| 1 kilometre (km) | = | 0.62 mile |
| 1 hectare (ha) | = | 2.471 acres |

Acronyms and Abbreviations

| | | | |
|---------|--|------------|--|
| AADT | Annual Average Daily Traffic | FRN | Federal Republic of Nigeria |
| AC | Asphaltic Concrete | FM | Financial Management |
| ADB | African Development Bank | FMF | Federal Ministry of Finance |
| ADF | African Development Fund | FRN | Federal Republic of Nigeria |
| AGTF | Africa Growing Together Fund | HIV | Human Immunodeficiency Virus |
| AIDS | Acquired Immune Deficiency Syndrome | IPSAS | International Public Sector Accounting Standards |
| CBO | Community-Based Organization | IsDB | Islamic Development Bank |
| CRSG | Cross River State Government | LGA | Local Government Area |
| CSP | Country Strategy Paper | MT | Metric Tonne |
| DBST | Double Bitumen Surface Treatment | NGN | Nigerian Naira |
| DP | Development Partner | NGO | Non-Governmental Organization |
| DPG-T | Development Partners Group – Transport | NPV | Net Present Value |
| EA | Executing Agency | NV 20:2020 | Nigeria Vision 20:2020 |
| EBROMA | Ebonyi State Road Maintenance | PAP | Project Affected Persons |
| EIRR | Economic Internal Rate of Return | RAP | Resettlement Action Plan |
| ERGP | Economic Recovery and Growth Plan | RCC | Reinforced Cement Concrete |
| ESG | Ebonyi State Government | RDNG | Nigeria Country Department of AfDB |
| ESIA | Environmental and Social Impact Assessment | SPIU | State Project Implementation Unit |
| ESMOW&T | Ebonyi State Ministry of Works and Transport | SPN | Specific Procurement Notice |
| ESMP | Environmental and Social Management Plan | TB | Tuberculosis |
| EU | European Union | UA | Unit of Account |
| FE | Foreign Exchange | VOC | Vehicle Operating Costs |

Loan Information

Client's information

| | |
|--------------------------|---|
| BORROWER: | Federal Republic of Nigeria |
| EXECUTING AGENCY: | State Project Implementation Unit (SPIU) of State Ministry of Works and Transport |

Financing plan

| Source | Amount (USD) | Amount (NGN) | Instrument |
|-------------------|-----------------------|----------------------|------------------|
| ADB | 40.00 million | 12.22 billion | Loan |
| AGTF | 30.00 million | 9.16 billion | Loan |
| IsDB | 80.00 million | 24.44 billion | Loan |
| ESG | 17.66 million | 5.40 billion | Counterpart Fund |
| TOTAL COST | 167.66 million | 51.22 billion | |

ADB/AGTF key financing information

| | AFDB | AGTF |
|------------------|---|---|
| Currency | United-States Dollars (USD) | United-States Dollars (USD) |
| Loan Type | Fully Flexible Loan | Fully Flexible Loan |
| Maturity | Up to 25 years inclusive of Grace Period | Up to 25 years inclusive of Grace Period |
| Grace period | Up to 8 years | Up to 8 years |
| Interest Rate | Base Rate + Funding Cost Margin + Lending Margin + Maturity Premium This Interest Rate will be floored to zero | Base Rate + Funding Cost Margin + Lending Margin + Maturity Premium This Interest Rate will be floored to zero |
| Base Rate | Floating Base Rate (6 month LIBOR reset each 1st February and 1st August) A free option to fix the Base Rate is available | Floating Base Rate (6 month LIBOR reset each 1st February and 1st August) A free option to fix the Base Rate is available |
| Lending Margin | 80 basis points (0.8%) per annum | 80 basis points (0.8%) per annum |
| Maturity Premium | Function of Average Maturity | Function of Average Maturity |
| Front-end fees | 0.25% of the total amount of the Loan shall be due on entry into force of the Loan, and payable at the earliest of, (i) up to 60 days from the Date of entry into force of the Loan, or (ii) at the time of first disbursement. | 0.25% of the total amount of the Loan shall be due on entry into force of the Loan, and payable at the earliest of, (i) up to 60 days from the Date of entry into force of the Loan, or (ii) at the time of first disbursement. |
| Commitment fees | 0.25% per annum of the undisbursed amount. Commitment fees start accruing 60 days after signature of the loan agreement and are payable on Payment Dates | 0.25% per annum of the undisbursed amount. Commitment fees start accruing 60 days after signature of the loan agreement and are payable on Payment Dates |

| | | |
|---------------------------------------|---|---|
| Option to convert the Base Rate | In addition to the free option to fix the floating Base Rate, the Borrower may reconvert the fixed rate to floating or refix it on part or full disbursed amount. Transaction fees are payable. | In addition to the free option to fix the floating Base Rate, the Borrower may reconvert the fixed rate to floating or refix it on part or full disbursed amount. Transaction fees are payable. |
| Option to cap or collar the Base Rate | The Borrower may cap or set both cap and floor on the Base Rate to be applied on part or full disbursed amount. Transaction fees are payable. | The Borrower may cap or set both cap and floor on the Base Rate to be applied on part or full disbursed amount. Transaction fees are payable. |
| Option to convert loan currency | The Borrower may convert the loan currency for both undisbursed and/or disbursed amounts in full or part to another approved lending currency of the Bank. Transaction fees are payable. | N/A |

Economic Indicators

| SECTION | INDICATOR |
|--------------------------------|---|
| Section I: 135 Ohaukwu-Onueke | EIRR (base) = 20.3%, NPV (base) = USD 34.99 million |
| Section II: Onueke - Nwezenyi. | EIRR (base) = 27.7%, NPV (base) = USD 70.53 million |
| Section III: Nwezenyi - Ndoko | EIRR (base) = 14.5%, NPV (base) = USD 4.40 million |
| Section IV: Ndoko - Ezzamgbo | EIRR (base) = 19.6%, NPV (base) = USD 24.53 million |

Timeframe - Main Milestones (expected)

| | |
|-----------------------|------------------|
| Concept Note Approval | (November, 2018) |
| Project Approval | (April, 2019) |
| Effectiveness | (August, 2019) |
| Launching | (August, 2019) |
| Works Completion | (April, 2023) |
| Last Disbursement | (August, 2024) |

Project Summary

Project Overview: The Ebonyi State Ring Road Project comprises: (a) civil works for the rehabilitation to bitumen standard of sections of the Ebonyi State Ring Road as follows: (i) Section I: 135 Ohaukwu - Onueke (35.48 km), (ii) Section II: Onueke - Nwezenyi (52.42 km), (iii) Section III: Nwezenyi - Ndoko (50.99 km), and (iv) Section IV: Ndoko - Ezzamgbo (38.91 km), a total of 177.81 km, (b) consulting services for; (i) Design Review and Supervision of the above civil works; (ii) Mitigation of HIV/AIDS and STI; (iii) Monitoring of ESMP Implementation and Baseline Data Collection; (iv) Road Safety; (v) Audit services; and (vi) Procurement Consultant, (c) Capacity Building; (d) Compensation and Resettlement, and (e) Complementary Initiatives. The Ring Road connects 8 out of the 13 Local Government Areas (LGAs) of the State. The total cost of the project amounts to USD 167.66 million to be financed through an ADB Loan of USD 40 million (23.86%), an Africa Growing Together Fund (AGTF) loan of USD 30 million (17.40%), and an Islamic Development Bank (IsDB) loan of USD 80 million (47.72%). The ADB and AGTF loans will jointly finance Section III and part of Section IV, while the IsDB loan will finance Sections I and II in a parallel financing arrangement with the ADB and AGTF. The Government of Ebonyi State will provide USD 17.66 million (10.53%) to cover compensation and resettlement and the construction of 20 km of Section IV, which is at an advanced stage of completion. The project will be implemented over a five-year period.

Project Beneficiaries and Participation: The main beneficiaries include farming and small scale industrial communities in the zones of influence of the road sections rehabilitated. These communities will benefit from improved access to farms, mines and factories, improved road safety, and HIV/AIDS, STI, TB and gender awareness. The project will create job opportunities during the construction phase which will benefit the communities through direct employment and through the supply of goods and services to the contractors and consultants who will be engaged to implement the project. Under the Complementary Initiatives component, the project will rehabilitate existing social infrastructure along project road sections. These interventions will include the rehabilitation of schools and provision of desks and chairs, rehabilitation of hospitals and markets, and provision of sanitation facilities, and rehabilitation of feeder roads leading to farming communities.

Project Rationale and Need: The project will support economic and social development programmes of Ebonyi State and Nigeria as a whole through efficient and cost-effective movement of passengers and freight, especially agricultural produce, in line with the objectives of the Ebonyi State Transport Policy, the Economic Recovery and Growth Plan (ERGP (2017 – 2020)), the Nigeria Vision 20-2020, and the Results Based Country Strategy Paper (CSP 2013-2017, extended to December 2019). The road sections proposed for rehabilitation will provide improved access to the communities in the zones of influence to better and bigger markets and social services, contribute to reduction of poverty and improve trade with neighbouring States, and at the same time enhance agricultural productivity. Most sections of the road have lost their asphalt surfacing, and some sections become impassable during the rainy season.

Bank's Value Added: The Bank enjoys comparative advantage in the transport sector in Nigeria having commenced operations in the sector in 1972, and to date has financed operations in the sector, totalling UA 552.69 million, of which UA61.34 million has been in the Private Sector. Seven (7) of the projects have been completed satisfactorily, and five (5) are on-going. The Bank therefore has significant experience in the implementation of sector projects in the country. Moreover, the Bank's continent-wide experience in the sector is particularly

outstanding. The lessons learnt from these experiences place the Bank in an excellent position to design and implement this project.

Knowledge Management: The project includes a data collection and monitoring component to be implemented by an independent consulting firm. This will document knowledge gained from the project that will benefit similar interventions in the future. It will document knowledge on the impact of the project during execution and after completion. The capacity building component has incorporated training for female contractors and youth that will generate and transfer knowledge on contract management and labour-based construction methods. This component also includes Technical Assistance to the Ebonyi State Road Maintenance Agency (EBROMA) in maintenance management systems and skills. The construction of rigid pavements is increasing in Nigeria and the ESG has constructed a few kilometres of rigid pavements in the State. The design review/supervision contract will include an investigation of soils and rainfall in the State to provide additional knowledge on pavement requirements. This will inform the Bank about the design of future projects in the State and other States with similar soil and rainfall conditions.

Country and project name: Nigeria – Ebonyi State Ring Road Project

Purpose of the project : To contribute to economic development through an improved transport system in Ebonyi State

| | RESULTS CHAIN | PERFORMANCE INDICATORS | | | MEANS OF VERIFICATION | RISKS/MITIGATION MEASURES |
|---------|---|--|---|---|---|---|
| | | Indicator (including CSI) | Baseline 2018 | Target 2024 | | |
| IMPACT | <ul style="list-style-type: none"> Contribute to poverty reduction in the State | <ul style="list-style-type: none"> State GDP/Capita | GDP/Capita: \$787.82 (2016) | GDP/Capita: increase by 2% due to project | Household Budget Survey, National and International Statistics. Ebonyi State Ministry of Works and Transport | Risk: Failure of Ebonyi State to implement Road Sector Development programs as spelt out in the Ebonyi State Transport Policy. Mitigation: Progress of implementation will be monitored during project implementation and operations. |
| | <ul style="list-style-type: none"> Improved Access to Economic and Social Facilities | <ul style="list-style-type: none"> Rural Access Index (RAI). People living within 2 km of all-weather road. | None | 1.2 million by 2024 | | |
| OUTCOME | Outcome 1 Reduced transport costs | Composite VOC per vehicle km | USD 1.1 | reduced by 25% to USD 0.83 | Ebonyi State Ministry of Works and Transport | Risk: Sustainability of road network. Failure by Ebonyi State Ministry of Works/Transport to adequately maintain network due to constraints in funding; Mitigation: Review of funding for maintenance; Risk: Premature failure of pavement due to overloading; Mitigation: The project has incorporated weighbridges for overload control; |
| | Outcome 2 Reduction in travel times | Vehicle journey time | 6 hrs current travel time on all sections | Journey time reduced by 50% to 3 hrs on all links combined (Av. Speed 80 km/h) | | |
| | Outcome 3 Improved Labour force | Improved Management Capacity of ESMOW&T and EBROMA | N/A | Road maintenance activities done through the use of RMMS, and road planning done systematically. 50% of maintenance done through contracting. | | |

| | | | | | | |
|---------|---|---|--|--|---|--|
| OUTPUTS | <p>Component 1: Ring road Rehabilitation/upgrade 1.1: 135 Ohaukwu – Nwezenyi (90km) Nwezenyi –Ezzamgbo (88km)</p> <p>Component 2: Capacity Building/Project Management 2.1: Sensitization (HIV, Road Safety, Gender);</p> <p>2.2 ESMP, RAP and Forestation;</p> <p>2.3 Local job Opportunities</p> <p>2.4 Capacity building for labor based contractors including women</p> <p>2.5 Staff trained</p> <p>Component 3: Complementary Initiatives 3.1 Social Infrastructure accomplished: Schools, Community Market and Hospital rehabilitated</p> | <p>Condition of 135 Ohaukwu – Nwezenyi (90km) road Nwezenyi –Ezzamgbo (89km) road</p> <ul style="list-style-type: none"> • Number of communities sensitized • Execution of the ESMP/CESMP • Number of PAPs Compensated • No. of local jobs with at least 25-30% women • Number of labor based contractors including women trained • Number of Staff trained • Improved Schools • Constructed Roadside market • Improved Hospital | <ul style="list-style-type: none"> • 178 km of roads mostly in very poor condition • Zero (0) • No ESMP implemented • Zero (0) • No construction jobs • 0 contractors trained Zero (0) • No School rehabilitated • No market rehabilitated • No Hospital rehabilitated | <ul style="list-style-type: none"> • 178 km of roads rehabilitated • At least 10 communities sensitized • Full compliance with ESMP • Complete RAP implementation with 201 PAPs Compensated 1,500 construction jobs created • 300 labor based contractors (50% women, 20% youth and 30% any other gender) trained • 50 Staff trained • 4 School rehabilitated • 1 Roadside market rehabilitated • 1 Hospital rehabilitated | <p>Monthly and Quarterly Progress reports; Project Completion Report</p> | <p>Risk: Delay in project implementation due to effectiveness delays of the loans from ADB and IsDB.</p> <p>Mitigation: Early dialogue with authorities to facilitate effectiveness after approval.</p> <p>Risk: Delay in project implementation due to loan conditions.</p> <p>Mitigation: The loan conditions have been minimized/ relaxed and most of them to be fulfilled prior to Board approval.</p> <p>Advance Contracting will be used to reduce delays</p> <p>Risk: Escalation of costs due to late start-up in project implementation</p> <p>Mitigation: Project costing has allowed physical and price contingencies to cover possible price increases.</p> <p>Risk: Cost overruns due to design deficiencies.</p> <p>Mitigation: The Project design includes a robust design review process to identify deficiencies and plan for them adequately.</p> |
|---------|---|---|--|--|---|--|

