Infrastructure Development in Edo State

Adapting to Constraints and Creating Capabilities

THE WORLD BANK
Infrastructure Development in Edo State

Adapting to Constraints and Creating Capabilities

THE WORLD BANK

Doug Porter
Musharraf Cyan
Panthea Lee
Zack Brisson
Osione Itegboje
Adam Talsma
# Table of Contents

1 Introduction
6 Acronym List
7 Acknowledgements
8 **Road Infrastructure**  
   Spending at a Glance
12 **Capital Spending in a**  
   Challenging Context
20 **Responding to the Challenges**  
   of Context: Mobilizing Strategic,  
   Technical, and Financial Assets
24 **The Project Management Cycle**  
   at Work in Edo
40 **Conclusion and Proposals**
Governor Adams Oshiomhole assumed office in November 2008 following a successful court appeal to retrieve the mandate given to him by the people of Edo. Widespread support from a variety of interest groups buttressed the legal challenge and helped create the political space for the Governor’s pursuit of an agenda focused on both reform and speedy delivery. Popular demand for reform was evident, but responding to this presented major challenges. Historically, Edo had been one of the best performing states in the country. Expectations were high that he would restore this status and address the perceived poor performance and allegations of corruption leveled against previous administrations.

This process saw a shift begin in the nature of Oshiomhole’s relationship with the State’s polity - a shift from more traditional patron-based collective bargaining towards a kind of popular, constituency-based politics that is less familiar in Nigeria. The Governor was no doubt aware of the imperative to respond decisively, to send credible signals that a new regime would deliver to this growing support base and the need to balance commitments to ‘good governance’ with a new form of social accountability that was based on results and delivery of campaign commitments. This would not be easy. Edo State was plagued by very high youth unemployment, devastated public assets and services, and the legacy of violence and conflict. Per capita income stood at only $327, around a quarter of the national average.

Soon after Oshiomhole came to power, the World Bank announced it would use every instrument available to help consolidate an Amnesty agreement in 2009 in the oil-rich Niger Delta. While Edo State is not one of the core oil states, reflecting an undeclared policy of supporting reformers, the Bank decided that Edo would be one of four states around which it would focus its engagement. Across the four states of Edo, Rivers, Bayelsa and Delta there would be a youth training and public works employment program, measures to extend and deepen successful nation-wide CDD programs and assistance with ongoing PFM reforms. On the strength of the Governor’s reform commitments, Edo seemed a special case, warranting more – thus Edo became one of only two states in Nigeria to be offered budget support, in the form of a Development Policy Credit.

The Bank was aware that these measures might help restore some confidence, but that more would be required. By June 2010, a Public Expenditure Management and Financial Accountability Review had underscored the urgent need for, in the language of the WDR 2011, across the board “institutional transformation”, and championed a ‘Public Finance Reform Action Plan’, from revenue administration through planning and budgeting, to procurement, expenditure and audit control systems. But while the Governor was an enthusiastic supporter of what became a complex of economic governance, PFM and service delivery reforms he would surely have known that it would be some years before ventures delivered on-the-ground results.
Edo’s story perhaps has relevance for other states and other country teams. It is not one of a reform minded Governor ultimately being stymied by political instability or hostaged by a fragmented, incapable administration, or by the process of designing and making aid projects effective. It is a complicated story: one that provides insight into how some forms of reformist leadership might improve performance in Nigeria. Indeed, elections in 2012 returned the Governor for a second term with an increased majority in an election regarded as relatively free and fair. Oshiomhole’s electoral success in 2012 is widely attributed to his ability to deliver tangible results, particularly his efforts to ramp up capital spending, especially around roads and civil infrastructure, classrooms and clinics. Indications are that annual spending on roads tripled in the first year of office, and had quadrupled again three years later, to about NGN40.86 billion in 2012.

That the Governor seized on capital spending to consolidate his power is not unusual: governments in contexts the international community describes as “fragile and conflicted” typically focus on the most discretionary resources to deliver assets that have high public visibility and thus political value. Capital spending is often also a good way to buy the allegiance of powerful political forces in the contractor community. But as often, these efforts only see money disappearing into the sand. Yet in Edo, a credible engineering evaluation conducted as part of this study showed that 85% of 43 road contracts, around 450kms of roads, had been completed, and that in the majority of cases, roads and ancillary public assets had been produced at surprisingly high standards of quality.

This case study is an attempt to better understand the process through which the Administration was able to maximize its delivery. This report is one product of several ongoing efforts by the World Bank to better understand how to better tailor its interventions to local realities with the overarching objective of improving its impact. To do this in the case of capital spending in Edo, it was necessary to craft a study method that suspended judgments about actual practices. Thus, rather than holding these practices up to international standards, and highlighting deficits and shortcomings in relation to those standards, the study purpose was to depict how the State administration had responded to the political priorities of the new Governor by adapting to the constraints it faced and creating new ways to deliver through infrastructure spending.

This prompted use of a research methodology that emphasized understanding of capabilities as well as deficits, which surely exist, in the existing system. This resulted in a mixed methods approach that blended instruments of public economics and applied ethnography – dubbed by the team, a ‘fiscal ethnography’. The aim was to understand the modalities that were created to govern the interaction among different actors, including state executives and administrators; private sector consultants, contractors, and banks; and different leaders and groups in communities affected by road projects. The case is based on a study of all 43 road construction contracts executed between 2008 and 2013. Each year, these road contracts accounted for 47% to 70% of Edo’s total capital spending. To corroborate and deepen this knowledge, ten of these projects—representative of the full range—were studied in depth along dimensions common to public expenditure analyses: (i) integrity of project appraisal and approval; (ii) efficiency of procurement and contract management; (iii) effectiveness of implementation and monitoring; (iv) timeliness of flow of funds and payments; and (v) effectiveness of redress and community oversight. Engineering assessments were also conducted to determine the quality, durability, and usability of these assets (see figure 4.3).

The outcome is a portrait of how both formal and informal institutions were applied to manage public finances in light of the operational constraints found in Edo’s political economy. The results show how the behavior of these institutions impacted the speed, cost, completion, and quality of road assets ultimately delivered. At the same time, the approach clearly reveals a dynamic process in which Edo officials continually adapt on the basis of lessons learned – about both the benefits and risks of the approaches taken.

In September 2013, following extensive review at the technical, working level, the study findings were tabled as part of high-level consultations between officials from Edo State and the World Bank. The case shows how this Administration has brought together a complex system of systems, procedures, norms, and capabilities to raise and invest finances to deliver quality public infrastructure. The evidence presented here shows that the Oshiomhole Administration has created a functional, if unorthodox, system to manage public finances. Consistent with experience elsewhere, it is evident that this system performs well in some respects, but unevenly in its ability to overcome all of the
contextual constraints and risks bearing on the effective use of public funds. In the Edo case, this system is clearly capable of optimizing a number of economic, social, and political objectives while navigating an extraordinarily challenging operating environment. Institutionalizing the positive features of, and dealing with the risks exposed by, the approach taken to spending on roads infrastructure will be a challenge.

It is too early to know with any certainty the future trajectory. In some ways, this case shows elements of a ‘successful transition’ story: one where political leadership was able to garner sufficient political autonomy to send ‘credible signals’ of change, and cobble together executive capabilities so as to overcome the constraints posed by a dysfunctional civil service who’s loyalties are uncertain, and donor partners who commit but are constrained in terms of rapid delivery.4 Delivery in such contexts is never likely to be easy or conform to international good governance standards but it is of primary concern if citizens, in new democracies like Edo, are to begin to trust their public institutions and deepen, rather than reject, the path towards a democracy. The question for institutions like the World Bank is how best to support such cases in ways that do not hamstring local leadership and credibility or the desire to deliver while, at the same time, helping leaders to maximize the value of scarce public resources and learn from other international experiences. This case study underlines the very rich and often messy reality that leaders frequently find when assuming office and the trade-offs that they are forced to make. In doing so, it reminds us of the political realities within which we work and, like other case studies recently undertaken to inform Bank engagements in Nigeria,5 finds that traditional blue print approaches in such circumstances are unlikely to work and that sequencing, tailoring to local contexts and adaptation along a non-linear road to reform is more feasible path.

