PCR EVALUATION NOTE

NIGERIA-BACITA SUGAR EXPANSION PROJECT (BSEP)

1. THE PROJECT

Appraisal Date	*August 1989*	Loan #	*P-NG-AAO-006*	Loan Amount (UA million)	*60.28*
Loan Approval	*21 November, 1989*	Loan Signature Date	*27 November, 1990*	Project Completion Date	*December 1999*
Loan Effectiveness Date	*June 1990*			PCR Date	*5 January, 2006*
NA= Not Available. Source: Bank Staff PCR					

1.1. **Objectives**

1.1. 1. The principal development objective of the project was to improve the external balance by conserving foreign exchange resources through increased domestic production of sugar in Nigeria. The main project-specific objective was to curb the deterioration of existing sugar plantations with a view to increasing white sugar production

1.2. **Project Components and Sub-components**

1.2.1. The principal components of the project comprised of the following: i) Land Development and Rehabilitation; ii) Factory Rehabilitation and Expansion; iii) Agricultural Machinery, Plant and Vehicles; iv) Buildings and equipment; v) Consultancy Services and Training and vi) Operating Costs.

1.3. **Project Results (Outputs and Components)**

1.3.1. In brief, project implementation performance was a total disaster and the outcomes expected from the project were not realized, mainly due to gross inefficiency of the project implementation unit, widespread bureaucracy and corruption in the administration of the project, gross negligence on the part of contractors, lack of ownership and commitment on the part of the Federal Government of Nigeria and near-complacency on the part of the Bank. The lack of commitment on the part of FGN was evidenced in its inability to respect loan conditions and meet regularly its obligations for providing the counterpart component of project costs and for not according customs duty exemptions on project goods, resulting in auctioning of some imported equipment belonging to the project.

1.3.2. Project implementation suffered inordinate delays, was not implemented within five years contemplated at appraisal but was abandoned after about ten years following serious difficulties encountered in various aspects of implementation. Implementation problems included: i) a delay of about one year in meeting conditions precedent; ii) disbursements delays due to non compliance and lack of familiarity with Bank disbursement procedures; iii) procurement difficulties exacerbated by the FGN's failure to accord import duty exemptions on machinery and equipment imports for the project;

iv) irregular flow of disbursements due to suspensions by the Bank or inability of the FGN to remit its contribution of counter part funds.

1.3.3. The outputs and outcomes anticipated at appraisal were far from being met or never materialized at all, in some cases. For example, estimated at 30,000 tons at appraisal, sugar cane production plummeted to near zero by the time the project was abandoned, in 2000, with a remnant workforce of just over 1,000 compared to a workforce of 5,000 envisaged at appraisal. The benefits of backward and forward linkages expected to be generated by the project; including employment generation and stimulation of supplier industries and new productive activities did not materialize. Performance realized under each component is summarized below. Overall, the project failed to make any visible social and economic impact; the project community was worse off with the abandonment of the project than at appraisal: employment benefits accruing to households were never realized and so were other social welfare benefits associated with the project. Regarding the environment, the PCR concludes that although it was then not a requirement for irrigation projects to be subjected to environmental assessment, the appraisal report did not consider measures to forestall environmental hazards, the risks were minimal since sprinkler rather than surface irrigation which carries potential for bilharzias was in use.

<u>i) Land Development and Rehabilitation</u>: Only 1,900 hectares instead of 5,600 hectares contemplated at appraisal had been rehabilitated. The non-availability of adequate irrigation water continued to be a major problem, owing to the low water levels on the river Niger and obsolete irrigation infrastructure. Although pumps were bought to pump more irrigation water from the canals, they have hitherto not been installed for this purpose. Sugar cane yields are known to have declined dramatically due to the project's inability to buy fertilizers and anti- weed fungicides and herbicides. Lastly, the development of new land did not take place to the extent envisaged: by year 2000, only 120 ha or 17% out of planned 2,000 had been cleared and brought under cane due to poor production.

<u>ii) Factory Rehabilitation and Expansion</u>: Although civil and structural works have been completed, the mill facility construction was only 5% complete mainly because of delayed delivery of plant machinery from Lagos port and previous suspensions of disbursement by the Bank.