| RESULTS CHAIN | | PERFORMANCE INDICATORS | | | MEANS OF VERIFICATION | RISKS/MITIGATION MEASURES | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------|--|------------------------------|---|----------------|---|---------------------------|--|--------|--------------------|-----------------------|------------|----------|-------|-------|--------|-----------|-------|------|--------|-----------|-------|-------|--------|------|-------|------|--------|-------|--------|-------|---------|
| | | Indicator (including CSI) | Baseline 2018 | Target 2024 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| KEY ACTIVITIES | COMPONENTS | | INPUTS | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Component 1: Ring road Rehabilitation/upgrade 1.1: Civil works; 1.2: Supervision services ; | | Costs - millions USD: Civil works/social infrastructure 128.66 Supervision 5.05 Road safety 0.50 ESMP and Baseline 0.50 Sensitization, HIV/AIDS, Gender 0.50 Capacity Building 1.67 Project Management 2.27 Procurement Consultant 0.25 Audit 0.50 Compensation/Resettlement 0.13 Base Cost 140.04 Physical Contingencies 14.00 Price escalation 13.62 Project cost 167.66 | | <table><tr><th>Source</th><th>Cost (USD Million)</th><th>Cost (NAIRA Billions)</th><th>% of Total</th></tr><tr><td>ADB loan</td><td>40.00</td><td>12.22</td><td>23.86%</td></tr><tr><td>AGTF Loan</td><td>30.00</td><td>9.16</td><td>17.89%</td></tr><tr><td>IsDB Loan</td><td>80.00</td><td>24.44</td><td>47.71%</td></tr><tr><td>GoES</td><td>17.66</td><td>5.40</td><td>10.54%</td></tr><tr><td>Total</td><td>167.66</td><td>51.22</td><td>100.00%</td></tr></table> | | | Source | Cost (USD Million) | Cost (NAIRA Billions) | % of Total | ADB loan | 40.00 | 12.22 | 23.86% | AGTF Loan | 30.00 | 9.16 | 17.89% | IsDB Loan | 80.00 | 24.44 | 47.71% | GoES | 17.66 | 5.40 | 10.54% | Total | 167.66 | 51.22 | 100.00% |
| | Source | Cost (USD Million) | Cost (NAIRA Billions) | % of Total | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | ADB loan | 40.00 | 12.22 | 23.86% | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | AGTF Loan | 30.00 | 9.16 | 17.89% | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | IsDB Loan | 80.00 | 24.44 | 47.71% | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | GoES | 17.66 | 5.40 | 10.54% | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Total | 167.66 | 51.22 | 100.00% | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Component 2: Capacity Building/Project Management 2.1 Sensitization, HIV/AIDS, Gender ; 2.2 Monitoring of ESMP, RAP and Baseline Data Collection ; 2.3: Compensation of PAPs; 2.4 Training of Local Contractors 2.5 Road Safety ; 2.6 Audit services 2.7 Capacity Building 2.8 Support to Project Management | | 1 United States Dollars (USD) = 305.48511 Nigerian Naira (NGN) (FEB 2019) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Component 3: Complementary Initiatives 3.1 Social Infrastructure | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Project Timeframe

| ID | ACTIVITY | 2019 | | | | 2020 | | | | 2021 | | | | 2022 | | | | 2023 | | | | 2024 | | | |
|-----|---|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| I | EBONYI STATE RING ROAD PROJECT | | | | | | | | | | | | | | | | | | | | | | | | |
| | (Advance Contracting) | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1. Project Approval | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2. Loan Signature | | | | | | | | | | | | | | | | | | | | | | | | |
| | 3. Effectiveness | | | | | | | | | | | | | | | | | | | | | | | | |
| II | CIVIL WORKS | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1. Compensation, Resettlement | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2. Bidding/Contract Award | | | | | | | | | | | | | | | | | | | | | | | | |
| | 3. Works Execution | | | | | | | | | | | | | | | | | | | | | | | | |
| | (a) Section I & II | | | | | | | | | | | | | | | | | | | | | | | | |
| | (b) Section III & IV | | | | | | | | | | | | | | | | | | | | | | | | |
| III | DESIGN REVIEW & CONTRACT SUPERVISION | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1. Short-list/RFP | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2. Contract Award | | | | | | | | | | | | | | | | | | | | | | | | |
| | 3. Mobilization | | | | | | | | | | | | | | | | | | | | | | | | |
| | 4. Design Review & Preparation Tender Documents/Tendering | | | | | | | | | | | | | | | | | | | | | | | | |
| | (a) Section I & II | | | | | | | | | | | | | | | | | | | | | | | | |
| | (b) Section III & IV | | | | | | | | | | | | | | | | | | | | | | | | |
| IV | SENSITIZATION OF HIV/AIDS, STI, TB AND GENDER; BASELINE DATA COLLECTION AND ESMP MONITORING; ROAD SAFETY; AUDIT SERVICES AND CAPACITY BUILDING | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1. Short-list/RFP | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2. Contract Award | | | | | | | | | | | | | | | | | | | | | | | | |
| | 3. Mobilization | | | | | | | | | | | | | | | | | | | | | | | | |
| | 4. Services | | | | | | | | | | | | | | | | | | | | | | | | |

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE BANK TO THE BOARD OF DIRECTORS ON PROPOSED LOANS TO THE FEDERAL REPUBLIC OF NIGERIA FOR THE EBONYI STATE RING ROAD PROJECT

Management submits the following Report and Recommendation on a proposed African Development Bank (ADB) loan of USD 40 million and “Africa Growing Together Fund” (AGTF) loan of USD 30 million to finance the Ebonyi State Ring Road Project in the Federal Republic of Nigeria.

I – STRATEGIC THRUST & RATIONALE

1.1 Background

1.1.1 Ebonyi State is one of the 36 States in Nigeria with a resident population of about 2.2 million. The State, which is made up of 13 Local Government Areas (LGAs) is situated southeast of Nigeria and sits on an area of 5,533 km². The State shares borders with Benue State to the North, Enugu State to the west, Imo and Abia States to the south, and Cross River State to the east. Like most of Nigeria, the State relies on road transport for about 90% of its transport needs; hence, the high priority on road construction as the road network remains a major means of transportation within the State, as well with its neighbours. The economy of Ebonyi State is mostly agrarian, with an estimated 85% of the population earning their living from agriculture. The project road serves farming communities in eight (8) of the thirteen (13) LGAs in the State, with a combined population of 1,221,436, over 70% of the State population. The State is well known for rice production with huge quantities of cassava, yam, and cash crops including cashew nuts, oil palm, cocoa and rubber also produced. There is a very high potential for improvement in the productivity of these crops along the project road sections. Rehabilitating the road will therefore have enormous impact on the agricultural productivity of the State. The State has also embarked on the development of Industrial Parks and Staple Crop Processing Zones with the focus on the development of Small and Medium Enterprises in the State. Most of these interventions are located in the zones of influence of the project road sections, hence they are bound to benefit from the rehabilitation of the roads. Overall, the road sub-sector is deemed necessary for the economic and industrial development of the Ebonyi State. However, most of the roads in the State are unpaved, narrow, deteriorated, poorly drained and winding, making it difficult for the State to attain its economic potential. The Ebonyi State Ring Road is in similar poor state with some sections remaining impassable during the rainy season. Rehabilitating the road is therefore a priority for the State Government.

1.2. Project linkages with country Strategy

1.2.1 The transport sector has been identified as one of the key sectors that will contribute towards social and economic development and the attainment of economic prosperity. Directly, the sector provides off-farm employment opportunities to the poor, while indirectly it plays a complementary role in stimulating production activities and improvement in the social services. In order to play the supporting role for poverty reduction, the country has drafted a National Transport Policy (TSP) which has been submitted to the Senate for ratification. The TSP reflects the objectives of Nigeria Vision 20:2020 (NV 20:2020), the Economic Recovery and Growth Plan (ERGP (2017 – 2020)), and the Results Based Country Strategy Paper (CSP 2013-2017, extended to December 2019). The ERGP (2017 – 2020) has made the improvement of Nigeria’s transport infrastructure as one of the key execution priorities. The development of the transport sector in Ebonyi State is guided by the Ebonyi Transport Policy whose

infrastructure strategy is to construct new roads and rehabilitate existing ones to improve the quantity, quality, and competitiveness of, and access to markets.

1.2.2 Rehabilitating the 178 km of the Ebonyi State Ring Road will reduce road maintenance costs, vehicle operating costs and travel time on the various road sections thereby promote economic development through improved transport services.

1.3. Rationale for Bank's involvement

1.3.1 Nigeria's transport infrastructure stock is inadequate for the size of the economy and constitutes a major cost and constraint for both large and small businesses. It lags behind its peers in terms of scale (i.e., road and rail density) and quality. Nigeria can only boast of 22km of roads per every 100,000 square km; compared with India, South Africa, and Kenya which have 158km, 62km, and 28km respectively of roads per 100,000 square km. For the rail sub-sector, Nigeria has only 4km of rail per every 1,000 square km compared to India, South Africa, and Kenya, which have 23km, 17km, and 6km respectively of rails per 1,000 square km. With more than 90% of freight and passengers carried by the roads, Nigeria's road network is highly overused, leading to rapid deterioration. The railways, which catered for about 60% freight movement at independence, now account for less than 1% land transportation in the country. The country's transport problem is exacerbated by the near total lack of maintenance of the road network at all levels of Government (Federal, State, and Local Government). Hence, the emphasis on the development of the transport sector to support economic development by both NV20:2020 and the ERGP.

1.3.2 The broader objective of the Project is to provide improved and sustainable access to economic opportunities and social services, and to enhance the capacity of relevant government institutions to deliver development targets and subsequently, to enhance the socio-economic development of the State. Moreover, at completion, the road is expected to serve as an international link between Ebonyi State and the Republic of Cameroon, and to provide inter-state access between Ebonyi, Benue and Enugu States. It thus has enormous potentials for increasing economic activities capable of enhancing income generating capacity, and revenue and employment generation for the region. The proposed corridor is intended to serve as a link connecting farming communities in the 13 Local Government Areas (70% of the State population), thus serving a significant proportion of Ebonyi State residents in their economic activities.

1.3.3 The Results Based Country Strategy Paper (CSP) for Nigeria (CSP 2013-2017, now extended to December 2019) supports road transport development under **Pillar 2: Investing in Critical Infrastructure to Promote the Development of the Real Sector of the Economy**. Result 1 of Pillar 2 aims at **Infrastructure Consolidation to Boost Competitiveness and Promote the Development of the Real Sector of the Economy**. The CSP requirement is to rehabilitate 6,100km of State roads. The CSP responds to the objectives of NV20:2020 and the Economic Recovery and Growth Plan(ERGP) 2017 – 2020, and is meant to guide the Bank in its support to growth and poverty reduction aimed at improving the quality of life and social well-being.

1.3.4 Nigeria's development objectives are being stifled by the inadequacy of transport infrastructure in the country. The country needs the Bank's assistance as a Development Partner (DP) to facilitate its development vision. On completion, the Project roads will serve the agriculture rich sections of Ebonyi State and enhance rice and yam production, as well as support other activities in the area of influence. In so doing, the Project will support the Feed

Africa, and Improve the Lives of Africans initiatives in line with the Bank's High5s. Due to the importance the Government of Ebonyi State attaches to the Project, Government is financing 20km of this road through budgetary allocations. The Bank supported the reconstruction of the Enugu – Bamenda Road Corridor which was completed in 2013. The ring road intercepts the Enugu – Bamenda Corridor at two locations, and the State shares borders with five (5) other States. The Bank's support for the construction of the Ebonyi Ring Road will therefore enhance its support to connectivity in the region. The rehabilitation of the road is therefore justified as a continuation of the NV20:2020 and ERGP implementation to support Government to achieve its development objectives.

1.3.5 The State has also approached the Bank for assistance in the development of Industrial Parks in three of the Senatorial Zones of the State to support SMEs, as well as the development of Staple Crop Processing Zones (SCPZ). To this end, the State has invested in the construction of rice mills, cassava processing plants, biomass plants, and warehouses in the zones of influence in the Project roads. The Bank is therefore in a very good position to direct the locations of these interventions for maximum benefit from the road investment.

1.4. Donor coordination

1.4.1 At the national level, the Federal Ministry of Works and the Federal Ministry of Transport are responsible for development in the transport sector. Donor coordination in the sector is weak and generally on an ad-hoc basis. Donors including the Bank, have however been working to improve harmonization efforts in line with the Paris Declaration commitments. To this effect, donor coordination activities take place within the Development Partner Group (DPG) which addresses and advises the Government on emerging priorities and challenges. There is an infrastructure sub-group which deals with transport issues but the group has not been active recently. The Bank and other DPs (WB, AFD) are desirous about having an active group for transport. The Bank will follow this up to have a Development Partner Group for Transport (DPG-T) established. When established, the group will meet regularly to discuss issues in the sector and discuss areas of cooperation.

1.4.2 During preparation and appraisal, extensive consultations with the major DPs active in the transport sector were conducted to share experience and co-ordinate interventions. The IsDB, who is co-financing the Project with the Bank was part of the preparation and appraisal missions. Coordination with the IsDB will continue during implementation.

Figure 1.4: Donor Coordination

| Sector or subsector* | Size | | |
|---|-------------------|---------------|---------------------|
| | GDP | Exports | Labor Force |
| Transport | 1.43% | N/A | N/A |
| Players – 2017 Public Annual Expenditure (average)** | | | |
| | Government | Donors | |
| UA | UA 532.95 m | UA 3,044.76 m | WB 11.14% |
| % | 14.90% | 85.10% | China Exim B 88.86% |
| Level of Donor Coordination | | | |
| Existence of Thematic Working Groups | | | [N] |
| Existence of SWAPs or Integrated Sector Approaches | | | [N] |
| ADB's Involvement in donors coordination*** | | | [M]**** |

**** L: leader, M: member but not leader, none: no involvement

II – PROJECT DESCRIPTION

2.1. Project components

2.1.1 The sector goal is to contribute to socio-economic development, poverty reduction and regional integration through an improved transport system that links centers of economic activity. The Project objective is to reduce road maintenance costs, vehicle operating costs and travel time on the various road sections thereby promoting economic development through improved transport services by rehabilitating the 178 km of the Ebonyi State Ring Road. Moreover, it provides the communities in the zones of influence access to bigger markets and social services. The road will also contribute to reduction of poverty through support to agricultural growth and mining, as well as fostering regional integration between Nigeria and Cameroon.

2.1.2 The Project intends to rehabilitate 177.81km of existing bituminous roads comprising the four (4) sections of the Ebonyi State Ring Road as follows: (i) Section I: 135 Ohaukwu - Onueke (35.48 km), (ii) Section II: Onueke - Nwezenyi (52.42 km), (iii) Section III: Nwezenyi - Ndoko (50.99 km), and (iv) Section IV: Ndoko - Ezzamgbo (38.91 km)), total 177.81 km. The components of the Project are as listed in Table 2.1 below.