This study was, in the first instance, designed to inform the activities supported by the Niger Delta Social Accountability (NDSA) project financed through a component of a Global Partnership Facility grant to Nigeria. The NDSA was originally conceived as providing complementary support to the World Bank’s lending portfolio in relation to enhancing public access and engagement around public policy through social accountability. As an adaptive learning grant, the NDSA was piloted in both Edo and Rivers States and the differences between the states are in themselves noteworthy. It is interesting to note that in both contexts, donors’ traditional concept of social accountability—based on a sharp distinction between demand and supply side actors and prescribed methodologies—was quickly rendered inapplicable. In the case of Edo the work stream evolved into one of helping reformist leadership to deepen a social contract, based on an electoral mandate, into a legacy of delivery, while attempting to improve at the same time, the institutional weaknesses which it inherited.

The subsequent discussions around this report will be important for the Bank’s engagement in Edo. The discussion around this case has also proven to be highly relevant for the World Bank Nigeria Country Team’s thinking on two challenging sets of questions as it prepared its Country Program Strategy. First, what kinds of prior knowledge is needed of ‘how systems actually work’ so as to ensure that engagements are wisely sequenced, particularly in reformist states, so as to provide the best environment for the Bank to leverage its support? Second, how can the Bank balance the desire of credible local leaders’ with the need to ensure good governance and minimal standards?

Beyond the Nigeria Country Team, in international development circles, there is now a vigorous debate taking place on precisely these issues and it is also hoped that the case of capital spending will also provide some specifics and insights.

This report begins with a summary of spending on road and drainage infrastructure in Edo State since 2009. Section 2.0 (“Capital Spending in a Challenging Context”) frames the State’s capital spending through a discussion of the political demands and opportunities to which the Oshiomhole Administration has responded, as well as the fiscal reality and systemic challenges that prompted the development of new arrangements to handle capital spending. The capabilities of these arrangements, including the special purpose agencies and procedures created, are then highlighted in section 3.0. “Responding to the Challenges of Context: mobilizing strategic, technical and financial assets”. Section 4.0 (“The Project Management Cycle at Work in Edo”) surveys how these arrangements are applied at different stages in the project management cycle, from project identification, budgeting, design, and costing, through procurement and contracting, to supervision and eventual completion of a contract. The final section concludes and records areas discussed during this study process for further strengthening of the institutional capacities to support delivery of the current Administration’s near-term development priorities.
## Acronym List

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACN</td>
<td>Action Congress of Nigeria</td>
</tr>
<tr>
<td>APG</td>
<td>Advance Payment Guarantee</td>
</tr>
<tr>
<td>BEME</td>
<td>Bill of Engineering Measurement and Evaluation</td>
</tr>
<tr>
<td>BIR</td>
<td>Board of Internal Revenue</td>
</tr>
<tr>
<td>BPP</td>
<td>Bureau of Public Procurement</td>
</tr>
<tr>
<td>CDA</td>
<td>Community Development Association</td>
</tr>
<tr>
<td>CLO</td>
<td>Community Liaison Officer</td>
</tr>
<tr>
<td>CONGO</td>
<td>Conference on NGOs</td>
</tr>
<tr>
<td>COREN</td>
<td>Council on NGOs Regulation of Engineering</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organization</td>
</tr>
<tr>
<td>DICT</td>
<td>Directorate of Information &amp; Communication Technology</td>
</tr>
<tr>
<td>EST</td>
<td>Economic and Strategy Team</td>
</tr>
<tr>
<td>FERMA</td>
<td>Federal Roads Maintenance Agency</td>
</tr>
<tr>
<td>GIS</td>
<td>Geographic Information Systems</td>
</tr>
<tr>
<td>FGPMO</td>
<td>Fiscal Governance &amp; Project Monitoring Office (aka “Due Process Office”)</td>
</tr>
<tr>
<td>LGA</td>
<td>Local Government Area</td>
</tr>
<tr>
<td>MDA</td>
<td>Ministries, Departments, and Agencies (of Government)</td>
</tr>
<tr>
<td>MoBEP</td>
<td>Ministry of Budget and Economic Planning</td>
</tr>
<tr>
<td>MoEnv</td>
<td>Ministry of Environment and Public Utilities</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MoHUD</td>
<td>Ministry of Housing and Urban Development</td>
</tr>
<tr>
<td>MoLS</td>
<td>Ministry of Lands and Survey</td>
</tr>
<tr>
<td>MoW</td>
<td>Ministry of Works</td>
</tr>
<tr>
<td>NDCBP</td>
<td>Niger Delta Citizens and Budget Platform</td>
</tr>
<tr>
<td>NDDC</td>
<td>Niger Delta Development Commission</td>
</tr>
<tr>
<td>NDSA</td>
<td>Niger Delta Social Accountability</td>
</tr>
<tr>
<td>NEWMAP</td>
<td>Nigeria Erosion and Watershed Management Project</td>
</tr>
<tr>
<td>NGO</td>
<td>Nongovernmental Organization</td>
</tr>
<tr>
<td>NGN</td>
<td>Nigerian Naira</td>
</tr>
<tr>
<td>NSE</td>
<td>Nigerian Society of Engineers</td>
</tr>
<tr>
<td>PEMFAR</td>
<td>Public Expenditure Management and Financial Accountability Review</td>
</tr>
<tr>
<td>PDP</td>
<td>People's Democratic Party</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>RRA</td>
<td>Rapid Response Agency</td>
</tr>
<tr>
<td>SEEFOR</td>
<td>State Employment and Expenditure for Results</td>
</tr>
<tr>
<td>SHA</td>
<td>State House of Assembly</td>
</tr>
<tr>
<td>SA</td>
<td>Special Advisor</td>
</tr>
<tr>
<td>SIFMIS</td>
<td>State Integrated Financial Management Information Systems</td>
</tr>
<tr>
<td>SSA</td>
<td>Senior Special Assistant</td>
</tr>
<tr>
<td>SSG</td>
<td>Secretary to the State Government</td>
</tr>
<tr>
<td>STB</td>
<td>State Tenders Board</td>
</tr>
</tbody>
</table>
Acknowledgements

The report was written by Doug Porter, Musharraf Cyan, Panthea Lee, and Zack Brisson, with contributions from a team comprising Dave Algoso, Katherine Bain, Osione Itegbaje, Adam Talsma, Angela Ogbu, Nonso Jideofor, Sebastian Kpalap, Sam Ajufoh, and Ken Henshaw. Adam Parker, Jennifer Thibault, and Faaria Volinski provided graphic design and production support. The Task Team Leader was Caroline Sage (Senior Social Development Specialist, AFTCS) and subsequently Katherine Bain (Global Governance Practice). The team benefitted greatly from advice received from the Governor, Adams Oshiomhole, and Godwin Obaseki and Joseph Eboigbe, along with other members of the Edo State Economic and Strategy Team. Review comments were received from Renaud Seligmann, Joel Turkewitz, Helene Granvoinnet, Michael Woolcock, Anand Rajaram and Tobias Haque, all from the World Bank, and Matt Andrews from Harvard University. The authors acknowledge the tireless efforts of Katherine Bain to see this report published, and additional advice by Marie-Francoise Marie-Nelly, Indira Konjhodzic, Jens Kristensen, Gloria Joseph-Raji, Zahid Hasnain, Ismaila Ceesay, and Bayo Awosemusi.
Between 2009 and 2012, the Oshiomhole Administration contracted more than 450km of roads across 43 contracts, all with a significant drainage component and many with other furnishings like street lights. These contracts total NGN108.8 billion in value. The bulk of these contracts were commissioned in collaboration between the Ministry of Works (MoW) and the Ministry of Environment (MoE) in two batches: one in December 2009 and another in October 2011. These batches accounted for approximately 43% and 29%, respectively, of total spending in the 2009-12 period, which encompassed the Administration’s first term.