<u>iii) Agricultural Machinery, Plant and Vehicles</u>: Although the bulk or 98 % of these goods were delivered, it is not known the extent to which they are being utilized on the project; in one case, some equipment has been abandoned since they cannot be used due to poor land leveling

<u>iv) Building and Equipment</u>: This project component is estimated to be 50% completed; what remains to be done is crucial for the project and include a laboratory, a fume chamber, a heat treatment plant, a field workshop, a factory workshop.

v) Consultancy Services and Training: The main elements under this component comprised of factory erection and expansion, supervision of civil irrigation works and management and training. Performance under this component was mixed. Consultancy for the first item was terminated following corruption allegations. Consultancy for training was not successful as visas for trainees to fly to USA could not be obtained and alternative training in Ghana was ineffective since it did not involve a sugar cane production environment. The content of the training program included management, computerization, sugar processing, land preparation and development, , cane research, sugar cane management, agronomy, and factory machinery operation and maintenance. The PCR mission concluded that the outcome on the training program was, on the whole, disappointing: there was no objective criterion for selection of candidates for training, nepotism was being practiced and that the majority of the staff who were trained had left the project; this was "symptomatic of overall poor state of management in the company".

1.4. **Project Financing**

1.4.1. At appraisal, cost estimates were estimated at UA 67.48 million in foreign currency, to be provided by the Bank while the FGN's contribution in local counterpart funds was estimated at UA 19.37 million. Actual costs amounted to UA 60.28 million, representing Bank lending while the Government's contribution was in the amount of UA 54.07 million. The first disbursement of the Bank's loan was effected in 1990 while the last one took place in 1999 rather than 1994, envisaged at appraisal. In some cases disbursements to consultancy firms far exceeded original contract amounts; this was mainly attributable to the fact that contracts were time-bound rather than performance-linked; hence consultants had the latitude to adjust contract prices upwards based on duration rather than on delivery of outputs envisaged under the contracts. One illustrious case involved an initial contract of US$ 775,000 that had a final value of US$7.22 million

2. PCR CONCLUSIONS AND PERFORMANCE RATINGS

2.1. **Principal Conclusions**

2.1.1 The PCR made some pertinent conclusions on the fate of the project. None of the project's objectives were achieved: self-sufficiency in sugar was not attained, employment generation was not realized and foreign exchange conservation objective failed. The undesirable outcomes were attributed to a number of factors including: i) failure of consultants to meet expectations as well as ethical standards; ii) failure of the Federal Government of Nigeria to exercise effectively its oversight responsibilities; iii) the lack of effectiveness on the part of the project implementation unit (NISUCO); iv) failure by the Bank to avoid shortcomings at the appraisal stage; v) failure on the part of the Bank to ensure strict adherence to prescribed conditions precedent; v) institutional and technical capacity inadequacies including inadequate on-the-job training and non-retention of trained staff and vi) Other factors prejudicial to the project were also identified as including: corruption, misapplication of funds to non-eligible projects, lack of budgetary discipline on the part of the executing agency, avoidable delays and unguarded extension of tenure of consultants.

2.2. **Performance Ratings**

2.2.1. The PCR in assessing the performance under the various categories, accorded scores reflecting unsatisfactory performance of the project across-the-board.

Implementation performance, in terms of compliance with implementation and cost schedules, as well as compliance with conditions and covenants and the adequacy of monitoring and evaluation were accorded an overall rating o 1.1, reflecting "Unsatisfactory performance". This rating is validated. The Bank's performance at various stages of the project cycle has been assessed and rated as "Unsatisfactory", with an overall rating of 1.6. This rating is validated. Lastly, Project results or outputs and outcomes, in terms of assessment of relevance and achievement of objectives, institutional development impact and project sustainability, were also assessed as "Unsatisfactory", with an overall performance rating of 1.34

3. LESSONS LEARNED

3.1. The PCR drew some 10 lessons from the project, relating to wide-ranging issues including the insufficient role of the Bank in articulating the project's feasibility; the failed oversight role of the Government and the Bank; the inappropriateness of time-based rather than performance-based remuneration for project consultancies; the lack of evidence of the borrower's compliance with loan conditions; inappropriate skill-composition for project supervision missions; and over-reliance on unrealistic assumptions regarding protection against competing sugar imports.