Table 2.1: Project components

| nr. | Component name | Est. cost (USD) million | Component description |
|----------|--|----------------------------|---|
| 1 | RING ROAD REHABILITATE/UPGRADE | | |
| | Civil Works for 177.81km of roads | 152.63 | Rehabilitate existing AC surface roads to bituminous surface of 40 mm asphaltic concrete wearing course on 60mm asphaltic concrete base, on 200 mm crushed rock road base, 150 mm laterite sub-base, 300 mm capping layer, with a 7.00 m carriageway, and 2.75 m shoulders on each side |
| | Design Review and Supervision | 5.56 | Consulting firms will provide services for Design Review and Supervision (1 for Section I & II, and 1 for Section III & IV) |
| | Compensation and Resettlement | 0.14 | This component provides for compensation and resettlement of the Project affected persons (PAP) in accordance with the Resettlement Action Plans (RAPs). |
| 2 | CAPACITY BUILDING/PROJECT MANAGEMENT | | |
| | Start-Up Workshop | 0.17 | A Start-Up Workshop for the IsDB Component of the Project |
| | Project Management | 2.48 | Consulting firms will provide services for (i) Mitigation of HIV/AIDS and STI; (ii) Monitoring of ESMP Implementation and Baseline Data Collection; (iii) Road Safety; (iv) Audit services; and (v) Procurement Consultant for the above works |
| | Support to the State Project Management Unit | 2.34 | The Project Management Unit consists of 5 permanent staff and 3 additional staff on quarterly/need basis who will be provided allowances. |
| | Capacity Building | 1.83 | This component consists of technical assistance to EBROMA and the State Ministry of Works and Transport, short-term training of staff, and training for female and youth contractors. |
| 3 | COMPLEMENTARY INITIATIVES | | |
| | Social Infrastructure | 2.53 | Rehabilitation of 4 schools and provision of seating facilities |
| | | | Rehabilitation of 20km of feeder roads |
| | | | Rehabilitation of one community market and one hospital |
| | TOTAL | 167.66 | |

2.2. Technical solution retained and other alternatives explored

2.2.1 The designs of the rehabilitation works considered three pavement alternatives, namely (i) Reinforced Cement Concrete (RCC); (ii) Asphaltic Concrete (AC); and (ii) Double Bitumen Surface Treatment (DBST). The AC pavement option proved to be the most acceptable due to its economic viability and reduced maintenance requirements. The other alternatives considered and the reasons for their rejection are discussed in Table 2.2.

Table 2.2: Project alternatives considered and reasons for rejection

| Alternative name | Brief description | Reasons for rejection |
|-----------------------|--|---|
| DBST for all Sections | DBST on 150 mm laterite base course and 150 mm sub-base | DBST surface rejected as existing surfacing is AC. |
| RCC on all sections | 150 mm RCC overlaid with 40 mm AC on 150 mm crushed rock base and 150 mm laterite sub-base | Less economically viable compared to AC and DBST due to the huge initial capital cost. The State however argues that the initial cost will be lower as the materials are readily available, and in abundance in the State. RCC may therefore be explored at execution stage, as this would be beneficial to the Project if it turns out to be cheaper to construct. |

2.3. Project type

2.3.1 The financing instrument is a project investment loan as the modality of operation is through direct project financing typical of the nature of the interventions, consisting of well defined and discrete activities.

2.4. Project cost and financing arrangements

2.4.1 The estimated project cost net of taxes is USD 167.66 million, and includes USD 134.02 million (79.93%) in foreign exchange and USD 33.64 million (20.07%) in local costs. The abridged cost estimate is as shown in Table 2.3. Separate cost details for the ADB/AGTF and the IsDB financed components are given in the Technical Annex (B2). The ESG is financing 20km of Section IV as well as the cost of compensation and resettlement.

Table 2.3: Project cost estimates by component

| Component | Cost Estimate (USD) million | | | Cost Estimate (Naira) billion | | |
|--|-----------------------------|--------------|---------------|-------------------------------|--------------|--------------|
| | FE | LC | Total | FE | LC | Total |
| A: RING ROAD REHABILITATION/UPGRADE | | | | | | |
| A1. Civil Works | | | | | | |
| A1.1 Section I: 135 Ohaukwu - Onueke (35.48 km) & Section II: Onueke - Nwezenyi (52.42 km) | 49.23 | 12.31 | 61.53 | 15.04 | 3.76 | 18.80 |
| A1.2 Section III: Nwezenyi - Ndoko (50.99 km) & (iv) Section IV: Ndoko-Ezzamgbo (38.91 km) | 51.87 | 12.97 | 64.83 | 15.84 | 3.96 | 19.81 |
| A2. Design Review/Supervision | | | | | | |
| A2.1 Design Review/Supervision - Section I & II | 1.97 | 0.49 | 2.46 | 0.60 | 0.15 | 0.75 |
| A2.2 Design Review/Supervision-Section II & IV | 2.07 | 0.52 | 2.59 | 0.63 | 0.16 | 0.79 |
| A.3 Compensation and Resettlement | - | 0.13 | 0.13 | - | 0.04 | 0.04 |
| B. CAPACITY BUILDING/PROJECT MANAGEMENT | | | | | | |
| B1. Services (Audit, Road Safety, ESMP Monitoring, Baseline Data Collection) | 1.80 | 0.45 | 2.25 | 0.55 | 0.14 | 0.69 |
| B2. Support to Project Management Unit | 1.82 | 0.45 | 2.27 | 0.56 | 0.14 | 0.70 |
| B3. Capacity Building | 1.33 | 0.33 | 1.67 | 0.41 | 0.10 | 0.51 |
| C. COMPLEMENTARY INITIATIVES | | | | | | |
| Social Infrastructure | 1.84 | 0.46 | 2.30 | 0.56 | 0.14 | 0.70 |
| BASE COST | 111.93 | 28.11 | 140.04 | 34.19 | 8.59 | 42.78 |
| Physical contingency (10%) | 11.19 | 2.81 | 14.00 | 3.42 | 0.86 | 4.28 |
| Price Escalation (3% FC, 7% LC) | 10.90 | 2.72 | 13.62 | 3.33 | 0.83 | 4.16 |
| TOTAL (Net of Taxes) | 134.02 | 33.64 | 167.66 | 40.94 | 10.28 | 51.22 |

2.4.2 The project cost by source of financing is as shown in Table 2.4. The ADB and AGTF resources will jointly finance the construction of Section III and part of Section IV, including Design Review and Supervision of the works. Other jointly financed interventions by the ADB and AGTF include (i) Road Safety Interventions, (ii) HIV/AIDS Sensitization, (iii) Baseline Data Collection and ESMP Monitoring, (iv) Audit Services, (v) Support to the Project Management Unit, (vi) Procurement Consultant, and (vii) Capacity Building. The IsDB will finance the construction of Sections I and II including the Design Review and Supervision of the works, as well as (i) Complementary Initiatives, (ii) Audit Services, (iii) Support to the Project Management Unit, and (iv) Start-up Workshop. The ESG will finance the construction and supervision of 20 km of Section IV and Compensation and Resettlement.

Table 2.4: Sources of financing

| Source | Cost (USD million) | Cost (Naira billions) | % of Total |
|--------------|-----------------------|--------------------------|----------------|
| ADB loan | 40.00 | 12.22 | 23.86% |
| AGTF Loan | 30.00 | 9.16 | 17.89% |
| IsDB Loan | 80.00 | 24.44 | 47.71% |
| ESG | 17.66 | 5.40 | 10.54% |
| Total | 167.66 | 51.22 | 100.00% |

2.4.3 The project cost by category of expenditure is as shown in Table 2.5, while project expenditure schedule is shown in Table 2.6.

Table 2.5: Project cost by category of expenditure

| Category | Cost (USD million) | Cost (Naira billions) | % of Total |
|--------------|--------------------|-----------------------|----------------|
| Works | 155.15 | 47.40 | 92.54% |
| Services | 11.93 | 3.64 | 7.12% |
| Goods | 0.58 | 0.18 | 0.34% |
| Total | 167.66 | 51.22 | 100.00% |

Table 2.6: Project expenditure schedule (amounts in million USD)

| Component | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | TOTAL |
|---|-------------|--------------|--------------|--------------|-------------|-------------|---------------|
| RING ROAD REHABILITATION /UPGRADE | | | | | | | |
| Civil Works | - | 40.70 | 50.24 | 50.24 | 7.63 | 3.82 | 152.63 |
| Pre-Contract & Supervision | 0.28 | 1.30 | 1.30 | 1.30 | 1.11 | 0.28 | 5.56 |
| Compensation/Resettlement | 0.14 | | | | | | 0.14 |
| CAPACITY BUILDING/PROJECT MANAGEMENT | | | | | | | |
| Road Safety | 0.06 | 0.13 | 0.13 | 0.13 | 0.11 | | 0.55 |
| HIV/AIDS, STI, TB mitigation. | 0.06 | 0.13 | 0.13 | 0.13 | 0.11 | | 0.55 |
| ESMP Implementation/baseline | 0.06 | 0.13 | 0.13 | 0.13 | 0.11 | | 0.55 |
| Project Management | 0.20 | 0.62 | 0.62 | 0.62 | 0.20 | 0.06 | 2.34 |
| Start-up Workshop | 0.17 | | | | | | 0.17 |
| Procurement Consultant | 0.07 | 0.14 | 0.07 | | | | 0.28 |
| Capacity Enhancement | 0.18 | 0.55 | 0.55 | 0.55 | | | 1.83 |
| Audit Services | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 | | 0.55 |
| COMPLEMENTARY INITIATIVES | | | | | | | |
| Social Infrastructure | 0.13 | 0.67 | 0.83 | 0.83 | 0.06 | | 2.52 |
| Total | 1.44 | 44.48 | 54.10 | 54.03 | 9.45 | 4.16 | 167.66 |

2.5. Project's target area and population

2.5.1 As noted, the project road sections pass through and serve eight (8) of the thirteen (13) Local Government Areas, namely, Abakaliki, Izzi, Ebonyi, Ohaukwu, Ezza North, Ezza South, Ishielu and Ikwo LGAs (a total population of 1,221,436, over 70% of the State population). The road sections therefore serve a significant proportion of Ebonyi State. About 85 percent of the population is engaged in agriculture with the main cash crops being oil palm, cashew nuts, cocoa and rubber, which are all widely cultivated in the State. The State is also well known for rice production with the popular Abakaliki variety of rice cultivated throughout the State. Other food crops grown in large quantities include yam, cassava, maize, cocoyam, cowpea and groundnut. Rice production in 2018 stood at 1.12 million MT, and is projected to reach 1.38 million MT in 2020 with total 5-year (2016 – 2020) revenue projected to NGN 652.90 billion. Cassava and maize production are projected to 2.1 million MT and 0.28 million MT respectively, with respective 5-year revenue projections of NGN 179.8 million and NGN 164.92 billion. Government also has rice processing mills with current milling capacity of 36,000 MT/annum, while fertilizer blending capacity stands at 96,000 MT. Government has a massive expansion plan to boost agricultural productivity for rice, cassava and maize, but this endeavour to expand production is currently hampered by the bad state of the ring road hence,

the dire need for reconstruction/rehabilitation. The main form of transportation in most of the project areas is by bicycle and walking, resulting into spoilage at farm gate and en-route to markets. Improving this road will reduce transport costs thereby unlocking the potential for agricultural productivity and commerce, as well as providing access to social amenities including schools and hospitals. The direct beneficiaries of the Project are therefore road users including the farming, mining and industrial communities which the road serves as it provides them with ready access to markets. Such users would benefit from travel time savings, vehicle operating cost savings, and accident cost reduction savings.

2.6. Participatory process for project identification, design and implementation

2.6.1 The development of the project underwent extensive consultation at the Local Government Area levels, as well as Federal ministerial levels. The later consultation made senate approval very easy, and in a timely manner. The intervention was therefore identified within an elaborate mechanism complying with best practice in determining priority development projects. The State Ministry of Works and Transport led the process of identification of priority road projects on the State road network during the development of the Transport Sector Policy, which identified the ring road as a priority project.

2.6.2 Additional community and stakeholder consultations were conducted during the preparation of the Environmental and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP) of the road sections where Federal and State level institutions, communities down to village levels, and project affected persons (PAPs) were consulted. This included all relevant ministries and departments dealing with environment, resettlement and compensation as well as NGOs and CBOs operating in the project areas. During project preparation and appraisal, the Bank mission also conducted consultations with various stakeholders including State and LGA administrations, community representatives, the donor community, government institutions and NGOs. All concerned people and institutions consulted confirmed the need for the interventions in the programme, and expressed willingness to cooperate towards its successful implementation. They equally expressed specific concerns for mitigation actions on negative environmental and social impacts. These concerns and opinions of the stakeholders have been incorporated in the project design. Further consultations will be carried out during project implementation to ensure that community concerns are taken into account. The need for this participation will be stressed during project launching. For instance, CBOs or NGOs should form part of the Redress Mechanism for the payment of compensation to PAPs. Furthermore, the Bank' supervision missions will maintain contact with community heads for their oversight during implementation.

2.7. Bank Group experience, lessons reflected in project design

2.7.1 The Bank enjoys comparative advantage in the transport sector in Nigeria having commenced operations in the sector in 1972, and to date has financed operations totalling UA 552.69 million of which UA61.34 million has been in the private sector. Seven projects have been completed satisfactorily, and five are active, including the on-going Enugu-Bamenda Road Corridor, the Abuja Bus Rapid Transit (BRT) Study, and the Multinational: Abidjan-Lagos Corridor Highway Development Project Study, and the newly approved the Cross River State Rural Access and Mobility Project 2 Study, and the Abia State Integrated Infrastructure Development Project Study. Bank interventions have resulted in the reconstruction of two airports, one sea port, 160 km of main roads to bitumen standard, and rehabilitation of 1,000 km of gravel roads. The interventions have improved the quality of transport services which in turn have facilitated easy access to inputs, markets, health, education and other social services and increased economic activity. This has improved the living standards of the

communities in the respective zones of influence, and also enhanced regional integration and trade between Nigeria and its neighbours. The performance of the on-going road projects is satisfactory with average Implementation Progress (IP) and Development Objective (DO) ratings of 2.15 and 2.63 respectively.

2.7.2 Lessons learnt from the management of previous and on-going road sub-sector interventions have been incorporated in the project design as follows:

- (i) Delay in implementation of the project has been mitigated by the use of Advance Contracting to facilitate timely implementation of the Project;
- (ii) Pre-qualification has in the past limited participation and in some cases resulted in collusion; post qualification will be used in the project. The use of post-qualification will encourage wider participation of bidders for the civil works and therefore result in competitive bidding which will drive tender rates down;
- (iii) Unrealistic loan conditions have delayed loan effectiveness; loan conditions have been streamlined to avoid start-up delays due to late loan effectiveness;
- (iv) Under-estimation not detected during project processing has in the past resulted in bid offers far above available financing; the documents have been critically reviewed during project processing to reduce possibility of cost overruns;
- (v) large contract packages in the past meant a risk of loss of investment with one bad contractor, thus short sections of about 70 km are now contracted. For this project, lot lengths range from 30 to 50km; and
- (vi) Loan effectiveness has delayed processing of projects in general in the country as a result of delays in signing of loan agreements; the Project has implemented early engagement and dialogue with the authorities in order to avoid this delay.

2.8. Key performance indicators

2.8.1 The key outcomes expected at the completion of the Project include: (i) increased access to social amenities (markets, health, education, etc.); (ii) reduced vehicle operating Costs (VOC); (iii) reduction in travel times; and (iv) creation of job opportunities during construction. The outputs of the program will be: (i) rehabilitation of 178 km; (ii) implemented cross-cutting issues comprising sensitization of road safety, HIV/AIDS, STI, TB, gender, forestation, and compensation/resettlement of PAP. An independent consultant will be responsible for the collection of base line data at various intervals throughout project implementation as a means of monitoring progress towards the projected targets. The output indicators will be measured during project implementation as sections of the roads are opened to traffic and after project completion.