Average contract price is valued at NGN2.2 billion, and ranged from NGN34.5 million to NGN7.7 billion. Of the total value of contracts, 13.8% (or NGN15 billion) resulted from revisions to initial contract sums. End-of-project values were, on average, 17% higher than initial contract values, due to a range of factors that are explored more fully in this report. Unit costs averaged NGN363.5 million per km, but ranged from NGN89.2 million per km to NGN2.7 billion per km.
Figure 1.2

**Contract Value** and **Cost per Kilometer** of all 43 contracts between 2009 and 2012

- **Average Contract Value**: 2.2 Billion Naira
- **Average Cost per KM**: 363.5 Million Naira

**Note:** Contract values vary based on road length, design specifications, and revisions to work scope.
The current Administration increased capital spending on road construction alone to NGN16.2 billion in 2012. The State’s overall budget profile clearly demonstrates the priority given to the road sector: road construction allocations increased from 14% to 20% of total spending between 2008 and 2012. In the previous Administration, for example, allocations for the entire transport sector ranged from NGN4.4 billion in 2005 to NGN7.1 billion in the election year of 2008.

The current Administration created the fiscal space for this increase in capital spending in four ways: (i) recurrent budgets were reduced and the capital share of annual budgets increased from 42% in 2007 to 58% in 2012; (ii) revenue from federal transfer payments increased by 9%; (iii) the State’s internally generated revenue (IGR) increased by an average of 20% annually from 2009–12; and (iv) Edo State raised finances by floating infrastructure bonds worth NGN25 billion.

Under the Governor’s close direction, methods for rapid delivery of quality road infrastructure have also been created. By the time of this study, 85% of the 450km of contracted roads had been completed. Site inspections and engineering tests on ten case study contracts showed that this new infrastructure matched quantity with adequate quality (see figure 4.3). At least six of the ten road sites examined through engineering tests were at par or above any reasonable standards of road quality in the Niger Delta. Walkways, a feature of this Administration’s road projects—and of public appreciation—were of especially adequate quality.
As this report documents, these delivery methods are not without risks and challenges, but they have proven capable of performing effectively in Edo State’s political, social, and cultural environments. These methods, explained in further detail below, include: (i) centralizing aspects of project selection, budgeting, and fiscal management within a specially created Economic Strategy Team, as well as leveraging executive power to overcome constraints in the project cycle; (ii) harnessing the private sector to enhance the capacity and expertise of the MoW; (iii) orienting project procedures to deliver rapid results; (iv) accommodating existing informal systems of social settlements; and (v) engaging banks to address cash flow issues for both the government and implementing contractors.

This combination of political and administrative methods created direct personalized relationships between the Oshiomhole Administration and each of the five major contractors responsible for 83% of the value of projects under way.
EDO IS IN SAFE HANDS
WELCOME TO THE FUTURE
2.0

Capital Spending in a Challenging Context

“Movement within our cities and across the State will be progressively made less hazardous through the provision and maintenance of good road networks. Particular attention will be paid to the quality of our environment including erosion and flood control, pollution, and garbage disposal. […] We will accelerate the installation of enduring infrastructure which will support rapid industrialization of our State and provide massive employment opportunities.”

— Edos State Governor Adams Oshiomhole
   November 2008 inauguration speech

Under the Oshiomhole Administration, Edo State has developed project cycle management systems that engineering studies conclude are capable of creating adequate quality public infrastructure. To understand the rationale for and outcomes of these systems, it is useful first to set the scene by explaining some challenges and constraints of the context to which these systems aimed to respond.
A History of Neglect, and High Expectations

The current administration assumed office in November 2008 following a successful court appeal. The ruling overturned the results of an election in 2007 that had declared the ruling People’s Democratic Party (PDP) candidate the winner. Widespread support from a variety of interest groups buttressed the legal challenge and helped create the political space for the Governor’s pursuit of an agenda that highlighted both reform and delivery. Popular demand for reform was evident, but responding to this presented major challenges. The new administration inherited a constrained fiscal outlook, a decayed and underperforming Edo State bureaucracy that had limited capacity to respond, one marked by a mix of formal and informal systems and procedures, and widespread perceptions that public finances could be used to benefit an elite few, rather than for public benefit. In a real sense, the new administration innovated by opportunistically working around the bureaucratic hurdles, while creating new arrangements to prioritize delivery at the same time recognizing that these arrangements would also pose risks that would need, subsequently, to be dealt with.
Navigating Fiscal Constraints

To achieve its vision, the Oshiomhole Administration needed to maneuver within a highly constrained fiscal environment. Capital spending in Edo, as in other Nigerian states, occurs in the context of an evolving federal fiscal structure, high dependence on oil revenue and increasing political competition, particularly at the state level.

Although the Administration was generally aware of the constraints in this fiscal environment, the scale and scope of the challenges were dramatic. One result was that revenue forecasting proved to be unreliable. Between 2008 and 2012, expected revenues were short of forecasted estimates by an average of 46% each year. Shortfalls in internally generated revenue were, on average, 49%; in federal statutory allocations, shortfalls averaged 45%. During the same period, the average annual budget deficit was approximately 34%.

The State sought to expand its fiscal flexibility by reducing recurrent spending, increasing revenue collection, and obtaining significant debt financing. Over the period 2008-2013, revenue from federal transfer payments remained static, increasing by an annual average of 6% in nominal terms. On the other hand, the State Board of Internal Revenue managed a successful and ongoing push to increase revenue collection. In real terms, from 2008-12, internal revenue collections increased by an average of 20% annually, including a 72% increase from NGN4.8 billion in 2008 to NGN8.22 billion in 2009. These gains were reinforced by imposition of a new consumption tax in July 2011 under the Hotels and Events Centers Occupancy and Restaurants Consumption Tax Law. Anecdotal evidence also attributes the IGR increase in part to increased tax compliance by high-income taxpayers and local businesses, as well as the back tax assessment drive, at the behest of the Administration’s supporters.
An Environment of Informality

Road building is an intensive activity that requires processing capabilities to be concentrated centrally and deployed at multiple sites. Effective implementation requires the ability to align complicated sets of actors and capabilities, while simultaneously managing fiscal and institutional constraints like those outlined above. Edo State is similar to other states in the Delta region in that the formal systems, regulations, and processes provide limited support in addressing the administrative and procedural challenges that occur during the project cycle. Perhaps unsurprisingly, these formal systems therefore carry limited force in shaping the actual arrangements and practices utilized to deliver public infrastructure.

As a result, elements of formal processes and mechanisms are often employed only to document decisions made through informal channels. For example, contractors and government officials working on a road project may agree on the need, nature, and scope of project revisions prior to submitting the proposal revisions for approval. Project revisions are recorded sporadically in project files, and documentation overall is quite loose. Nonetheless, documentation is required before payments can be made to contractors.