4. BORROWER'S PCR AND INPUTS TO BANK STAFF PCR

4.1. The borrower failed to submit a PCR on the project. The PCR is based on information gathered during a mission undertaken in Nigeria. The mission did not, however, have access to all information needed, contrary to the provisions of the general conditions of the loan agreement. The PCR, observed that probably the conclusions reached on the performance of the project would have been different if the mission had full access to project documents, most of which were jealously guarded and required express ministerial authorization for their release.

5. PCR QUALITY RATINGS

5.1. The quality of the PCR is rated as "Satisfactory", with an overall performance rating of 3.3 on the basis of explanations provided under each performance benchmark in Annex 2.

6. PRIORITY TASK RECOMMENDATION

6.1. No immediate follow-up action is recommended, except to seek to use the project as one of the case studies for failed projects financed by the Bank in Nigeria.

				ANNEX 1
	ASSESSMENT OF IMPLEMENTATION AND BANK PERFORMANCE AND PROJECT RESULTS/OUTCOMES			
	Component Indicator	**PCR Rating (1-4)**	**Evaluation Rating**	**Comments**
1.	**IMPLEMENTATION PERFORMANCE ASSESSMENT**			
i)	Adherence to implementation schedule	1.0	1.0	OK
ii)	Adherence to cost schedule	1.0	1.0	OK
iii)	Compliance with covenants and conditions	1.0	1.0	OK
1v)	Adequacy of monitoring evaluation and reporting	1.5	1.5	OK
v)	Satisfactory operations	1.0	1.0	OK
	Total Scores	**5.5**	**5.5**	OK
	Average Rating	**1.1**	**1.1**	**Unsatisfactory**
	PERFORMANCE OF THE BANK			
	Component Indicator	**Rating (1-4)**		**Comments**
i)	Identification	1.5	1.5	OK
ii)	Preparation	2.0	2.0	OK
iii)	Appraisal	1.5	1.5	OK
iv)	Supervision	1.5	1.5	OK
	Total Scores	**6.5**	**6.5**	OK
	Average Rating	**1.6**	**1.6**	**Unsatisfactory**
	PROJECT RESULTS/OUTPUTS AND OUTCOMES			
	Component Indicator	**Rating (1-4)**		**Comments**
1.	**Relevance and achievement of objectives**			
i)	Macro-economic policy	1.0	1.0	OK
ii)	Sector policy	1.0	1.0	OK
iii)	Physical output	1.0	1.0	OK
iv)	Financial aspect	1.0	1.0	OK
v)	Poverty reduction, social impact and gender	1.0	1.0	OK
vi)	Environment	2.0	2.0	OK
vii)	Private sector development	N/A	N/A	OK
	Total Scores	**7.0**	**7.0**	OK
	Average Rating	**1.17**	**1.17**	**Unsatisfactory**
2.	**Institutional Development**			
i)	Institutional framework including restructuring	1.0	1.0	OK
ii)	Financial and integrated systems of management including audit systems	1.0	1.0	OK
iii)	Transfer of Technology	1.5	1.5	OK
iv)	Staffing by qualified/skilled personnel (including turnover),	1.5	1.5	OK

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	Component Indicator	**PCR Rating (1-4)**	**Evaluation Rating**	**Comments**
	training and counterpart staff.			
	Total Scores	**5.0**	**5.0**	OK
	Average Rating	**1.25**	**1.25**	**Unsatisfactory**
3.	**Sustainability**			
i)	Continued commitment of borrower	1.0	1.0	OK
ii)	Environmental policy	1.0	1.0	OK
iii)	Institutional framework	1.0	1.0	OK
iv)	Technical viability and staffing	2.0	2.0	OK
v)	Financial viability (including cost-recovery)	1.0	1.0	OK
vi)	Economic viability	1.0	1.0	OK
vii)	Environmental viability	2.0	2.0	OK
viii)	O & M facilitation (foreign exchange and recurrent cost financing availability,etc)	1.0	1.0	OK
	Total Scores	**10.0**	**10.0**	OK
	Average Rating	**1.25**	**1.25**	**Unsatisfactory**
4.	**Economic rate of return**	1.0	1.0	OK
	TOTAL SCORES	**35.0**	**35.0**	
	OVERALL RATING	**1.23**	**1.23**	

ANNEX 2

PCR QUALITY ASSESSMENT AND RATING

Basic Data Sheet	
Project Loan #	P-NG-AA0-006
Title	NIGERIA-Bacita Sugar Expansion Project
Borrower	Nigerian Sugar Company (NISUCO)
Beneficiary	NISUCO
Executing Agency	NISUCO