III – PROJECT FEASIBILITY

3.1. Economic and financial performance

3.1.1 **The methodology for the economic analysis:** The methodology is based on cost benefit analysis which compares the “with” and “without project” scenarios over a 20 year analysis period using the Highway Development and Management Model (HDM-4). The economic costs consist of: (i) the capital investment costs and (ii) the maintenance (routine and periodic) costs. The benefits consist of savings in: (i) vehicle operating costs, (ii) motorized traffic travel

time for passengers and cargo, and exogenous benefits. The measures of project worth used are the economic internal rate of return (EIRR) and net present value (NPV) at 12.0% discount rate, which is the opportunity cost of capital in Nigeria. The traffic projections and detailed economic analysis are discussed in Technical Annex B8.

3.1.2 Assumptions taken and the Economic Analysis Result: The rehabilitation/upgrading works are assumed to commence in April 2020. With a construction period ranging from 24 to 36 months, the first year of opening of some sections of the roads to traffic is 2022, and the analysis period goes up to 2037. The maintenance strategies “without project” do minimum and “with project” improved road have been considered in the analysis. Residual values are assumed to be 20% of the initial capital investment and credited to the Project in the final evaluation year of 2037. Construction costs took into consideration the detailed engineering design cost estimate, the recent tender offers, and the 2018 input prices into civil works. The revised economic capital investment cost of the roads is estimated at USD 152.62 million (USD 74.32 million for Section I: 135 Ohaukwu - Onueke (35.48 km) & Section II: Onueke - Nwezenyi, and USD 78.31 million for Section III: Nwezenyi - Ndoko (50.99 km) & (iv) Section IV: Ndoko - Ezzamgbo (38.91 km). All the road sections will be rehabilitated to Asphaltic Concrete (AC) pavement standard.

3.1.3 The principal benefits of the roads rehabilitation are expected to derive from reduction in road user costs, comprising Vehicle Operating Costs (VOC) and passenger time costs, as a result of lower road roughness and higher average travel speeds. The annual average composite VOC per vehicle km is estimated to reduce from USD1.1/km on all four (4) road sections to USD0.83/km when the road sections are completed and opened to traffic in 2022. During the same period, average travel time along the ring road is expected to reduce from 6 hours to 3 hours. The summary of the economic analysis result is presented in Table 3.1. The traffic analysis and detailed economic analysis results are presented in Technical Annex B8.

Table 3.1: Summary of Economic Analysis

| Parameter | Section I | Section II | Section III | Section IV | Overall |
|---|-----------|------------|-------------|------------|----------------|
| NPV (base case) – USD million | 34.99 | 70.533 | -11.250 | 35.5 | 118.808 |
| Economic Internal Rate of Return (EIRR) | 23.5 | 27.7 | 7.8 | 19.6 | 22.4 |
| Sensitivity of EIRR 20% increase in cost | 20.8 | 24.7 | 5.9 | 17.2 | 16.89 |
| Sensitivity of EIRR for 20% decrease in traffic | 19.3 | 22.8 | 4.9 | 15.9 | 15.46 |

3.2. Environmental and Social impacts

3.2.1 In line with the Bank’s Integrated Safeguards System (ISS) and its Operational Safeguards, the Environmental and Social categorization of the Project has triggered a Category 1 classification as it is a road rehabilitation project that exceeds 100km in length. Following the category 1 classification, an Environmental and Social Impact Assessment (ESIA) with an Environmental and Social Management Plan (ESMP) as well as a Full Resettlement Action Plan (RAP) were prepared by the ESG in line with the requirements of FRN regulations and the Bank’s environmental and social safeguards requirements. Environmental impacts assessed for the construction phase included dust generation, vegetation clearance, increased noise and traffic related impacts. An ESMP for the project outlines the mitigation measures that will be implemented to manage the identified environmental impacts. The indicative costs for the implementation of the ESMP for the project is N45, 870,000 (\$126,828.32). A total of 201 PAPs (small businesses) were identified along the road corridor who would be affected by the implementation of the project. The PAPs will

be relocated to ensure that they do not suffer economically as a result of the displacement. A total of 1055 economic trees belonging to the State Government will also be affected by the widening of the road. The total cost for the implementation of the RAP is N38, 377,398.00 (\$106,604.00). The Bank reviewed all the documentation and undertook a preparation mission (21 – 24 August 2017) and a RAP verification mission (21 – 25 May 2018) during the preparation of the E & S studies for the Project. As per the Nigerian legislation, the ESIA was disclosed for 21 days and an Environmental Permit was issued by the Federal Ministry of Environment of Nigeria on 07 August 2018. The summaries of the ESIA and RAP were disclosed on the Bank's website on the 31 July 2018 and 28 November 2018 respectively in order to ensure alignment with the Bank's disclosure requirement of 120 days for Category 1 projects.

Climate Change

3.2.2 The Project has been climate screened to be a Category 2 according to the Bank's Climate Safeguards System (CSS) Screening process. This is largely because it is a road rehabilitation project (the road already exists but in a poor shape). Project design, especially the drainage plans in the engineering design, has contributed to the climate proofing of the road sections. For example, extended road shoulders of 2.75 m on either side, could accommodate more volume of water which could result from seasonal water level rise. (The extended shoulders will also serve as pedestrian paths for kids and students that were seen walking to and from school each day). The design has also provided additional drainage structures to accommodate potential flash floods. Others measures include preparation and implementation, where necessary, of a compensatory plan for adversely affected socio-economic groups (0.25% of project cost); train staff to build understanding of climate change/improve operational performance in dealing with climate risks/factoring climate change into strategic decision making (0.1%); provide timely information to community institutions on impending flooding awareness raising activities (0.1%). The staff cost to build understanding of climate change is provided for in the Capacity Building component of the project while all other costs, including those of potential damage caused by flash floods could be accommodated within the contingency budget of the Project design. In addition to the above measures, the frequent clearing of drainage structures (culverts and bridges) included in the EA's maintenance requirements will improve the proofing.

Gender

3.2.3 The project can be assigned a Category IV based on the Bank's Gender Marker System. The ESG is already implementing a number of gender specific programs to empower women and improve their livelihoods. For example, the State has an active program to support widows (including, providing them with grants to set up and develop businesses). However, in order to maximize gender specific outcomes associated with the Project, the Project design has identified additional gender specific programs linked to the Ring Road Project that will empower and improve the livelihoods of women along the road corridor. This will ensure that women and vulnerable groups are not negatively impacted as a result of the implementation of the Project.

3.2.4 As part of the project design, the physical implementation of the project will not harm any particular gender group but project benefits will be further enhanced through social infrastructure. A particular focus has been put on activities and interventions that would enhance the economic empowerment of local communities and women in particular. The Project will require that the recruitment of construction workers and maintenance gangs gives at least a 30% quota to women. In facilitating the realization of this target, the Project has

included in its design a training program through the State Ministry of Works to train and build the capacity of 350 labor-based women contractors through a training institute to be identified during implementation. The women will be drawn from all the thirteen (13) LGAs of the State. The budget for this intervention has been included in the Capacity Building component of the Project design. In the same vein, the capacity building and training program for staff shall benefit at least 10 female staff in the field of Project Management. The improved transportation (reduced travel time, reduced real transport costs) shall help local communities mainly women and children who have to access health facilities.

Social

3.2.5 The ESG currently expects several social benefits to arise from the construction of the Ring Road Project. The State is already implementing several initiatives and programs linked to the construction of the road that will enhance development outcomes. These include programs for employing youths in agriculture, development of feeder roads to increase farm to market access, programs related to empowering widows, and the establishment of an MOU with rural communities on cassava exports.

3.2.6 The Project road sections are traversing, in most parts rural economies in the State. Since construction of the road links in 1982, most of the road sections have deteriorated to the extent of being essentially earth roads. Rehabilitating the roads will restore the all-weather road status to the rural communities. It is estimated that all the 1.2 million inhabitants of the LGA that the road traverses shall be within 2 km of an all-weather road following the rehabilitation. Such immediate access will offer opportunities for agricultural development and accesses to markets, health and educational facilities, and in so doing will improve the populations' economic development and wellbeing. The State is rich in agriculture, currently producing 1.12 million MT of rice per year with the potential for reaching 1.375 million MT in 2020. The current annual yield of cassava is 1.3 million MT with a potential to reach 2.1 million in 2020, while current production for maize is 0.21 million MT with potential to reach 0.28 million MT in 2020. The road would hence enable commercial activity that would contribute towards increase in household annual incomes to areas that have high levels of poverty (58.9% for Ebonyi State). The project will further contribute to incomes through creation of temporary jobs (1500) during construction and 3,000 during operation to a State whose unemployment is estimated at 20.30%.

3.2.7 Through cross - cutting interventions, the Project will implement an HIV/AIDS awareness and prevention campaign working with the National Agency for the Control of AIDS (NACA). In addition to HIV/AIDS sensitization, there will be road safety education and information campaigns, gender mainstreaming and equality campaigns along the project road sections.

3.2.8 As part of the Bank's agenda on inclusive growth the project includes social infrastructure aimed at economically empowering the communities in the project area and providing services which will improve their wellbeing. Among them is the rehabilitation of four (4) community schools (one (1) for each section of the road), rehabilitation of one (1) health centre and one (1) community market, and the rehabilitation of 20 km of feeder roads connecting the road to communities in the zones of influence. In addition, the Project will provide water to communities along the roadside where the contractor will sink boreholes for construction water but also provide to communities in the areas that have no access to clean water.

Road Safety

3.2.9 Road crashes are a cause for concern in the whole of Nigeria. The project has included project specific interventions in terms of Road Safety Audits and awareness campaigns on the project road sections as well as general road safety interventions as detailed in Technical Annexes B8.

IV – IMPLEMENTATION

4.1. Implementation arrangements

Executing Agencies

4.1.1 The Federal Republic of Nigeria (FRN) will be the Borrower of the loans and will be responsible for the fulfilment of the loan conditions. The Federal Ministry of Finance, on behalf of the FRN, will on - lend the loan proceeds to the ESG through subsidiary loan agreements. The ESG will be responsible for meeting the conditions precedent to first disbursement. The State Ministry of Works and Transport will be the Executing Agency (EA) and will establish a State Project Implementation Unit (SPIU) within its structure comprising of a team of staff dedicated to the implementation of the Ring Road Project to be in place before the Board approval.

4.1.2 The SPIU staff will include a Project Coordinator, Transport Engineer, Procurement Officer, Accountant supported by two Assistant Accountants (one for AfDB and IsDB financed components), and an Environmental/Social Safeguards Officer on a permanent basis. An FM Compliance officer and an M&E officer will perform compliance checks on project transactions and collect project data on a quarterly basis respectively, while a Communication Expert will join the team from the State Ministry of Communication on a need basis. The staff will have the requisite experience and qualifications acceptable to both the Bank and the Islamic Development Bank. A full capacity assessment was carried out at appraisal, and some weaknesses were observed that have informed the proposed team's capacity enhancement through Technical Assistance. In this regard, a Procurement Specialist will be hired to train and guide the SPIU. The staff shall sign performance contracts with the State and continued payments of remunerations shall be based on satisfactory achievements of deliverables set out in their contracts which shall be reviewed quarterly. The Project Coordinator will submit monthly reports prepared by the consultants and quarterly reports prepared by State Ministry of Works and Transport. In addition to the SPIU, there will be a Project Steering Committee (PSC) consisting of State sector ministries to be impacted by the Project, namely Works and Transport, Agriculture and Rural, Environment, Solid Minerals, Local Government. The PSC will provide overall policy direction to the Project with the Commissioner for Works and Transport as chair and the SPIU Project Coordinator as member secretary.

Procurement

4.1.3 The Bank is co-financing the road project with the Islamic Development Bank in a parallel arrangement. The Islamic Development Bank (IsDB) will use their own procurement rules over the resources that they contribute. The Bank procurement methods and procedures (PMPs) will apply to Bank financed activities.

4.1.4 All Goods, (including Non-Consulting Services), Works and Consulting Services required for the Project and to be financed out of the proceeds of the Loans shall be procured in accordance with the requirements set forth or referred to in the Procurement Framework for Bank Group Funded Operations, dated October 2015 as may be amended from time to time

(the “Procurement Framework”) and the provisions of the Borrower’s Procurement Plan for the Project. To facilitate efficient and speedy implementation of the Project, all contracts involving Open Competitive Bidding (OCB) at international level - International Competitive Bidding (ICB) method, Direct Contracts and Consultancy service assignments will be prior reviewed by the Bank. Regarding contracts involving OCB at national level - National Competitive Bidding (NCB), and Limited Competitive Bidding - Shopping, the first two contracts will be prior reviewed and the remaining post reviewed by the Bank.

4.1.5 An assessment of the capacities of the ESMOW&T to carry out procurement actions under the Project was conducted. In addition, interviews were conducted with staff and past procurement of Works, Goods and Services executed were reviewed with the conclusion that ESMOW&T has adequate executing capacity. It has coordinated the activities of the World Bank financed Community Based Urban Development Project (CBUDP). The designated PC worked as Procurement Specialist on the above project and has knowledge of Donor procedures. In accordance with the Ebonyi State of Nigeria Law No. 012 of 2009 - Ebonyi State Public Procurement and Related Matters Law (2009) and its amendment, the Ebonyi State of Nigeria Law No. 008 of 2016, ESMOW&T has a corporate procurement department headed by a Director comprising team of professional and administrative staff that implements expenditure under the national budget using national systems. The experience of the corporate procurement department team in Bank financing is limited, however, with guidance and hands-on training through learning by doing, they could be involved in implementing Bank Projects. It is proposed that a Procurement Expert with requisite knowledge in Bank procurement procedures, and acceptable to the Bank will be competitively hired to provide technical assistance to build the capacity of the Ministry’s designated Procurement Specialist and this will be reinforced by the RDNG’s institutionalized annual fiduciary clinics.

4.1.6 The overall risk-rating is substantial hence the mitigation through the proposed recruitment of a Procurement Specialist, to support, assure quality, and train, through learning by doing, the procurement team of the Ministry.

Financial Management Arrangements

4.1.7 The project Financial Management (including budgeting, accounting, internal controls, treasury management, financial reporting and external audit) arrangements will be under the responsibility of the Finance and Administration (F&A) Department within the ESMOW&T, as the Executing Agency. An appropriately qualified and experienced accountant will be designated from the Office of the Accountant General of the State (OAG) to form part of the Ebonyi State Road Transport Project implementation team and be responsible for the day-to-day transactions including preparation of quarterly and annual project financial information to the Bank. The project FM unit within the OAG is already in existence with about five accountants that are involved in project accounting for all externally (donor) financed projects. In this regard, the project implementation team shall have robust accounting software that will be established and used for project accounting. It shall also be capable of generating the required financial reports for both the AfDB and the Islamic Development Bank financing under the project aimed at facilitating harmonised reporting. Ebonyi State Road Transport project implementation team will follow the existing budgeting and monitoring processes to prepare its annual activity budget. These reports, which will form the basis of the Project’s annual work plan and budget, will take into account the specific components of the Project for approval by the Project Steering Committee and thereafter submitted to the Bank for review and endorsement. Fund transfers by the Bank to the implementing agency will be based on approved work plans and budgets.