In Edo, as elsewhere in Nigeria, business practices vary greatly in their use of information technology, and the way standardized documentation and routinized workflows are observed in practice. And given the social context, loose adherence to formal process is not typically contested by the public or other organized groups. In the event of disputes between actors involved in road projects, resolutions occur mostly through informal negotiations. Recourse through legal procedures or contract enforcement mechanisms occurs only in exceptional cases. In other words, reliance on formal procedures alone would be unlikely to expedite the delivery of quality public infrastructure.
assets. Thus, during its first term in office, the new Administration decided that formal procedures would need to be blended and aligned with existing norms to expedite, dictate, or enforce implementation efforts. As will be noted in later sections, this has interesting implications for donor efforts, such as through the Niger Delta Social Accountability project, to support the observance of formal systems of accountability, the separation of powers and rule of law.

In these circumstances, rather than attempting to discipline the systems for public spending into compliance with formal regulations and processes, the Administration created arrangements that blended formal with informal modes of operation. How this worked at different stages in the process of managing road projects will be explained in the next two sections. But two key features of the hybrid modalities for capital spending included the direct intervention of the Governor in specific projects and the consolidation of administrative power across all road projects. For the former, this included periodic, in-person visits to road project sites to ensure satisfactory processes and outcomes. For the latter, this included establishing centralized processing of contractor payments. Contract revisions and withholding or releasing payments, for instance, have proven to be useful mechanisms to motivate actors to deliver desired outcomes given a working environment where formalized contracts, specifications, timelines, and other project requirements have limited disciplinary effect. At the same time, the Administration was aware that whilst these kinds of arrangements suited the circumstances and relatively small volume of works, they would be unlikely to deliver the same results for spending in other sectors, or for a larger total portfolio of investments.
Case 1: Overcoming Past Neglect to Deliver Roads for Edo’s Future

Upon taking office, this administration sought to reverse a history of under-investment, poor performance, and public skepticism. Accounts of the Administration’s early road projects illustrate both the difficulties the young Administration faced in seeking to improve road infrastructure, and how it overcame these challenges.

A Portrait of Underinvestment and Neglect

Since 2007, flood damage had rendered Benin City’s 2nd West Circular Road largely inaccessible. Cars often took detours around it, residents along the 1.97km road faced trouble reaching their homes, and pedestrians were often seen wading through water to cross the road. The poor state of the road also hampered access to Siloku and Textile Mill Roads, both connections to major markets, thus impeding local economic activity.

Otuo-Ogbe Road in northern Edo had also been similarly handicapped by neglect. Previous attempts to repair the damaged 22.2km road had failed, and thus access to the Ihevbe-Ogbe area had been restricted for over a decade. This impaired the economic welfare of communities in the area, and hindered access to the lively Agor trading market and the region’s valuable limestone deposits.

Upon taking office, the Governor prioritized repairs on both roads. In October 2009, a NGN329 million contract to repair 2nd West Circular Road was awarded to local contractor Hartland Limited. Two months later, a NGN2.8 billion contract to reconstruct Otuo-Ihievbe-Ogbe Road was awarded to Italian contractor Borini Prono.

Overcoming Depleted Capabilities

While the Administration had ambitions to drastically improve state roads, it quickly realized that decades of under-investment had depleted the relevant MDAs’ administrative and technical capacities to design, manage, and oversee the process. Further, weak adherence to formal requirements—such as prior engineering design and comprehensive costing—undermined the quality of the roads that had been constructed, and created perverse incentives for contractors to increase unit costs.

Initial designs for 2nd West Road did not adequately account for the project site’s complex drainage situation. After the contractor had deemed the road complete, significant flooding continued in the project catchment area.
Remedying the situation required project revisions totaling NGN22 million, and extension of project timelines from 4 to 12 months. Otuo-Ihievbe-Ogbe Road faced similar challenges—insufficient technical capacity in the project design process necessitated three revisions to design and work scope. This resulted in an additional NGN248.6 million in contract revisions. Although these challenges stemmed from the shortcomings of past administrations, the Oshiomhole Administration needed to rapidly develop its own responses to address them. In both cases, the Administration utilized formal project revision mechanisms to accommodate the changes to project scope and cost. And in both cases, it did so in a way that minimized disruptions to project implementation.

Addressing Disruptions from Citizen Expectations

Governor Oshiomhole’s ambitions and standards—and commitment to deliver on them—took many Edolites by surprise. While most welcomed these commitments, some resisted them for personal or special interest reasons. To enable project implementation, the Administration thus needed to accommodate social and cultural expectations around the distribution of settlements. To balance public expectations and fiscal responsibility, the Administration tried to adjudicate citizen demands in a variety of ways.

Prior to 2008, enforcement of zoning laws was weak. As a result, many illegal commercial and residential structures were erected. On 2nd West Road, reconstruction required the removal of buildings and fences that stood in the path of planned sidewalks and drainage. This brought plans for infrastructure development into direct conflict with local interest groups. The local Landlords Association was particularly vocal and filed several formal complaints asking for compensation. Site surveys deemed the structures illegal, and ultimately settlement payments were avoided. Where settlements were deemed necessary, however, the records show that they were honored.
3.0 Responding to the Challenges of Context: Mobilizing Strategic, Technical, and Financial Assets

The Oshiomhole Administration rapidly enhanced Edo State’s capabilities to achieve near term gains in infrastructure spending by centralizing authority in project cycle management, managing the impacts of irregular cash flow, strategically employing private sector capacity, and leveraging the financial sector.

Centralizing Authority in Project Cycle Management

The role of leadership can be pivotal in initiating and supervising a change process, but outstanding individuals are typically part of a larger group who prepare the systems and procedures, and ensure that these influence the behaviors of organizations and individuals in different parts of the system. In this respect, Edo is not exceptional. The rate of delivery and quality of road assets delivered under this administration is being achieved, in part, through the centralization of authority around the Governor and creation of institutional arrangements that complement existing official departments. Due to historic neglect, the Administration inherited a civil service that lacked the capacity to attract top personnel, reward good performance, or credibly sanction maladministration. To address this, the Administration created special purpose agencies to allow the exercise of executive authority free from the encumbrance of low-performing civil servants or unpredictable outcomes at lower levels of MDAs. The new arrangements have proven to be an effective way to complement the capacity of existing official departments.

At the same time, the Administration has recognized the risk that these measures could adversely affect and delay much needed efforts to rebuild the core capacities of the civil service. At the highest level, the EST plays a key role in centralized fiscal planning and management. Established in March 2009, the EST brings together key experts and senior political office holders in support of the Administration’s political program. Chaired by a successful investment banker, the team also includes the chairman of the Board of Internal Revenue, the Commissioners of Finance and of Budget and Economic Planning, and several members who entered public service from the private sector. The EST performs a range of functions to support State MDAs, namely: economic strategy, project selection, procurement oversight, funding strategy and financial planning, project monitoring, and payment decisions. It also oversees the flow of funds to road construction projects and manages the State’s cash priorities. By allowing the Governor to locate capital spending controls close to him, the team enhances his ability to drive performance during project implementation processes.

The Governor’s reach extends beyond this central structure through Special Appointments in the form of special advisors (SAs) and senior special assistants (SSAs) placed across MDAs. These individuals are responsible for managing some of the new agencies established by the current administration or advising existing MDAs. For example, at the MoW, an SSA checks on the progress of project revisions or certificates of progress at the Governor’s request. Many of these appointments are held by accomplished professionals drawn from the private sector. These individuals have brought valuable skills and technical capacity to the State’s Administration.

Two other agencies of relevance to this study have been created since 2009. The Rapid Response Agency (RRA), responsible for overseeing road maintenance projects previously managed by the MoW, and the Fiscal Governance and Project Monitoring Office (FGPMO) — or the “Due Process Office” — responsible
for exercising due diligence and providing feedback on project implementation. In its first few years, the FGPMO participated in the budgeting, procurement, and monitoring processes of road projects, including carrying out site inspections. Since the Administration’s re-election in 2012, the Office has redefined its role. It is presently working across MDAs to develop an integrated project management dashboard to improve executive oversight of capital project implementation and manage the accumulation of contract liabilities.