	PCR CHAPTER	**RATING (4-Point scale)**	**REMARKS**
1.	Adequacy of analysis of project goals, objectives and formulation including the verifiable indicators, consistency with appraisal and subsequent revisions	3.5	Goals, objectives and performance indicators were adequately defined and found to be consistent with appraisal provisions.
2.	Adequacy of analysis of project execution including procurement issues, disbursements, borrower's reporting and assessment of monitoring and evaluation achievements	3.5	Project implementation and disbursement issues including problems encountered were adequately highlighted and analyzed. There was no distinct M&E entity but supervision function was adequately analyzed.
3	Soundness of judgment on project performance and results including operating results, economic and financial and related conditions/covenants and their fulfillment, institutional, performance of consultants, contractors, suppliers and other parties.	3.5	Project performance and results were critically analyzed. The borrower's failure to strictly meet loan conditions was highlighted
4.	Adequacy of analysis of social and environmental impacts	3.5	The PCR stated correctly that the project community was worse off than they were at appraisal since the project's aspirations were not accomplished, given the fact that rice production fell from 30,000 tons to zero and was virtually abandoned. Although at the time the project was appraised environmental analysis was not mandatory for irrigation projects as it is now, the PCR took initiative analyzes environmental implications and came to the conclusion that potential threats were minimized by actions taken, including the use of sprinkler rather than surface-based irrigation and by putting in please facilities for treating water borne diseases arising from irrigation systems within the project area
5.	Soundness of judgment on project sustainability, plan for future project operations' phase and maintenance.	2.5	The PCR argued that since the project had been abandoned, the need for sustainability analysis was rendered redundant. Nonetheless, the PCR should have analyzed what it would have taken to sustain an otherwise failing venture. This would, in retrospect, have shed light on positive actions that could have been taken to sustain project implementation and prevent the collapse of the project.
6.	Soundness of judgment on performance of the Bank, borrower and co-financiers.	3.5	The PCR rightly identified shortcomings on the part of the various parties in a fairly objective manner
7.	Consistency of overall rating with individual rating components.	3.5	Both types of ratings were consistent with each other.
8.	Adequacy of analysis and clarity of conclusions, ;lessons learned and recommendations	3.0	Appropriate conclusions were reached. Pertinent lessons were drawn but not articulated in action-provoking manner.
	TOTAL SCORES	**26.5**	
9	**OVERALL RATING**	**3.3**	**Satisfactory**
	OPEV and Country Department Agree/Disagree on Project Performance Rating: **Opinion of the Department Concerned**:		
	Borrower's PCR and Inputs to Bank Staff PCR: The borrower did not submit the Project Completion Report as required under the loan agreement. .		
	Conclusion: . None of the project's objectives were achieved: self-sufficiency in sugar was not attained, employment		

	generation was not realized and foreign exchange conservation objective failed. The undesirable outcomes were attributed to a number of factors including: i) failure of consultants to meet expectations as well as ethical standards; ii) failure of the Federal Government of Nigeria to exercise effectively its oversight responsibilities; iii) the lack of effectiveness on the part of the project implementation unit (NISUCO); iv) failure by the Bank to avoid shortcomings at the appraisal stage; v) failure on the part of the Bank to ensure strict adherence to prescribed conditions precedent; v) institutional and technical capacity inadequacies including inadequate on-the-job training and non-retention of trained staff and vi) Other factors prejudicial to the project were also identified as including: corruption, misapplication of funds to non-eligible projects, lack of budgetary discipline on the part of the executing agency, avoidable delays and unguarded extension of tenure of consultants.
	Priority of Projects for Performance Evaluation Report, Impact Evaluation, Country/Sector Reviews or Thematic Evaluation Studies: The project was a total failure from all cardinal standpoints; it was badly managed and supervised and all the parties involved-the Bank, the borrower, the Federal Government of Nigeria played a relatively passive role while symptoms of failure became increasingly evident. If a failed project could be a useful source of lessons in project design and implementation, this project is recommended for such a thematic study because of its potential to shed more light on reasons for failure and what is needed to avoid similar occurrences.
	Follow-Up Action/Decision: No immediate follow-up action is recommended, except to seek to use the project as one of the case studies for failed projects financed by the Bank in Nigeria.