4.1.8 The Implementing Agency will use existing internal control systems in place with the use of a Compliance Officer from the Ministry who will perform compliance on financial transactions of the existing donor-financed projects and also visit project sites. The specific project's FM arrangements will also be included in the already existing Project Financial Management Procedures Manual developed for the ongoing World Bank financed projects in the State. This will provide an enhanced accountability framework and also be a reference guide for project staff involved in its implementation. This forms part of the FM Action Plan aimed at ensuring the proper FM of the Project.

4.1.9 In accordance with the Bank's financial reporting and audit requirements, the PIU will be required to prepare and submit to the Bank Interim Quarterly Financial Progress Reports (IQFPRs) not later than 45 days after the end of each calendar quarter. The quarterly financial reports will include a statement of sources and uses of funds, with the uses of funds analysed by activities/components and categories, comparing actual expenditure with budget and notes explaining significant variations in expenditures. An independent audit firm will be procured competitively in liaison with the Office of the State Auditor General from the list of external auditors approved by the Bank to carry out the annual project audit and the auditors' opinion and management letter together with the project financial statements will be submitted to the Bank not later than six (6) months after the end of each fiscal year. The external audit will be carried out in accordance with a Bank approved audit terms of reference with the costs of audit financed under the loan resources.

4.1.10 Training on Bank requirements regarding financial management and disbursement will be given as part of project launching and during its implementation to as a capacity building initiative taking into account lessons learnt from previous and ongoing projects. The FM capacity assessment of the Ebonyi State Ministry of Works & Transport, as the Executing Agency conducted as part of appraisal concluded that the overall FM risk for the project is assessed as "Substantial", primarily due to the nature of the Project and the lack of experience of the agency in implementing a Bank financed project. It also takes into account the inherent weaknesses in internal controls, based on Bank experience in the ongoing projects. The satisfactory implementation of agreed FM actions is expected to strengthen the existing systems aimed at ensuring the proper financial management of the Project to meet the accounting and reporting requirements. The detailed FM assessment and audit arrangements are attached as Annexes B4 and B6 respectively.

Disbursement

4.1.11 The Project would primarily make use of the Bank's Direct Payment and Special Account methods of disbursement. Direct Disbursement will be used for payments on contracts; while a project specific USD Special Account together with the related local currency (Naira) will be opened in a commercial bank to facilitate all other project related payments in local currency. The Reimbursement and the Reimbursement Guarantee methods also remain available for use with all disbursements to be done in accordance with Bank rules and procedures as laid out in the Disbursement Handbook as applicable. The Bank will issue a Disbursement Letter of which the content will be discussed and agreed with the Borrower during negotiations.

4.2. Monitoring

4.2.1 The overall project implementation will be monitored by the SPIU of the Ebonyi State Ministry of Works and Transport. The staff of the SPIU will have the requisite qualifications

and experience for carrying out their tasks. The day-to-day execution of the civil works will be monitored by supervision teams of the consultants (one for AfDB and one for IsDB financed components). Independent consultants under the oversight of the State Ministry of Works and Transport will be responsible for the sensitization of HIV/AIDS, STI, TB and gender; baseline data collection and ESMP implementation, and road safety. The monthly and quarterly reports submitted to the Bank will include physical, financial, social and environmental indicators related to the progress of the Project. The reports will provide updated information on project implementation highlighting key issues and problem areas and recommended measures for resolving identified bottlenecks. The Bank will undertake at least two field missions annually to the project site to monitor progress. A Project Completion Report (PCR) will be prepared at 85% completion of the Project components or 95% disbursement of the Bank loans.

Table 4.1: Key-Monitoring Activities

| Timeframe | Milestone | Monitoring process / feedback loop |
|------------|---------------------------------------|------------------------------------|
| Q3 - 2019 | Project Launching | Supervision and Progress Report |
| Q2 - 2020 | Procurement of Civil Works Completed | Procurement Plan/Progress Report |
| Q3 – 2021* | 50% of Civil Works completed | Midterm Review & Progress Report |
| Q1 - 2023 | Substantial completion of civil works | Supervision and Progress Report |
| Q2 - 2024 | End of Defects Liability period | Supervision and Progress Report |
| Q2 - 2024 | Project Completion | Project Completion Report |

**Or When at 50% completion of Civil Works*

4.3. Governance

4.3.1 The Project has limited potential issues or risks linked to governance. A limited number of project components will be implemented by the SPIU, under the guidance of the State Ministry of Works and Transport, using the State's Public Financial Management (PMS) systems along with stipulated Bank system hence it will adopt all the Governance and Anti - Corruption policies and guidelines of the Country. The PSC consisting of the State sector ministries to be impacted by the Project, will provide oversight roles. The Bank will also provide some oversight especially during supervision missions and follow up meetings. All the Anti-Corruption measures that pertain to agencies and the Government will apply to this Project.

4.3.2 In the procurement process for International Competitive Bidding, governance risk will be mitigated through the Bank's strict application of its standard rules and procedures. The Bank's supervision missions, technical and financial audits will ensure conformity between the terms of reference, services provided, works done, disbursements made and loan agreements.

4.3.3 The specific governance risk mitigation measures of the project include: (i) oversight by office of the Auditor General, (ii) the appointment of an independent Auditor to ensure that funds are used efficiently and for the intended purposes; and (iii) Bank prior review and approval of all project procurement activities.

4.4. Sustainability

4.4.1 Project sustainability depends on the quality of works executed, the capacity to plan, finance and carry out routine and periodic maintenance on a timely basis, and the implementation of axle load control to prevent premature failure. The State Ministry of Works and Transport is responsible for the development and maintenance of the State road network, consisting of trunk and rural roads. Road maintenance is the responsibility of the Ebonyi State Road Maintenance Agency (EBROMA), an agency of the State Ministry of Works and Transport.

4.4.2 EBROMA was established by ‘State Law No. 001 of 2010’ as an agency of the State Ministry of Works and Transport with the function to ‘ensure the efficient and effective maintenance of all existing state roads and other roads that may be declared from time to time as State Roads by the State Government’. The maintenance functions included grass cutting, desilting of drains and culverts, pothole patching, and reconstruction of failed sections; essentially routine maintenance. In recent years, the functions have included overlay works and periodic maintenance. The law requires EBROMA to carry out maintenance activities either by direct labour or by contract. Most of the works that the agency has carried out have however been by direct labour. The agency maintains a fleet of equipment to carry out its maintenance functions. There appears to be no established Road Maintenance Management System (RMMS) to plan and execute the annual maintenance program. Currently, the main source of funding for road maintenance is from subventions from the State Government. As of January 2019, the condition of roads under EBROMA was 51.35% good, 8.51% fair and 40.15% poor. The condition of paved roads has deteriorated over the past four years from 100% good in 2015 to 66.80% in 2018. The proportion of unpaved roads in good and fair condition has been steadily deteriorating from 60% in 2015 to 0% in 2018. There is the need for the agency to start carrying out maintenance using a planned maintenance program, and should consider contracting out some of the maintenance functions for efficiency. This private sector role is in the right direction for the sustainability of investments in the sub-sector and contributes to the enhancement of the development of the domestic construction industry. The project design has included a Technical Assistance component to enable EBROMA to develop a Road Maintenance Management System (RMMS), look into the use of contractors, as well as explore other methods of funding for road maintenance in the State.

4.4.3 Enforcement of axle load limits in the country is generally very poor. Ebonyi State has no form of axle load control. In order to protect the project roads from premature failure from overloading, the Project has made provision for two (2) mobile weighbridges to mitigate the risk of premature pavement failure due to overloading.

4.4.4 The above-mentioned measures will add to the sustainability of the road sub-sector, including that of the project roads.

4.5. Risk management

4.5.1 The project design made some assumptions with regards to the processes leading to the attainment of project impacts, outcomes and outputs. The risks to these attainments and the mitigations measures are discussed as follows:

4.5.2 Project Impacts: Failure by the Ebonyi State Government to implement other transport programs in the Ebonyi State Transport Policy. The risk is mitigated by monitoring program implementation during the Project implementation and operation.

4.5.3 Outcomes: The attainment of the outcomes depends on the sustainability of the road network. The Project has included technical assistance to EBROMA to assist in the setting up of an RMMS and to look for ways of widening of the revenue base for maintenance. The risk of premature failure of the road structures has been mitigated by incorporating the provision of two (2) mobile weighbridges to be moved to strategic locations of the road network depending on need.

4.5.4 Outputs: Several factors including (i) effectiveness delay, (ii) delay in the acquisition of the Right of Way (ROW), (iii) non-payment of counterpart funds, and (iv) loan conditions, can contribute to delay in project implementation with further impacts on the outputs. Effectiveness delay has been mitigated by early dialogue with the authorities, while the delay in the

acquisition of the ROW, which is mostly as a result of non-payment of counterpart funds has been mitigated by Government pledged to pay compensation ahead of commencement, and to include counterpart funds in annual budgets. The preparation of the Project has ensured that conditions precedent to first disbursement are kept to a minimum and are aligned with the implementation schedule. Furthermore, Advance Contracting for works and consultancy services will be utilized to fast track implementation. Despite all the above measures against delays, Project costing has included contingencies to cover possible price increases that may arise due to price escalation. One other risk could be cost overruns due to design deficiencies. The program design includes a robust design review process to identify deficiencies and plan for them adequately.

4.6. Knowledge building

4.6.1 The data collection at project commencement, execution and completion will generate knowledge on the indicators on the benefits to the communities in the zones of influence that will be used to measure the achievement of the expected outcomes and outputs. The use of independent service providers will provide knowledge on best practices; and the capacity building component of the Project will enhance project management capacity of staff.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instruments

5.1.1 The financing instruments to be used for this operation are: (i) an ADB Loan of USD 40.00 million. A loan agreement shall therefore be entered into between the Federal Republic of Nigeria and the ADB; and (ii) an AGTF Loan of USD 30.00 million. A loan agreement shall also be entered into between the Federal Republic of Nigeria and the ADB (*in its capacity as administrator of the AGTF*).

5.2. Conditions associated with the Bank's intervention

The loans shall be subject to the following conditions:

(A) Conditions Precedent to Entry into Force: The entry into force of the Loan Agreements shall be subject to the fulfilment by the Borrower of the conditions set forth in Section 12.01 of the General Conditions Applicable to ADB Loan Agreements and Guarantee Agreements (Sovereign Entities).

(B) Conditions Precedent to First Disbursement: The obligations of the Bank to make the first disbursement of each loan shall be conditional upon the entry into force of each Loan Agreement as stated in paragraph 5.2. (A) above and evidence provided by the Borrower, in form and substance satisfactory to the Bank, of the fulfilment of the following conditions:

- i) Submission of an updated Resettlement Action Plan (RAP) together with a schedule (the “Works and Compensation Schedule”) detailing *inter alia*, (A) the sections into which each lot of the civil works will be divided; and (B) a timeframe for the compensation of the Project Affected Persons (PAP) with respect to all such sections, in each case.
- ii) Evidence of the designation/appointment or recruitment of a Project Coordinator, Procurement Officer, and Project Accountant, Environmental/Safeguards Officer, FM Compliance Officer and a Monitoring and Evaluation Officer with qualifications acceptable to the Bank and the Islamic Development Bank.

(C) Other Conditions: The Borrower shall provide no later than six (6) months after entry into force of both loan agreements, evidence of:

- i) The execution and delivery of two (2) subsidiary agreements between the Borrower on the one hand; and the Ebonyi State Government on the other hand, where the Borrower transfers a portion of each Loan to the Ebonyi State Government, in form and substance acceptable to the Bank; and
- ii) The establishment of a Project Steering Committee (PSC) consisting of representatives of State sector ministries namely: Works and Transport; Agriculture and Rural; Environment; Solid Minerals; and Local Government to provide overall policy direction to the Project. The Commissioner for Works and Transport shall be the Chair with the Project Coordinator of the PIU as member secretary.

(D) Undertakings - Environmental and Social Safeguards.

- (a) The Borrower shall and shall cause the Executing Agency, the Implementing Agency, and both their respective contractors, sub-contractors and agents to:
 - i) carry out the Project in accordance with the ESMP, the RAP and /or the agreed works and compensation schedule, the Bank's Safeguards Policies and the applicable national legislation in a manner and in substance satisfactory to the Bank;
 - ii) prepare and submit to the Bank, as part of the Project Report quarterly reports on the implementation of the ESMP and the RAP including any deficiencies identified and the corrective measures thereto; and
 - iii) refrain from taking any action which would prevent or interfere with the implementation of the ESMP, the RAP, including any amendment, suspension, waiver, and/or avoidance of any provision thereof, whether in whole or in part, without the prior written concurrence of the Bank.
 - iv) The Borrower shall not, and shall cause the Executing Agency, the Implementing Agency and both their respective contractors, sub-contractors and agents not to commence implementation of any works on any section of a given lot under the Project, unless all PAPs on such lot have been compensated and/or resettled in accordance with the RAP and the agreed works and compensation schedule.

(E) Other Undertaking: The Borrower hereby undertakes that:

- i) A Communication Expert will be designated from the State Ministry of Communication as and when necessary.

5.3 Compliance with Bank Policies

This Project complies with all applicable Bank policies and does not require any waivers nor exceptions.

VI – RECOMMENDATION

Management recommends that the Board of Directors approve the proposed :

- (i) ADB loan of USD 40.00 million; and
- (ii) (ii) AGTF loan of USD 30.00 million in favour of the Federal Republic of Nigeria for the purposes of financing the Project on the terms and conditions stipulated above.