In light of uncertain revenue flows, these actors enable the Administration to reconcile the pace of execution with cash flow management. They also facilitate arrangements for phased approvals of project initiation and payments. At the same time as these arrangements allow for more rapid rates of execution and more direct lines of supervision and accountability, the overlapping memberships of the EST, the State Executive Council, and the State Tenders Board (STB) requires clear assignments of responsibility amongst them so as to avoid the risk of overlapping mandates and thus diffused accountability. The EST is an advisory body that depends on information provided by some of its members in other agencies, but does not approve contracts. The Ministerial and State Tenders Boards approve contracts within monetary thresholds, and the State Executive Council and the Governor ratify such approvals based on monetary thresholds.
Managing Irregular Cash Flow

The project management risks posed by uncertain cash flows have been mitigated through several unorthodox devices. These include the practice of making budgetary modifications at several stages, allowing contractor liabilities to accumulate, the frequent use of project revisions—including inserting new projects within existing contracts—and tight, centralized control over payments.

Payments were often delayed and made only when cash became available. This, coupled with overdraft agreements between contractors and banks, allowed project implementation to continue even when the State faced strained revenue flows. Project revisions were used to insert new works into existing contracts. This allowed the Administration to first issue contracts based on initial project sizes that were tailored to projected available resources, and then to expand them as additional funds became available.

Centralized management of payments has been used to reprioritize works within existing and ongoing contracts. For works of higher priority, payments can be fast-tracked for approval. None of these provisions are without risks, but they did ensure that rates for expanded scopes of work within each contract remained relatively consistent.

Supervision arrangements were transaction intensive as they required actions at several independent levels, including third party engineering firms and SSAs or SAs appointed by the Governor.

Figure 3.1
Forecast vs. Actual Internal, Statutory, and Total Revenue

Note: Data was unavailable for 2010.
Employing Private Sector Capacity

Given the limited capacity of the MoW and MoE, the Administration has used the private sector to assemble the technical and administrative expertise it requires to implement its infrastructure portfolio. Edo State is not alone in this practice, but it would appear to have retained private sector engineering outfits as project consultants to a greater degree than in other states. Recruited to augment—and, in some cases, substitute for—MDA staff roles within the project cycle, these consultants have brought technical capacity to road building projects and sharpened contractors’ incentives to perform, all with lower entry and exit costs than are possible with more unwieldy civil service systems.

The introduction of consultants extended the technical expertise of the Governor’s Office’s involvement with civil engineering and infrastructure project management. Formally, the process of contracting consultants resides in the MoW, with consultants facing the same procurement process as other state contractors. However, their performance is also shaped by formal and informal lines of accountability to the Governor’s Office.

The Administration also adopts the normal practice of engaging contractors to undertake construction. In all, under this Administration, five large contractors account for 83% of all road construction; one of these, along with its subsidiaries, holds 49% of the total value of all state road contracts. Interviews with consultant engineers indicate that those companies with higher technical capacity and financial depth are ascendant in the system, as they can deliver infrastructure of adequate quality while absorbing accumulated payment arrears. Whilst reliance on a relatively small number of large contractors does not come without risks (such as crowding out small to medium sized contractors and exposing the Administration to allegations of favoritism and collusion), given the sophistication and complexity of some of the road designs, and the past history of the state, the Governor sought to reduce the risk of non-delivery by relying more on firms with strong technical capacity and financial depth.

Leveraging the Financial Sector

Banks are important players in any construction business. In Edo State, the banking sector has been harnessed to further the objectives of rapid construction. As holders of government accounts and guarantors of contracts, banks provide key financial services to both the government and its contractors, thus alleviating cash flow problems on both sides. Banks also quantify risk in their contractual arrangements, issuing advance payment guarantees (APGs) based on their assessments of risk.

Current risk assessment mechanisms create a system of informal and creative accountability between the banks and contractors. Some banks set up mechanisms to profit by lending money to the State, and then lending to the contractor to finance execution of the contract. Through this guarantee of extra profit, banks can lower their risk assessments and increase profits, thus creating incentives that are conducive to uninterrupted project execution.

In this system, adequate risk assessment mechanisms neither solely rely on a contractor’s financial and technical capacities nor on formal records, which often do not hold complete information. Instead, they take into account informal channels of information. To assess the risks of issuing APGs and loans to both contractors and the state government, banks focus on the reputation of the principal. They examine the state government’s recent history of making timely project payments, and how the principal at the contracting firm has dealt with loan repayments in the past. This latter point further reinforced the Governor’s strategy of giving preference to large contractors with a proven financial track record. Banks report that the current Edo State Government has a positive reputation for loan repayment. The Administration’s public assurances of increased capital spending allow the banks to spread their risk over a number of contracts, and future expectation, thus lowering their risk assessments.
Project Identification and Selection

Project selection in Edo State balances competing claims on public resources and medium-term plans for economic development. This is a semi-formalized process whereby methods, such as cost-benefit analysis, are not used to determine the most efficient allocation of resources. At the outset, when the Administration commenced in November 2008, given the parlous condition of the State’s infrastructure, coupled with the paucity of funds and the public expectation of an ‘overnight turnaround’, it proved relatively easy to reach consensus on project allocations through a more discursive process that weighed the political, economic, and social merits of competing proposed projects.

Geographic siting of infrastructure projects is often informed by demands articulated by representatives from influential constituencies. These representatives can sometimes be junior- and mid-level officials within the Administration, or elected local political leaders. Unpopular decisions on the allocation of projects can lead to a loss of support among specific constituencies. Therefore, it is plausible that this process allocates resources to reasonably judicious areas of public need, but officials are also aware that this can be used to both advance or deny the public interest. Still, the calculus of project selection necessitates the inclusion of variables—such as solidifying the political support base and building coalitions—in ways that would not be achieved via a classic technical cost-benefit analysis.

Political considerations were an early factor in decisions to increase investment in roads; many projects were identified as part of the medium-term economic development plan prepared by advisors early in the Governor’s first tenure. In some cases, projects were strategically sited to spur economic growth, or to assuage past neglect suffered by regions due to previous political priorities.

Over the past four years, new road projects have been awarded in two large ‘bursts’ of contracting, which occurred in December 2009 and October 2011. Together, these bursts account for 29

The Project Management Cycle at Work in Edo

Bearing in mind the contextual constraints (section 2.0) and the ways that strategic, technical, and financial assets were mobilized (section 3.0), this section describes these new approaches at work through the traditionally recognized stages of capital spending: (i) project identification and selection; (ii) budgeting; (iii) design and costing; (iv) procurement and contracting; (v) project revisions; (vi) construction; (vii) supervision; (viii) payments; and (ix) auditing. It will be immediately apparent that in Edo these stages are best understood not as discrete or linear steps, but rather as an iterative process. This process is dynamic, modifications are frequently introduced to adapt to lessons learned, unintended consequences and to deal with potential shortfalls in performance. The process observed is not dissimilar to that documented elsewhere as ‘situationally determined responses to specific problems’, or ‘iterative, adaptive learning’.
out of 43 road projects, 87% of total contract value, and 92% of total length of roads contracted. The first burst signifies the period when the institutional arrangements for PFM described in this report were brought into their initial form. The second was timed to achieve political performance goals before the 2012 gubernatorial election. These projects were identified through a process of negotiations with political interlocutors from potential beneficiary communities. Where public services are variable across geography, the siting of a capital project—which then creates a stream of associated spending—can be a high-magnitude political act.
Budgeting

Approved annual capital budgets are unreliable predictors of actual capital expenditure and of projects that will reach commissioning, partly as a result of the unreliability of revenue forecasting. Thus, project budgets are periodically revised both in light of actual revenues and agreed changes in the scope of work. This is recognized as a source of difficulty in managing accumulated liabilities.

For example, of the 69 projects budgeted in 2009, only 25 were initiated. This demonstrates that a key tier of budget management comes at the stage when administrative approval is given to initiate a project. Budget approval takes place in layers, including control of payments and revisions of the project scope, and later in the shape of annual allocations to ongoing projects in the capital budget. This multi-stage budgetary approval is typical of capital projects running beyond a fiscal year. The repetitive budgeting adopted in Edo enables the State to continually resize and reshape the portfolio of capital spending according to available revenues and other exigencies. This is therefore an effective adaptation to optimize resource use under the constraints found in the budgeting system.

The repeated revisions and delays in financing, however, weaken the incentives for detailed ex ante project financing plans ahead of contracting and implementation. As part of project preparation, therefore, no financing plans were included in the files that were reviewed under this study. The Administration however had become aware that the absence of a financing plan adversely affected its ability to handle accumulated project liabilities. Thus the EST instituted an arrangement whereby reports are issued by the FGPMO that summarize contractor performance and indicate certificates paid, due, or in arrears. These are delivered to the attention of the Governor, Chairman of the EST and finance officials so as to facilitate cashflow planning. There exists an implicit understanding that the project scope and designs are malleable and bound to respond to financing situations. Management decisions in these situations are a function of the timeliness of federal transfers, collections on own-source revenues, the pace of other projects competing in the fiscal space, and the scope of ongoing revisions to the current projects at any given time. Administering this complexity creates heavy management costs. It is also plausible that it contributes to higher unit costs arising from both government and contractors borrowing to cover shortfalls resulting from cash flow uncertainties.

Increased collection and usage of information on capital project liabilities could increase the effectiveness of centralized control and planning, while also providing useful inputs to cash management decisions. The Directorate of Information, Communication, and Technology (DICT) and FGPMO are both already collecting information that could be used in these ways. This opportunity is discussed in the final section of the report.
Design and Costing

Low formality for project approval, as well as policy imperatives for rapid implementation, means that the attention given to initial project design and costing has in the past been limited. Feasibility or environmental studies typically did not inform designs. An absence of effective Geographic Information Systems (GIS) capabilities also constrains the use of accurate geospatial data in project designs. As a result, many projects at the onset of the current administration were initiated with designs produced by the MoW that lacked integrity – as a result, when contractors were mobilized, site conditions required many, sometimes fundamental, design changes. Additionally, Bills of Engineering Measurement and Evaluation (BEMEs) use past estimates of quantities instead of design-based calculations.

Indeed, to mobilize immediate work, contractors were initially permitted to “design as they go” in the course of project implementation, or to implement “as-built design” – meaning project design was done only to the extent that it facilitated the immediate task at hand. The process leads to extensive revisions: of 43 projects, 20 had revisions. Before implementing a contract revision, consultants and contractors will move budget lines to accommodate ad hoc requirements, based on appreciation of site conditions. The lack of technical design allows contractors to routinely request cost increases to respond to environmental reality and social context in which the project is being implemented. This process incentivizes contractors to inflate contracts through material rates set to ensure adequate margins for variable designs. This often results in cost overruns and can reduce the State’s ability to hold contractors accountable for performance.

Perceiving that project costs were ballooning and unpredictable due to revisions occasioned by lack of prior designs, the Administration has since August 2012 increased efforts to enforce the practice of proper project design by engineering consultants. At the time of this study, the state was readying for another burst of capital spending in 2014, and the use of designs provided an important opportunity to further improve the efficiency of project implementation. Institutionalizing the use of designs in either of these areas of spending would also provide a long-term boost to the quality of project implementation processes.

Additionally, the study process included discussion of the merits of making project designs publicly available. This could yield ancillary benefits to project implementation, such as allowing interest groups in the catchment areas of a given project to understand and offer input on the improvements their community will accrue. By publicizing project designs and soliciting citizen input within a specified window of time, the state may also be able to reduce the volume of unanticipated disruptions – and increased costs – to project implementation by demonstrating acknowledgement of public input.
Given what has been remarked to this point—regarding revenue projections, cash flow management and the integrity of initial project designs—project revisions are a necessary and prevalent feature of project preparation, approval, and implementation. As previously mentioned, 20 out of the Administration’s 43 road contracts had revisions; of ten projects studied in detail, eight were revised. The average revision increased the original contract value by 17%, though increases ranged from 4% to 196% on individual contracts. While some contracts were completed on schedule, time extensions associated with revisions were as high as 41 months.

These findings suggest that the project revision mechanism has been stretched to increase the processing efficiency of Edo’s capital spending. The new approaches to contract variations allow for six features. First, they allow for rapid and flexible additions of project elements in response to technical and political needs as they arise. Second, they minimize the costs and time required to evaluate bids in multiple-objective contracting, which have high information requirements and transaction costs. Third, revisions allow loading of additional amounts into contracts to provide for citizen settlements when onsite conditions require such payments. Fourth, revisions can be used to assign optimally-performing contractors to newer projects without incurring the high transaction and processing costs associated with procurement. Fifth, they minimize process delays for an administration keen on rapid delivery of infrastructure. Finally, they hold out credible opportunities for contractors to compensate if they create assets up to a reasonable standard.

While there is no doubt as to why the Administration used the above methods to deliver on its commitment to capital roads, during the course of this study, several adverse consequences of these practices were discussed:

High frequency of revisions, along with weak documentation on underlying design, quantities, and unit costs, can make it difficult for the government to ensure quality standards and to discipline contractors to observe unit cost norms. A few large contractors have been given contracts in areas where the Administration accorded high priority to developing internal road networks as well as main arteries. A key caveat of any addendum is that the same schedule of rates applies to all roads that are to be constructed. This allows the contractor to take the high rates from a main road, and carry them over to light works on side roads. This is likely to lead to inappropriate standards and a creeping increase of capital liabilities. The ability to enforce contractor performance can be weakened by the frequency and ease with which revisions are made. This practice may decrease pressure on contractors to perform work that is of adequate quality within the original contract terms, as contractors may believe they can easily request additional funds and time to execute projects.

Significant cost overruns make it more difficult to match projected liabilities with projected cash flows. Revisions on one project for Iyamho-Iyora Road were made to allow for the construction of a network of roads over farms and footpaths and to encourage economic development. Over the course of three revisions, the total project cost increased 196%.

Weakening of discipline on unit cost estimates by contractors escalates unit costs over time. The implications of contract revisions were observed to extend beyond just the original project. One contract was revised three times, from NGN4.2 billion to NGN7.2 billion, a 36% increase in contract value. Revisions included altered specifications for stronger reinforced concrete on the road. The contractor had used concrete that was approximately three times the cost of regular reinforced concrete. This same approved rate for concrete was then carried over to other projects that did not require the same quality of materials, unnecessarily increasing project costs.

The ability to enforce contractor performance can be weakened by the frequency and ease with which revisions are made. This practice may decrease pressure on contractors to perform work that is of adequate quality within the original contract terms, as contractors may believe they can easily request additional funds and time to execute projects.
Citizens in Edo—and, indeed, across the Niger Delta—commonly perceive that public resources are not equitably distributed. As such, many seize upon visible acts of public expenditure to express their grievances and demand benefits. Road construction projects are routinely subject to organized protests that impede work progress through theft of key equipment and materials and/or demands for jobs by local actors.

To resolve these grievances, contractors or government agents often provide ‘settlement’ through distribution of both monetary and non-monetary resources. Community demands and corresponding settlements varied in each of the ten case study projects. However, descriptions of the anecdotal case histories shed light on common dynamics between members of the public and capital construction projects.