Appendix I: Country's comparative socio-economic indicators (December 2018)

| | Year | Nigeria | Africa | Developing Countries | Developed Countries |
|--|---------|---------|---------|----------------------|---------------------|
| Basic Indicators | | | | | |
| Area (in 1000 km ²) | 2017 | 924 | 30,067 | 94,716 | 35,018 |
| Total Population (millions) | 2017 | 191.8 | 1,244.8 | 6,252.1 | 1,190.0 |
| Urban Population (% of total) | 2017 | 49.9 | 40.5 | 49.2 | 81.4 |
| Population Density (per km ²) | 2017 | 210.6 | 42.4 | 66.0 | 34.0 |
| GNI per Capita (USD) | 2016 | 2,450 | 1,836 | 4,442 | 41,208 |
| Labour Force Participation *- Total (%) | 2017 | 56.6 | 65.8 | 62.3 | 60.3 |
| Labour Force Participation **- Female (%) | 2017 | 48.5 | 55.3 | 47.8 | 52.5 |
| Sex Ratio (per 100 female) | 2017 | 103.9 | 100.2 | 107.5 | 105.3 |
| Human Develop. Index (rank among 187 countries) | 2015 | 152 | ... | ... | ... |
| Population Living Below USD 1.90 a Day (% of Population) | 2016 | 48.6 | ... | 1.3 | ... |
| Demographic Indicators | | | | | |
| Population Growth Rate – Total (%) | 2017 | 2.6 | 2.5 | 1.3 | 0.6 |
| Population Growth Rate – Urban (%) | 2017 | 4.5 | 3.5 | 2.4 | 0.9 |
| Population < 15 years (%) | 2017 | 43.8 | 40.8 | 27.9 | 16.6 |
| Population 15-24 years (%) | 2017 | 19.1 | 19.2 | 16.7 | 11.9 |
| Population > 65 years (%) | 2017 | 2.7 | 3.5 | 6.8 | 17.4 |
| Dependency Ratio (%) | 2017 | 87.2 | 79.6 | 54.6 | 52.0 |
| Female Population 15-49 years (% of total population) | 2017 | 22.8 | 24.0 | 25.6 | 22.6 |
| Life Expectancy at Birth – Total (years) | 2017 | 53.6 | 61.9 | 70.2 | 80.7 |
| Life Expectancy at Birth – Female (years) | 2017 | 54.0 | 63.3 | 72.3 | 83.5 |
| Crude Birth Rate (per 1,000) | 2017 | 38.1 | 33.9 | 20.6 | 10.9 |
| Crude Death Rate (per 1,000) | 2017 | 12.3 | 9.0 | 7.5 | 8.6 |
| Infant Mortality Rate (per 1,000) | 2016 | 66.9 | 49.3 | 33.1 | 4.5 |
| Child Mortality Rate (per 1,000) | 2016 | 104.3 | 72.6 | 44.3 | 5.3 |
| Total Fertility Rate (per woman) | 2017 | 5.5 | 4.4 | 2.6 | 1.7 |
| Maternal Mortality Rate (per 100,000) | 2015 | 814.0 | 444.1 | 237.0 | 10.0 |
| Women Using Contraception (%) | 2017 | 20.5 | 37.6 | 62.1 | ... |
| Health and Nutrition Indicators | | | | | |
| Physicians (per 100,000 people) | 2005-15 | 37.6 | 41.6 | 121.6 | 293.5 |
| Nurses and midwives (per 100,000 people) | 2005-15 | 148.9 | 120.9 | 211.3 | 873.4 |
| Births attended by Trained Health Personnel (%) | 2010-16 | 35.2 | 55.9 | 76.6 | 98.9 |
| Access to Safe Water (% of Population) | 2015 | 68.5 | 71.6 | 89.4 | 99.5 |
| Access to Sanitation (% of Population) | 2015 | 29.0 | 39.4 | 61.5 | 99.4 |
| Percentage of Adults (aged 15-49 years) Living with HIV/AIDS | 2016 | 2.9 | 3.6 | 1.1 | ... |
| Incidence of Tuberculosis (per 100,000) | 2016 | 219.0 | 221.7 | 163.0 | 12.0 |
| Child Immunization Against Tuberculosis (%) | 2016 | 64.0 | 82.1 | 84.9 | 95.8 |
| Child Immunization Against Measles (%) | 2016 | 51.0 | 74.4 | 84.0 | 93.7 |
| Underweight Children (% of children under 5 years) | 2010-15 | ... | 18.1 | 15.3 | 0.9 |
| Prevalence of Stunting | 2010-15 | 32.9 | 33.3 | 25.0 | 2.5 |
| Prevalence of Undernourishment (% of population) | 2015 | 7.9 | 17.5 | 12.3 | 2.7 |
| Public Expenditure on Health (as % of GDP) | 2014 | 0.9 | 2.6 | 3.0 | 7.7 |
| Education Indicators | | | | | |
| Gross Enrolment Ratio (%) | | | | | |
| Primary School – Total | 2010-16 | 93.7 | 101.7 | 103.8 | 102.6 |
| Primary School – Female | 2010-16 | 92.8 | 98.8 | 102.2 | 101.8 |
| Secondary School – Total | 2010-16 | 55.7 | 51.8 | ... | 106.6 |
| Secondary School – Female | 2010-16 | 53.5 | 49.7 | ... | 106.4 |
| Primary School Female Teaching Staff (% of Total) | 2010-16 | 48.2 | 46.0 | 51.3 | 81.0 |
| Adult literacy Rate – Total (%) | 2010-16 | ... | 68.6 | ... | ... |
| Adult literacy Rate – Male (%) | 2010-16 | ... | 76.0 | ... | ... |
| Adult literacy Rate – Female (%) | 2010-16 | ... | 61.7 | ... | ... |
| Percentage of GDP Spent on Education | 2010-16 | ... | 4.9 | 4.1 | 5.2 |
| Environmental Indicators | | | | | |
| Land Use | 2015 | 37.3 | 8.0 | 11.3 | 10.1 |
| Arable Land (as % of total land area) | | | | | |
| Agricultural Land (as % of land area) | 2015 | 77.7 | 37.4 | 38.1 | 35.1 |
| Forest (as % of land area) | 2015 | 7.7 | 21.0 | 31.4 | 28.8 |
| Per Capita CO ₂ Emissions (metric tonnes) | 2014 | 0.5 | 1.1 | 3.5 | 11.0 |

Sources: AfDB Statistics Department Databases; World Bank: World Development Indicators;

UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports

Notes: n.a.: Not Applicable; ... : Data Not Available; * Labour force participation rate, total (% of total population ages 15+ years)

** Labour force participation rate, female (% of female population ages 15+ years)

Appendix II: Table of Bank's portfolio in the country (Feb 2019)

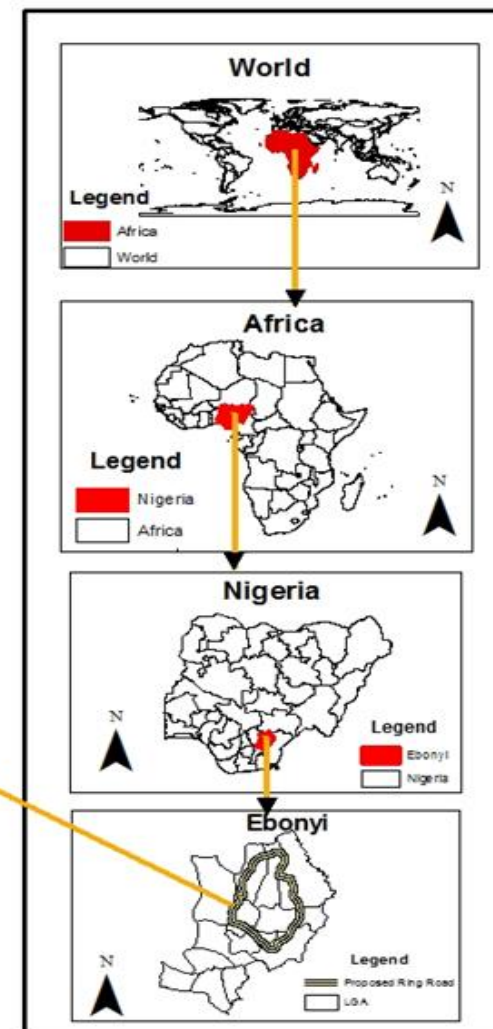
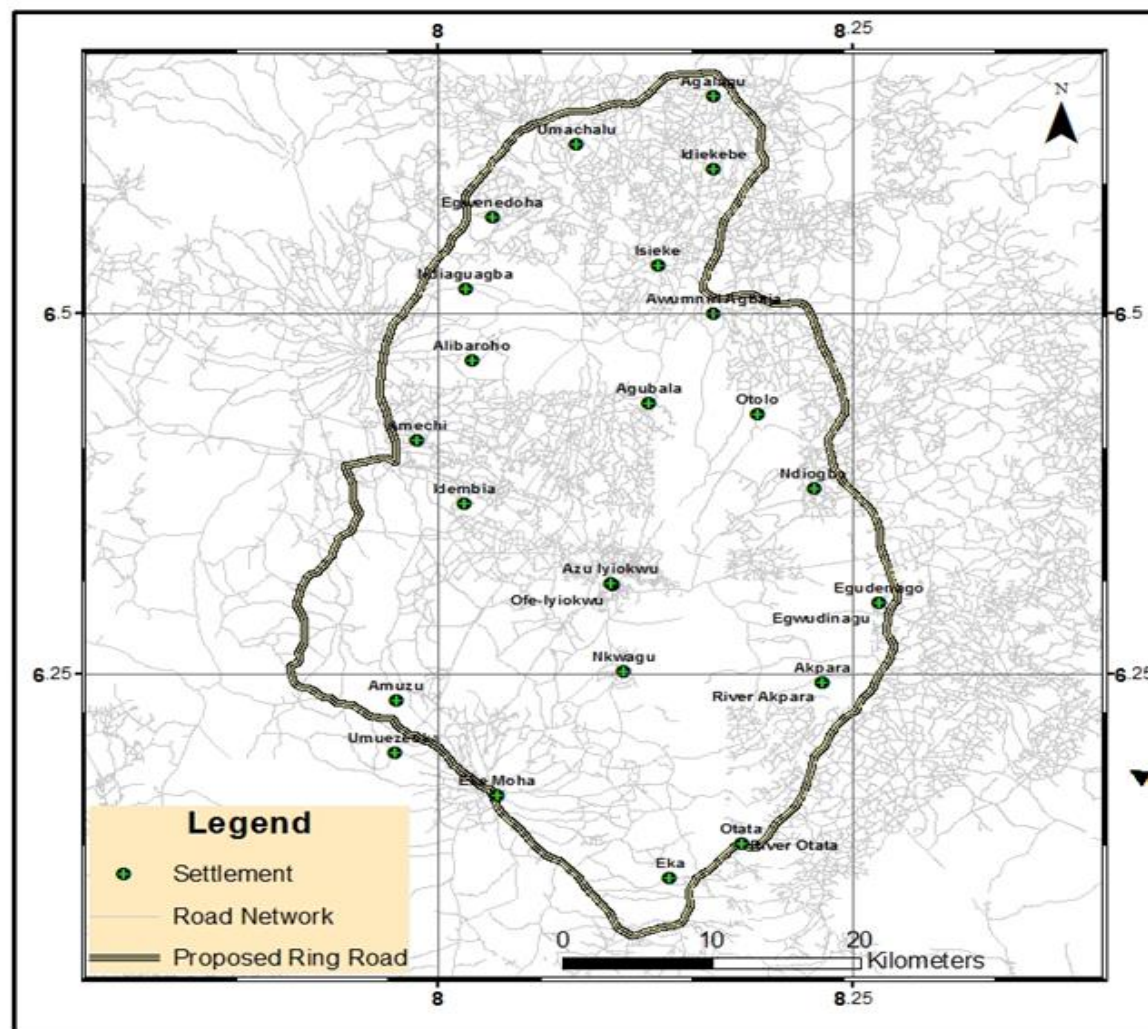
| Project Description | Loan Number | Age | Approval Date | Closing Date | Apvd amount (UAm) | % Disbursed | Type | Financial Source | Instrument | Sector |
|--|---------------|------|---------------|--------------|-------------------|-------------|------|------------------|------------|---------|
| <i>Sovereign Operations (National)</i> | | | | | | | | | | |
| Plateau State Potato Value Chain Support Project (PS-PVCP) | 2100150037297 | 1.9 | 30-Mar-17 | 31-Dec-20 | 8.00 | 4.44% | Inv | ADF | Loan | Agric. |
| MIC-Grant Support to Bank of Agriculture (BoA) Limited | 5500155010351 | 2.8 | 5-May-16 | 30-Dec-19 | 0.70 | 11.90% | TA | MIC | Grant | Agric. |
| MIC Grant Strengthening of Federal Ministry of Agriculture | 5500155010501 | 2.8 | 18-May-16 | 30-Dec-18 | 0.50 | 69.00% | TA | MIC | Grant | Agric. |
| Agricultural Transformation Agenda Support Program - Phase I | 2100150029994 | 5.2 | 30-Oct-13 | 31-Mar-19 | 98.80 | 16.70% | Inv | ADF | Loan | Agric. |
| Agricultural Transformation Agenda Support Program - Phase I | 2100155025974 | 5.2 | 30-Oct-13 | 31-Mar-19 | 0.30 | 41.00% | Inv | ADF | Grant | Agric. |
| Abuja Bus Rapid Transit (BRT) Project Study | 5560155000601 | 5.11 | 5-Feb-13 | 31-Dec-18 | 0.70 | 19.90% | TA | CTF | Grant | Transp. |
| Rural Water Supply and Sanitation Sub-Programmes for Yobe and Osun | 2100150015645 | 11.3 | 10-Oct-07 | 31-Dec-19 | 51.00 | 67.70% | Inv | ADF | Loan | Water |
| Urban Water & Sanitation Improvement Project in Oyo and Taraba | 2100150025696 | 9.4 | 2-Sep-09 | 30-Apr-18 | 50.00 | 76.60% | Inv | ADF | Loan | Water |
| Zaria Water and Sanitation Expansion Project | 2100150026597 | 6.11 | 8-Feb-12 | 31-Dec-19 | 63.90 | 75.80% | Inv | ADF | Loan | Water |
| Urban Water Reform & Port Harcourt WSSP | 2000130011585 | 4.9 | 26-Mar-14 | 30-Apr-21 | 142.20 | 1.60% | Inv | ADB | Loan | Water |
| Urban Water Reform & Port Harcourt WSSP | 2100150031043 | 4.9 | 26-Mar-14 | 30-Apr-21 | 3.30 | 0.00% | Inv | ADF | Loan | Water |
| Preparation of Komadugu-Yobe Basin Strategic Development Plan | 5600155004101 | 4.5 | 8-Aug-14 | 30-Jun-18 | 1.60 | 46.80% | TA | AWTF | Grant | Water |
| Partial Risk Guarantee Program in Support of the Power Sector | 2100140000051 | 5.1 | 18-Dec-13 | Not Yet | 120.00 | 0.00% | Inv | ADF | PRG | Energy |
| Support for Nigerian Extractive Industries Transparency Initiative | 5500155009501 | 3.7 | 10-Jun-15 | 30-Jun-19 | 0.10 | 70.10% | TA | MIC | Grant | Fin. |
| Say N to famine | 2100150040593 | 0.1 | 14-Dec-18 | 14-Dec-25 | 11.89 | 0.00% | Inv | ADF | Loan | Agric. |
| Additional Loan to IBSDLIEP For The Completion Of FSTC Lassa | 2100150040594 | 0.1 | 14-Dec-18 | 14-Dec-25 | 3.90 | 0.00% | Inv | ADF | Loan | Social |
| African Trade Insurance Programme | 2100150040596 | 0.1 | 14-Dec-18 | 14-Dec-26 | 10.00 | 0.00% | Inv | ADF | Loan | Fin. |
| African Trade Insurance Programme | 2100150040595 | 0.1 | 14-Dec-18 | 14-Dec-27 | 1.40 | 0.00% | Inv | ADF | Loan | Fin. |
| Development Bank of Nigeria (DBN) | 2000130013130 | 4.1 | 15-Dec-14 | 31-Dec-22 | 284.50 | 66.70% | Inv | ADB | Loan | Fin. |
| Development Bank of Nigeria (DBN) | 2100150032693 | 4.1 | 15-Dec-14 | 31-Dec-22 | 32.60 | 66.70% | Inv | ADF | Loan | Fin. |
| Inclusive Basic Service Delivery and Livelihood Empowerment | 2000200000701 | 2.1 | 14-Dec-16 | 31-Dec-21 | 106.70 | 0.02% | Inv | ADB | Loan | Social |
| Inclusive Basic Service Delivery and Livelihood Empowerment | 2100150036593 | 2.1 | 14-Dec-16 | 31-Dec-21 | 71.80 | 0.00% | Inv | ADF | Loan | Social |
| Inclusive Basic Service Delivery and Livelihood Empowerment | 5800155001751 | 2.1 | 14-Dec-16 | 31-Dec-21 | 4.10 | 3.00% | Inv | RWSSI | Grant | Social |
| MIC-TAF: Rehabilitation of Industrial Clusters as a Driver O | 5500155011151 | 2.2 | 8-Nov-16 | 31-Dec-18 | 0.40 | 54.80% | TA | MIC | Grant | Multi |
| Nigeria Electrification Project | 2000200003401 | 0.1 | 29-Nov-18 | 1-Jan-28 | 35.77 | 0.00% | Inv | AGTF | Loan | Energy |
| Nigeria Electrification Project | 5050200000551 | 0.1 | 29-Nov-18 | 1-Jan-28 | 107.31 | 0.00% | Inv | ADB | Loan | Energy |
| Sub-National Debt Management Capacity Building Project | 5500155011551 | 1.11 | 24-Jan-17 | 30-Jun-18 | 0.80 | 3.00% | TA | MIC | Grant | Multi |
| Jigawa Solar Independent Power Procurement Programme - Phase I | NA | 0.8 | 30-Apr-18 | Not Yet | 1.00 | 0.00% | TA | SEFA | Grant | Energy |
| <i>Sovereign Operations (Multinational)</i> | | | | | | | | | | |
| Nigeria-Cameroon Highway-Transport Facilitation Program on the Bamenda-Mamfe-Ekok-Abakaliki-Enugu Corridor | 2100150019643 | 10.1 | 25-Nov-08 | 31-Dec-19 | 188.60 | 68.30% | Inv | ADF | Loan | Transp. |
| Nigeria-Cameroon Highway-Transport Facilitation Program on the Bamenda-Mamfe-Ekok-Abakaliki-Enugu Corridor | 2100155015166 | 10.1 | 25-Nov-08 | 31-Dec-19 | 16.20 | 29.10% | Inv | ADF | Grant | Transp. |
| Integrated Programme for Development and Adaptation to Climate Change in the Basin of Niger (PIDACC/BN) | 5110155000401 | 0.2 | 7-Nov-18 | Not yet | 2.30 | 0.00% | Inv | AfIF | Grant | Agric. |
| Integrated Programme for Development and Adaptation to Climate Change in the Basin of Niger (PIDACC/BN) | Not yet | 0.2 | 7-Nov-18 | Not yet | 7.30 | 0.00% | Inv | GCF | Grant | Agric. |
| Integrated Programme for Development and Adaptation to | Not yet | 0.2 | 7-Nov-18 | Not yet | 1.40 | 0.00% | Inv | GCF | Grant | Agric. |