The reconstruction of Akpakpava Road was one case where community controversy was highly visible. Throughout the life of the project, several organized youth groups used a variety of means to extract settlement from the contractor. Their primary demand was access to jobs on the work crews. One group was able to elicit six jobs at the outset of construction by blocking the contractor from mobilizing equipment and materials to the site. Later in the project, another group received seven jobs as settlement for ending their continual harassment of work crews. In these instances it was clear that the organized threat of violence was adequate power to capture marginal public resources.

It is also common for other organized groups in a project’s catchment area to demand settlement in return for allowing a project to progress unimpeded. Two common groups are Community Development Associations and Landlords Associations. Both can make some legitimate claim toward representing the interests of an identifiable group of individuals within the geographic catchment area of a given project. Their organization grants enough legitimacy or influence for contractors to feel that they must respond. Settlement for these associations is often provided as tangible assets, such as additional works like access roads or sewage systems.

In other cases, less overt means of pressure can successfully extract similar compensation. On the Jattu-Auchi road construction project, a traditional ruler approached the contractor’s representative with a list of ten individuals requiring a monthly salary as “appropriate community support” before work would be allowed to start. The influence and authority of the traditional ruler, while informal in nature, was adequate to convince the contractor to comply with the demanded settlement.

The norm of community settlement is so well established that contractors have developed adaptations to routinize and minimize the process costs. During the reconstruction of the Otuo-Ihehe-Ogben road, the contractor sent their public relations officer to contact each traditional ruler in the catchment area of the project. These consultations were used to identify individuals each ruler wanted to receive jobs on the project’s construction crews. This response to anticipated demands mitigated protests during project implementation, which progressed without a major community-driven work stoppage.

The practice of community settlement is undoubtedly successful in extracting marginal benefits for organized and/or influential members of the public. But its informality and unpredictability could potentially lead to a reduction in the overall distribution of benefits to the community at large.

---

Case 2: Community Settlements Within State Infrastructure Contracts

Infrastructure Development in Edo State  29
Construction

Uncertain construction timelines often result in significant cost overruns. Delays are caused by a variety of factors including, as discussed previously, the need to adapt project designs, make revisions to materials requirements based on environmental conditions, and work stoppages caused by delayed or withheld payments.

Populations living in project catchment areas can also cause delays by organizing to increase the perceived costs of ignoring their demands. Of ten case study projects, six were delayed by such activities. While the State records formal grievances received by letter or citizen delegation to the relevant MDA, records show that it may lack the capacity to address them. Further, not all citizen grievances may warrant official action. Contractors are thus expected to respond to grievances by providing supplemental benefits to catchment area communities. These might include employing local youth in construction gangs or creating additional infrastructure improvements such as sewage extensions. These supplemental duties increase project costs for the State and the project management burden for contractors.
Public Involvement in Construction

Around construction sites, there is generally little information on upcoming or active road projects available to interested non-state groups or local residents. Yet active and organized citizens in project catchment areas are often able to attain personal benefits in the name of the public. They do so by using social stature or agitation to secure localized benefits from the contractor and privatize chunks of public resources. These actors include:

**Customary Leaders:** are often able to influence the allocation of benefits from road projects in their communities. In any catchment area, these leaders administer resources invested by the State, development organizations, or other actors, and apportion resources among the public as they see fit. Customary leaders may appoint Community Liaison Officers (CLOs) to interact with contractors or dedicated project monitoring committees to represent community interests on a project. As CLOs receive benefits in the form of status, financial compensation, or ancillary compensation (e.g. excess project materials, such as bags of cement), these positions are highly desired. Beyond the allocation of benefits, however, such leaders have limited influence in other aspects of road projects.

**Community Influencers:** include citizens often chosen by their peers to represent public interests on a road project. They are usually educated or working professionals, which lend them perceived authority. Serving as a community’s interlocutors with contractors or the State is a position of privilege, and this is sometimes abused. In one road project, a former Nigerian National Petroleum Corporation executive was appointed Chair of the Project Implementation Committee, comprised of local residents. The Committee facilitated the selection of two roads to be constructed. The first selection was a road that led to the house of the Committee Chair. When a local traditional leader expressed the community’s dissatisfaction at this selection, the Chair mollified him by then selecting the road leading to his house as the second project.

**Youth Groups:** often block construction until they receive jobs or other forms of settlement. Contractors anticipate this behavior and allocate a quota of jobs for local youth on each project. This helps maintain positive community relations and prevent disruption of work. For example, halfway through the construction of Sapele Road, the contractor was forced to contract several youth to grade area roads. These are highly coveted positions, as they provide daily wages (from NGN3,000 to NGN6,000 a day) and, for some, represent a rare path to long-term employment. Contests for these roles, however, tend to exacerbate community tensions. Several youth groups may form in a given catchment area, as was the case in the Akpakpava Road project, each claiming to be the “most legitimate” youth group in the area and thus deserving of jobs.

**Affected Residents:** There are statutory provisions requiring the State to consult with and compensate citizens affected by public works projects. Yet regulations and practices for compensating residents affected by road projects are somewhat ambiguous. As a result, such citizens often employ private estate surveyors with the expectation that these professionals can secure more compensation for them. While such surveyors, by law, should command no more than 10% of their clients’ compensation for their services, in reality, fees charged often exceed this amount. Due to a lack of understanding of the regulations and practices, residents often believe they are insufficiently compensated for their homes, which breeds frustration and resentment.
Supervision

By augmenting technical capacity and coupling this with intensive political attention to key contract performance, project supervision has been a key factor in the success of this administration’s investment in roads. In the absence of prior designs, project supervision has adjusted to account for contractors’ design-as-you-go approach. Further, the form and consistency of supervision has been mixed.

The MoW’s technical capacity for supervision has been supplemented through the use of supervisory consultants from the private sector. Consultants prepare certification reports, which are approved by the MoW prior to payment. Supervisory resident engineers share monitoring responsibilities. The former provides the day-to-day monitoring and direction of work on-site, as well as documentation of contractors’ work, and the latter performs managerial review and administration functions.

Another key feature of supervision is the Governor’s vigilant attention to project management, accentuated by periodic and unscheduled site inspections. During these inspections, on-site orders for quality control and design variations ensure projects can meet the State’s high standards for asset quality. During the early stages of his tenure, the Governor further extended his capacity to directly supervise projects through the establishment of a supplemental monitoring authority, the FGPMO.

While these interventions have helped yield adequate quality road assets, they have not been fully institutionalized and, as a result, can be overcome by other forces. The triangular relationship between contractor, supervisory consultant, and MoW resident engineer is tilted in favor of the contractor who, often on the strength of their political and associational relationship with the senior officials in government, can carry more weight. Accountability for consultants is muddled by the fact that their payments from the MoW are received through contractors, whose contract value includes consultants’ fees. This weakens the consultant’s authority to effectively supervise the contractor. Additionally, while the MoW is supposed to supervise consultants, it often lacks the necessary equipment, staff, or time, leaving consultants to operate independently. Further, consultants are supposed to co-sign all lab tests, but as they lack both the equipment to run independent tests and often the authority to insist on their participation in the contractors’ tests, this does not always happen.

The high cost of implementing corrective action demanded by the Governor creates incentives for contractors to keep projects at the acceptable level of asset quality. However, given limitations on the Governor’s time, as well as uncertainty about the commitments of future administrations, it is not clear that contractors will adopt quality-enhancing practices on a routine and ongoing basis. While the FGPMO was a potentially reliable body to institutionalize these effects across future administrations, its capacity and mandate have been reduced.