| | | | | | | | | | | |
|---|---------------|------|-----------|-------------|--------|---------|------|-----|-------|---------|
| Climate Change in the Basin of Niger (PIDACC/BN) | | | | | | | | | | |
| Integrated Programme for Development and Adaptation to Climate Change in the Basin of Niger (PIDACC/BN) | 2100150040794 | 0.2 | 7-Nov-18 | Not yet | 6.00 | 0.00% | Inv | ADF | Loan | Agric. |
| Abidjan-Lagos Corridor Highway Development Project Study-Nigeria | 2100150036600 | 2.4 | 21-Sep-16 | Not Yet | 1.00 | 0.00% | Inv | ADF | Loan | Transp. |
| ECOWAS - Nelson Mandela Institute - African Institutions Of Science and Tec. | 2100155032824 | 2.6 | 15-Jul-16 | 30-Jun-22 | 6.70 | 25.30% | Inv | ADF | Grant | Social |
| Non-Sovereign Operations (National) | | | | | | | | | | |
| Fund for Agricultural Finance in Nigeria (FAFIN) | N/A | 2.1 | 13-Dec-16 | 14-Dec-25 | 13.10 | 95.00% | Equ. | ADB | Equi. | Agric. |
| Sterling Bank Plc - Improving the Quality of Life of the People | 2000130019680 | 0.3 | 25-Sep-18 | 31-Dec-22 | 35.96 | 0.00% | Inv | ADB | Loan | Fin. |
| Nigeria Infrastructure Debt Fund (NIDF) | NA | 0.3 | 17-Oct-18 | Not Yet | 7.05 | 0.00% | Equ. | ADB | Equi. | Fin. |
| Flour Mills of Nigeria Plc | 2000130019880 | 0.4 | 19-Sep-18 | 31-Dec-27 | 51.80 | 0.00% | Inv | ADB | Loan | Agric. |
| Institutional Support Afe Babalola University MIC-TAF | 5500155013001 | 1.7 | 30-May-17 | 31-Dec-22 | 0.74 | 0.00% | Inv | ADB | Grant | Social |
| Lekki Toll Road Project | 2000120001769 | 10.7 | 18-Jun-08 | 18-Sep-10 | 35.20 | 100.00% | Inv | ADB | Loan | Transp. |
| Indorama Fertilizer | 2000120003769 | 5.11 | 30-Jan-13 | 15-Aug-16 | 71.10 | 100.00% | Inv | ADB | Loan | Ind. |
| Dangote Industries Limited | 2000130015232 | 4.7 | 13-Jun-14 | 22-Dec-19 | 213.30 | 100.00% | Inv | ADB | Loan | Ind. |
| Fidelity Bank Plc | 2000130019881 | 0.3 | 10-Oct-18 | 30-Dec-2027 | 35.96 | 0.00% | Inv | ADB | LOC | Fin. |
| Fidelity Bank Plc | 2000130010730 | 5.6 | 17-Jul-13 | 1-Nov-20 | 53.30 | 100.00% | Inv | ADB | LOC | Fin. |
| Line of Credit - United Bank for Africa Plc | 2000130015931 | 2.7 | 8-Jun-16 | 31-Dec-25 | 106.70 | 100.00% | Inv | ADB | LOC | Fin. |
| Domestic-Oriented SME Financing Program | 2000130009884 | 7.7 | 26-May-11 | 16-Mar-21 | 71.10 | 100.00% | Inv | ADB | LOC | Fin. |
| Export-Oriented SME Financing Program | 2000130009885 | 7.7 | 26-May-11 | 29-Jan-15 | 35.60 | 100.00% | Inv | ADB | LOC | Fin. |
| Zenith Bank LOC II | 2000120001070 | 12.1 | 13-Dec-06 | 1-Aug-13 | 71.10 | 100.00% | Inv | ADB | LOC | Fin. |
| Line of Credit II to Guaranty Trust Bank | 2000130007031 | 8.6 | 23-Jun-10 | 6-Apr-12 | 64.00 | 100.00% | Inv | ADB | LOC | Fin. |
| Zenith Emergency Liquidity Facility | 2000120002469 | 9.6 | 22-Jul-09 | 15-Mar-11 | 35.60 | 100.00% | Inv | ADB | Loan | Fin. |
| Stanbic IBTC Bank Plc | 2000130011531 | 4.9 | 26-Mar-14 | 15-Jan-28 | 0.90 | 100.00% | Inv | ADB | LOC | Fin. |
| Stanbic IBTC Bank Plc | 5560130000501 | 4.7 | 27-May-14 | 15-Jan-28 | 0.90 | 100.00% | Inv | CTF | LOC | Fin. |
| Zenith Bank Plc - LOC III | 2000130011530 | 4.9 | 26-Mar-14 | 26-Jun-15 | 88.90 | 100.00% | Inv | ADB | LOC | Fin. |
| Access Bank Nigeria LOC II | 2000130012130 | 4.8 | 15-May-14 | 1-Aug-16 | 71.10 | 100.00% | Inv | ADB | LOC | Fin. |
| Access Bank Nigeria LOC II | 5060140000255 | 1.3 | 11-Oct-17 | 1-Aug-24 | 16.00 | 0.00% | Inv | PSF | Guar. | Fin. |
| Naira Line of Credit to FRB Subsidiary, Rand Merchant Bank N | 2000130011783 | 6.1 | 12-Dec-12 | 21-May-22 | 29.30 | 100.00% | Inv | ADB | LOC | Fin. |
| Wema Bank Line of Credit 2015 | 2000130017380 | 2.10 | 9-Mar-16 | Not Yet | 10.70 | 0.00% | Inv | ADB | LOC | Fin. |
| USD 300 Million Trade Finance Package First Bank of Nigeria | 2000130015733 | 2.6 | 27-Jun-16 | 7-Jun-18 | 213.30 | 66.70% | Inv | ADB | LOC | Fin. |
| FSDH Merchant Bank Trade Finance Line of Credit | 2000130015734 | 2.6 | 27-Jun-16 | 2-Jun-20 | 35.60 | 100.00% | Inv | ADB | LOC | Fin. |
| FSDH Merchant Bank Trade Finance Line of Credit | 5060140000254 | 1.3 | 11-Oct-17 | 2-Jun-20 | 17.80 | 0.00% | Inv | PSF | Guar. | Fin. |
| Lapo Microfinance Limited | 2000130014181 | 4.3 | 1-Oct-14 | 10-Jan-20 | 5.30 | 100.00% | Inv | ADB | LOC | Fin. |
| Africa SME Program - Fortis Microfinance Bank Plc | 2000130013631 | 3.7 | 15-Jun-15 | 20-Sep-22 | 2.30 | 100.00% | Inv | ADB | LOC | Fin. |
| Africa SME Program Loc - Ab Microfinance Bank Nigeria Limited | 2000130016380 | 4.4 | 18-Sep-14 | Not Yet | 2.30 | 0.00% | Inv | ADB | LOC | Fin. |
| Afe Babalola University Nigeria | 2000130016430 | 2.3 | 19-Oct-16 | 15-Dec-25 | 14.20 | 100.00% | Inv | ADB | Loan | Social |
| Santa Clara Medical Limited (SCML) | 2000130018930 | 0.1 | 3-Apr-18 | 7-Nov-27 | 13.80 | 0.00% | Inv | ADB | Loan | Social |
| Indorama Fertilizer II | 2000120005019 | 0.8 | 2-May-18 | 19-Dec-27 | 55.60 | 0.00% | Inv | ADB | Loan | Ind. |
| Non-Sovereign Operations (Multinational) | | | | | | | | | | |
| Olam Africa Investment Program | 2000130015880 | 5.6 | 26-Jun-13 | 15-Dec-18 | 34.10 | 100.00% | Inv | ADB | Loan | Agric. |
| VEROD Capital Growth Fund | NA | 0.4 | 5-Sep-18 | Not Yet | 10.34 | 0.00% | Equ | ADB | Equ | Fin. |
| Olam Africa Investment Program | 5060140000052 | 2.3 | 28-Sep-16 | 1-Aug-23 | 8.00 | 0.00% | Inv | PSF | Guar. | Agric. |
| Olam Africa Investment Program II | 2000120004569 | 2.0 | 11-Jan-17 | Not Yet | 75.10 | 0.00% | Inv | ADB | Loan | Agric. |
| Africa Finance Corporation | NA | 0.1 | 27-Nov-18 | Not Yet | 20.69 | 0.00% | Inv | ADB | Equi | Fin. |
| Africa Finance Corporation | 2000130008630 | 6.11 | 15-Feb-12 | 18-Apr-15 | 142.20 | 100.00% | Inv | ADB | Loan | Fin. |

Appendix III: Key related projects financed by the Bank and other development partners in the country

| Donor | Project Title | Implementation Status | EURO million | UA million | GBP million | US\$ million |
|---|---|-----------------------|--------------|------------|-------------|--------------|
| World Bank | Lagos Urban Transport Project | Closed | | | | 190.00 |
| World Bank | Lagos Urban Transport Project 2 | Closed | | | | 4.50 |
| World Bank | Nigeria Lagos Urban Transport Project | Closed 2015 | | | | 50.00 |
| world Bank | Railway Development Project | Closed | | | | 28.00 |
| European Union | Transport Governance | Closed | 38.00 | | | |
| European Union | Transport Facilitation Project II | Closed | 27.00 | | | |
| Agence Française de Développement (AFD) | Lagos Urban Transport Project (LUTP I) | Closed 2015 | | | | 100.00 |
| Friedrich Ebert Foundation | Transport Sector Governance | ongoing | 0.22 | | | |
| United Kingdom (DFID) | Nigerian Infrastructure Advisory Facility 2 (NIAF II)-Transport sector | closed | | | 95.23 | |
| African Development Bank | Calabar Airport Reconstruction | closed | | 2.35 | | |
| African Development Bank | Enugu Airport Reconstruction | closed | | 3.16 | | |
| African Development Bank | Nigeria - Study for Cross River State Rural Access and Mobility Project Phase 2 (CR – RAMP 2) | ongoing | | 0.87 | | |
| African Development Bank | Nigeria - The Lekki Toll Road Project | ongoing | | 35.60 | | |
| African Development Bank | Rural Access & Mobility Project | closed | | 34.11 | | |
| African Development Bank | Nigeria - Transport Sector and Economic Governance Reform Program | Closed | | 208.61 | | |
| United States Agency for International Development (USAID) | LAGos-KAno-JIbiya (LAKAJI) Corridor Project | Closed | | | | 40.00 |
| Japan International Cooperation Agency (JICA) | Lagos Urban Railway Development Project | Ongoing | | | | tbc |
| German Corporation for International Cooperation (GIZ/GmbH) | Lake Chad Basin Integrated supports Project | Ongoing | 10.78 | | | |

Appendix IV: Map of the Project Area



Appendix V: Justification for Government Contribution of Less Than 50%

1. The recent strategic focus of Nigeria's transport sector (roads, rail, maritime ports and airports) is based on the Economic Recovery and Growth Plan- ERGP (2017-2020) and the first Infrastructure Master Plan developed in 2015. Earlier national transport policy initiatives in Nigeria, somewhat poorly implemented include; 'The 1965 Statement of Policy on Transport', 'The 1993 Transport Policy for Nigeria', 'The 2003 Draft National Transport Policy' and 'The 2008 Draft National Policy'. Specifically, the ERGP 2017-2020, prioritizes transport infrastructure especially roads and rails given that Nigeria currently lags behind its peers both in terms of quantity and quality. In terms of financing, there have also been recent attempts by the Federal and States Governments to diversify infrastructure financing from public budget sources to Multilateral Development Finance Institutions (AfDB, World Bank and Islamic Development Bank), bilateral such as China and also the private sector. For instance, with the 2017 US\$6 billion loan commitment from China to Nigeria, several infrastructure development projects have been bilaterally signed between the two countries.
2. The ERGP 2017- 2020 recognises that Nigeria's transport infrastructure stock is inadequate for the size of the economy and often it constitutes a major cost and constraint for both large and small businesses. As such, the key policy objective over the plan period for roads is 'to restore the degraded sections of the Federal Highway network to improve connectivity over a distance of 4000 km, and for rail, the key objective is 'to construct strategic rail projects to connect major economic centres across the country including completion of the Lagos-Kano and Lagos-Calabar rail projects. Due to the scale of investment required and the current resource constraints, the ERGP identifies four key principles; 'leveraging private sector infrastructure investment', de-risking priority projects to increase their bankability and ensure financial closure' ensuring efficient and effective use of capital' and 'holding MDAs, contractors and partners accountable for execution'.
3. AfDB's response to the government's infrastructure financing diversification drive is the 'Ebonyi State Ring Road Project'. The key motivation of the project is the fact that the road will serve as an international link between Ebonyi State and the Republic of Cameroon, and also provide inter-state access between Ebonyi, Benue and Enugu States with enormous economic activity potentials for the large agricultural communities in these three States.
4. The total financing for the 'Ebonyi State Ring Road Project' is USD167.66 million, and distributed across three expected funders as follows:

| Financier | Amount | | % of total |
|--|---------------|-----------------|-------------|
| (A) African Development Bank Group | USD (million) | Naira (Billion) | |
| ADB (loan) | 40.00 | 12.22 | 23.86% |
| AGTF (loan) | 30.00 | 9.16 | 17.89% |
| TOTAL ADB FINANCING | | | |
| (B) Islamic Development Bank (IsDB) | | | |
| Loan | 80.00 | 24.44 | 47.71% |
| TOTAL IsDB FINANCING | | | |
| (C) Contribution by Government of Ebonyi State | 17.66 | 5.40 | 10.54% |
| TOTAL PROJECT COST (A+B+C) | 167.66 | 51.22 | 100% |

5. The proposed AfDB project in Ebonyi State has an implementation time frame of 48 months (1st quarter 2019-1st quarter 2023). The bank financing of USD40 million (ADB loan) and USD 30 million (AGTF loan) will be drawn from the AfDB resources under a parallel co-financing arrangement. The 2008 Policy on Expenditure Eligible for Bank Group Financing stipulates that RMCs should provide a minimum of 50% of AfDB resources as counterpart funding, unless justification is made for smaller contribution. For this project the Ebonyi State Government Financing of USD 17.66 million which translates to 10.54 % of total project costs, is clearly below the threshold as stipulated by the policy.

6. This note provides justification for approving the 10.5% expected government contribution to the ‘Ebonyi State Ring Road Project’ in lieu of the required minimum 50% of total project costs. In justifying this, the note reviews four key parameters; the strong commitment of the Federal Government in the implementation of the Economic Recovery and Growth Plan, 2017-2020 with transport as a priority sector; the government’s past budgetary allocation to the transport sector, the finance situation of the Federal and State governments as well as the precarious domestic debt situation of Ebonyi State.

Criteria 1: Commitment by the Federal Government of Nigeria to implement the Economic Recovery and Growth Plan- ERGP (2017-2020).

7. Nigeria has just emerged from economic recession which started in 2016 and lasted for five consecutive quarters. This recession which was attributed to volatility in oil prices and disruptions in production imposed huge costs on social and human development indicators which have severely affected poverty and vulnerability across several households in Nigeria. The national government responded with an ‘Economic Recovery and Growth Plan’ which was launched in March 2017 and clearly emphasised infrastructure (especially power and transport) as key sectors to build a competitive economy in Nigeria. There are five top ERGP’s execution priorities; Stabilize the macroeconomic environment, achieve agriculture and food security, improve transportation infrastructure, ensure energy sufficiency in power and petroleum products, drive industrialization focusing on SMEs.

8. The Federal Government has from onset implemented the ERGP with strong commitment and utilised new innovative approaches including the Focus Labs. A core

implementation Unit that manages the ERGP Focus Labs has been set up at the Ministry of Budget and National Planning (MBNP), to accelerate delivery while an Efficiency Unit at the Federal Ministry of Finance has also been set up to help re-prioritize public spending and cut costs on recurrent expenditure thus ensuring value for money. The Focus Labs adopted the 'Big, Fast, Result' methodology to determine 'high impact' priority investment projects as well as strategies to reduce any associated delivery bottlenecks.

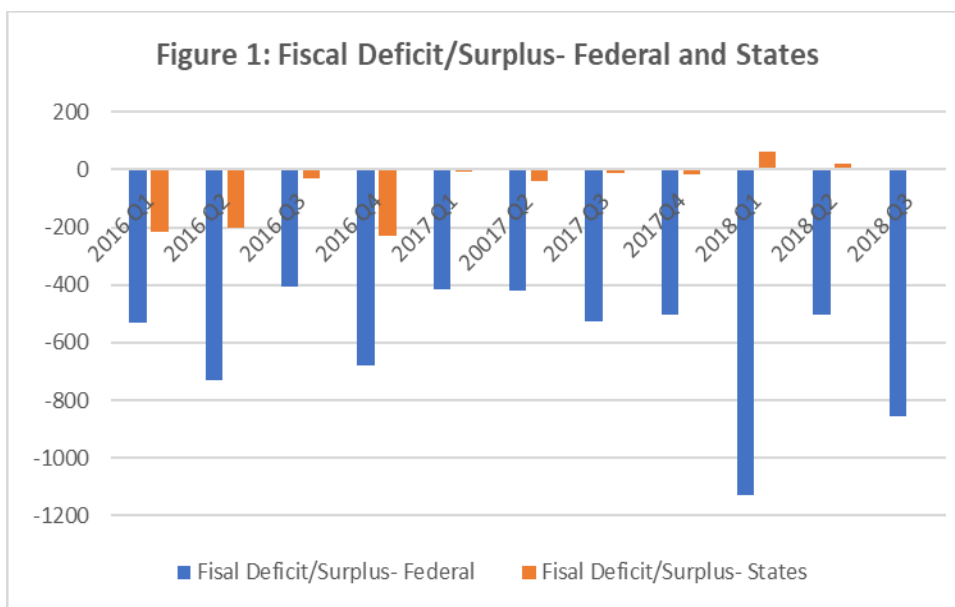
9. The commitment to the implementation of the ERGP helped to spur growth and bring the economy back from recession at the end of 2017. GDP growth rose to 1.95 percent in quarter one of 2018 but slipping marginally to 1.50 percent in quarter two before recovering to 1.89 percent and 2.38 percent in quarters three and four of 2018 respectively. Overall, the annual GDP growth of 1.93 percent in 2018 is strong compared to 0.82 percent in 2017 and -1.5% in 2016. The recovery is however expected to be slow and sluggish up to 2022 and strongly linked to a sustained increase in both oil production and prices.

Criteria 2: Budgetary Allocations for the transport Sector (road, rail and aviation) have been increasing in recent times.

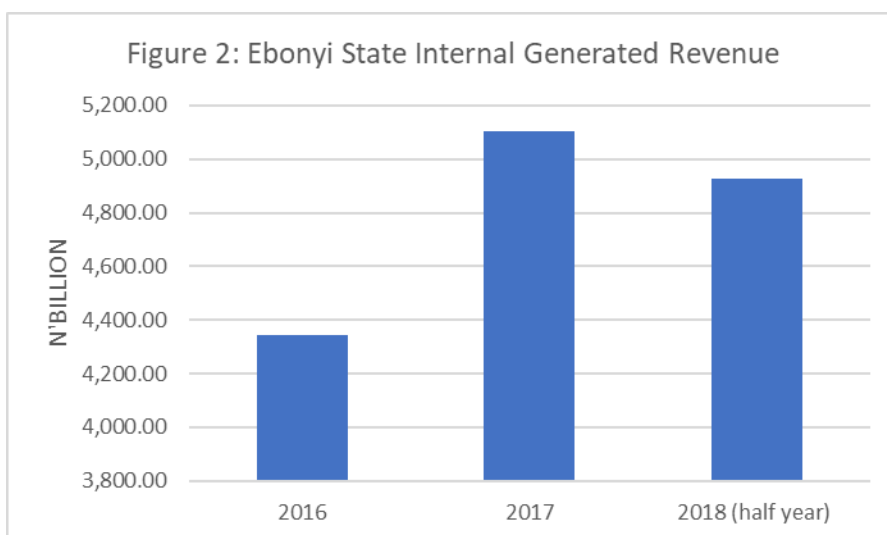
10. For several years, the Federal government's total budget allocation to the transport sector has remained relatively stable. 4.50400.026.064.290.257.442.450.47 In 2016 and 2017, the allocations to the road, rail and aviation sub-sectors out of the total Federal budget increased significantly when compared to the levels in 2015. The road sector which consists of the rehabilitation and upgrade of existing ones as well as the construction of new roads has the highest budgetary allocation of all for all the years.

11. Public Finance Situation of the Federal and State governments remain precarious but the States are faster on the path of recovery.

Since oil revenues dominate the total revenues which accrue to all levels of government in Nigeria, slippages like in 2016 and 2017 have huge impact for spending in social services and infrastructure. Given the low levels of internally generated revenues for both the Federal and State governments, the level of deficit expenditures have been huge especially for the Federal government (figure 1). In 2016 and 2017, the deficit was nearly as large as the total revenues. The fiscal position of the States since 2018 Q1 when surpluses emerged looks better than that of the Federal.



The internally generated revenues for many States have improved in recent times especially post-economic recession era but significant gaps remain. These recent increases in Ebonyi State are attributed to improvements in the efficiency of tax collections especially the introduction of electronic tax/revenue collection systems.

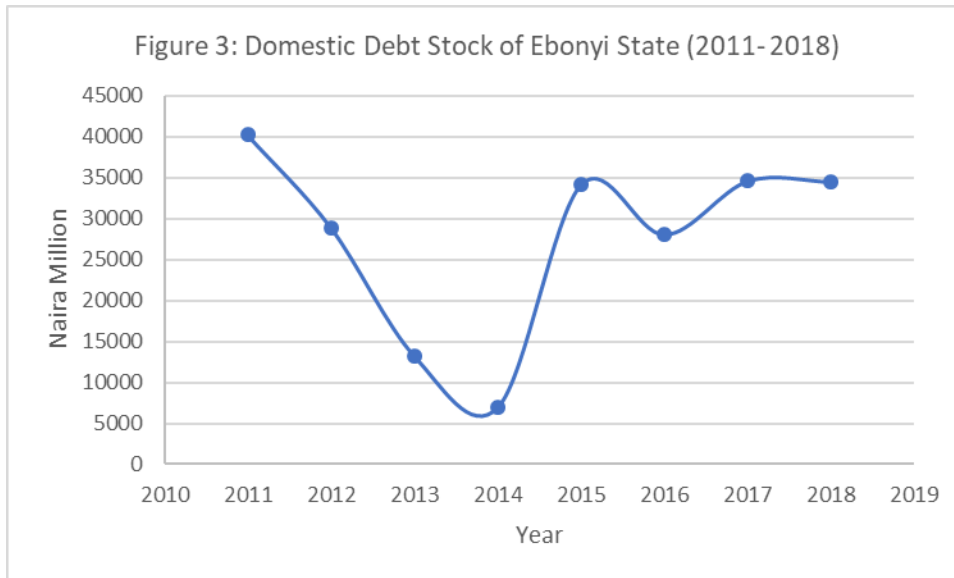


12. Both the Federal and State Governments still resort to debts so as to finance the deficits.

As at end June 2018, total public debt (external and domestic) for Federal and State governments was USD 73.1 billion or 22.379 trillion Naira and equivalent to 17.5% of national GDP. Of these, the domestic debt for the States was USD 11.36 billion, while the domestic debt for the Federal government was USD 39.7 billion at end June 2018.

While the total domestic debts for all States are huge, there are marked differences across the States. In Ebonyi State, the size of the domestic debt increased significantly by 2015

when compared to the average for all States. The domestic debt stock reduced by 2016 but has since risen to the 2015 levels. These domestic debt levels constrain the ability of several States to increase expenditures on public infrastructure and basic social services, especially in transport, health and education sectors.



Revenue projections (oil and non-oil) at both the Federal and State levels are not expected to recover dramatically so soon, given that global oil prices in 2019 and 2020 are expected to remain somewhat low and volatile. As such, there are huge possibilities of even higher debt levels in the coming years for both the Federal and States.

13. Contribution of External Creditors and Donors to Transport Infrastructure financing in Nigeria

Nigeria, like many other countries in sub-Sahara Africa have been receiving extensive external resources as loans and grants for infrastructure development especially in the transport sector. Other key creditors/donors include, the Exim Bank of China and the World Bank. Table 2 shows the currently publicly guaranteed external debt for the transport sector in Nigeria as at 2017.

Table 2: Nigeria's Public and Publicly Guaranteed External Debt for the Transport Sector as at December 2017.

| Classification | Creditor | Sector | Amount Outstanding (N'mil) |
|--|--------------------------|----------------|----------------------------|
| Nigeria Railway Modernization Project (Idu-Kaduna Section) | Exim Bank of China | Rail Transport | 499,455,887.93 |
| Transport Sector and Governance Reform | African Development Bank | Road Transport | 300,000,000.00 |
| Nigeria Four Airport Terminal Expansion and Sanitation Project | Exim Bank of China | Air Transport | 358,464,143.99 |

Table 3: Transport Sector External Debt Allocation in Nigeria (2016 and 2017)-US\$'million

| Sector | 2016 | | 2017 | |
|----------------|--------------------|---|--------------------|---|
| | Amount Outstanding | % share of total national external debt | Amount Outstanding | % share of total national external debt |
| Air Transport | 346.52 | 8.74 % | 389.51 | 2.06% |
| Rail Transport | 821.59 | 7.20% | 918.49 | 4.86% |
| Road Transport | 1112.60 | 9.75% | 1160.83 | 6.14% |

There was a drop in the share of the national external debt allocated to the all transport sub-sectors between 2016 and 2017 but the share of road transport in 2017 at 6.14 percent looks very significant.

Table 4: Key projects financed by other partners in Nigeria

| Project Name | Donor | Region | Amount(USD) million |
|---|-----------------|-----------------------------|---------------------|
| Second Urban Transport Project (LUTP2) | World Bank | Lagos | \$325 |
| Nigeria - Cross River State Commercial Agriculture Development Project | World Bank/AFD | Cross River State | \$150 |
| Federal Roads Development Project (FRDP) (Nb Funding Closed On 30/6/2017) | WB | Abuja, FCT | 330.00 |
| Dualization of Keffi-Akwanga-Lafia-Makurdi Road in Nasarawa/Benue States & Expansion Of The Approximately 5.4 km of the Abuja-Keffi Road in FCT (Lot 2) | China Exim Bank | FCT/Nasarawa & Benue States | 542.114 |

Even with the large amounts of loans and grants for transport infrastructure development in Nigeria, there are still substantial funding gaps required to close the current infrastructure deficit in Nigeria. In January 2019, the Nigerian President signed an executive order No 7 titled 'Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme' as an attempt to lure the private sector into public infrastructure investment. This new initiative, which will utilise tax expenditures, refundable by way of tax credits to finance the construction of critical roads infrastructure through a public-private partnership mechanism reinforces the current level of transport sector prioritization by government despite the fiscal challenges.

Conclusion

14. The foregoing depicts how the current fiscal situation of both Federal and State governments will limit the expected counterpart contribution by the Ebonyi State government for this project. With the current outlook, even securing the anticipated 10.5% government contribution in the very early parts of 2019 may be a difficult task. The projection is that revenues (oil and non-oil) accruable to Ebonyi State may increase in the middle periods of 2019 as oil prices are expected to pick up later in the year as global demand strengthens. A suggested approach is for AfDB to proceed with its own earmarked financing for commencement of the project while negotiations for securing the Ebonyi State government contribution is ongoing.