Figure 4.2

Project Ratings on Supervision and Quality of 10 projects studied

<table>
<thead>
<tr>
<th>Quality</th>
<th>Supervision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>1 2 4 5 6 7 8</td>
</tr>
<tr>
<td>Adequate</td>
<td>3 9</td>
</tr>
<tr>
<td>High</td>
<td>10</td>
</tr>
</tbody>
</table>

These three projects had both low quality and low supervision.

Note: Quality data was unavailable for project 3.

This project had both high quality and high supervision.
Figure 4.3
Methodology for Assessing Road Quality

Independent civil engineers conducted a site assessment of the ten case study roads. One is professionally licensed by the Council for the Regulation of Engineering in Nigeria (COREN), with nearly ten years of combined road design and construction management experience in various states of Nigeria, and another engineer was a licensed civil engineer in the USA.

The quality assessment included site inspections and face-to-face interviews with the Project Manager of the contracting company responsible for each road site as well as personnel from the MoW who had supervision authority over the given projects and with road construction workers. During these interviews, documentation was sought in the form of (i) road designs, (ii) BEME’s, (iii) material tests, and (iv) payment memos. Where documentation of roadworks was inconsistent, more interviews were conducted to fill gaps in data. Site inspections consisted of: driving tests, measurement of key features (road width, sidewalks, drains, etc.), and evaluation of material properties according to technical specifications for roadwork construction.

The primary reference documents used were (i) Section VI: Roadworks of Volume II of the Federal Ministry of Works and Housing’s manual titled “General Specifications (Roads and Bridges)”, and (ii) the “Standard Specifications for Road and Bridge Works” by the Division of Roads and Transport Technology of the Council for Scientific and Industrial Research.
Variability Across 10 Projects Studied

Of 43 projects studied, ten projects were researched in greater detail as case study examples representative of road construction projects under the Oshiomole Administration. This graphic displays the high frequency of variability across the ten project case studies, which can be seen throughout project attributes including: cost, duration, number of revisions, revisions to cost and time, and quality.

The ten projects studied are located across four LGAs: Oredo, Ovia Southwest, Etsako West, and Owan East. Eight of the ten projects had contract revisions to time and costs. And, final project costs ranged from NGN0.07 billion to NGN7.24 billion, while completion times varied from 6 to 65 months.

Project 1
Location (LGA): Oredo
- Final Cost: 7.24B
- Final Duration: 38 months
- Final Length: 3.2 km
- Quality: adequate

This project was revised once to improve drains. It cost 72% more than planned and took an additional 30 months to complete.

Project 2
Location (LGA): Oredo
- Final Cost: 0.35B
- Final Duration: 12 months
- Final Length: 1.24 km
- Quality: low

This project was revised once. It cost 6% more than planned and took an additional 8 months to complete.

Project 3
Location (LGA): Oredo
- Final Cost: 1.43B
- Final Duration: 21 months
- Final Length: 1.92 km
- Quality: adequate

This project was revised three times and took an additional 17 months to complete, but the total cost did not change.

Project 4
Location (LGA): Oredo
- Final Cost: 5.48B
- Final Duration: 65 months
- Final Length: TBD
- Quality: adequate

This project was revised three times to incorporate flood control measures in the design. It cost 23% more than planned and took an additional 25 months to complete.
### Project Cost of 10 projects studied in relation to all projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Location (LGA)</th>
<th>Initial Cost</th>
<th>Revisions</th>
<th>Cost Increase</th>
<th>Time Increase</th>
<th>Final Cost</th>
<th>Final Time</th>
<th>Road Condition</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Oredo</td>
<td>0.09B</td>
<td>0</td>
<td>n/a</td>
<td>1.15 km</td>
<td>low</td>
<td>6 months</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Ovia Southwest</td>
<td>0.07B</td>
<td>0</td>
<td>6 months</td>
<td>TBD</td>
<td>TBD</td>
<td>41 months</td>
<td>13.3 km</td>
<td>adequate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Etsako West</td>
<td>6.58B</td>
<td>1</td>
<td>4 missing</td>
<td>11.1 km</td>
<td>high</td>
<td>41 months</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Owan East</td>
<td>3.01B</td>
<td>2</td>
<td>9% more</td>
<td>22.7 km</td>
<td>low</td>
<td>51 months</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Etsako West</td>
<td>2.92B</td>
<td>3</td>
<td>198% more</td>
<td>11.1 km</td>
<td>high</td>
<td>51 months</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Oredo</td>
<td>3.17B</td>
<td>0</td>
<td>6% increase</td>
<td>4 months</td>
<td>high</td>
<td>14 months</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average cost of studied project: 3 Billion Naira
Average cost of all projects: 2.2 Billion Naira

Figure 4.4

Infrastructure Development in Edo State
Payments

Project payments are managed in light of revenue uncertainty and are centralized at a high level. Across the State’s 43 road contracts, 289 payments were made. On average, payments were 9% behind physical progress. This points to a tightly controlled performance-oriented system, but this conclusion is complicated by the wide range of variations between -71% and +82% around the 9% average, with 35 out of 43 contracts within one standard deviation.

Across the entire project portfolio, payments in 15 contracts outstripped progress, while in 19 contracts, payments were behind progress by greater than 10%. Payment installments occurred on average 93 days after approval of associated progress certificates, compared to the 45 days stipulated in contracts. These delays may be attributable to the high demands on the executive to manage centralized approvals and the need to balance cash flow across spending priorities. It may also indicate that payments are routinely used to discipline contractors for poor performance, although this view is disputed by contractors.

There is no standard guidance on when progress certificates should be generated based on progress milestones, and such evaluation measures are not contractually documented. The number and timing of certificates varies between projects, with monthly certificates observed in some cases and sporadic certificates—sometimes generated six months after the progress milestone it intends to document—in others.

Payment decisions are closely controlled at the central level between the Governor, the EST, and the Accountant-General so as to optimize payments with competing inter- and intra-sectoral demands. For this reason, payment decisions assume significance and are the tertiary level of financial management after budgetary approval and administrative approval of capital projects.

To mitigate the uncertainty of this payment system, contractors are usually provided with significant mobilization advances, ranging from 23% to 40% of the contract value. This attracts high-profile contractors, allows them to make progress on the work—including through informal mechanisms, such as the handling of settlement payments—and thereby minimize disruptions caused by uncertain timing of progress payments. Mobilization advances, together with time overruns, suggest that contractors may anticipate delays in payment when they pace out implementation. It is also likely that contractor payment and liquidity management approaches can result in contractors overloading estimates, exposing the risk of excessive costs. And, when the difference between payment and progress is controlled within a range, contractors may use work slowdowns to avoid accumulation of liabilities and move into work activity closer to anticipated payment.

Audit

Across the State’s 43 road projects, it was observed that the ex post audit function is relatively weak. The impact of limited capacity within this function, however, is partially mitigated by high sanctions on performance in the form of delays in payment and denial of future contracts.

A pre-audit process exists to provide a higher level of assurance on the scope and quality of infrastructure before final payments are made. But as the process is not performed by qualified engineers and is instead housed in the Auditor-General’s Office, the credibility of an arm’s length audit is weakened. The study also could not find records of pre-audit site inspections to determine their focus and robustness.
Figure 4.5
Approval Process for Road Project Certificates with Edo State’s Institutional Arrangement • Civil Service • & Private Sector •
based on 10 projects studied

<table>
<thead>
<tr>
<th>Day</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Contractor draws up certificate.</td>
</tr>
<tr>
<td>5</td>
<td>Consultant reviews and approves certificate.</td>
</tr>
<tr>
<td>10</td>
<td>Resident Engineer reviews and approves certificate.</td>
</tr>
<tr>
<td>11</td>
<td>Director of Highways &amp; Maintenance writes memo requesting payment.</td>
</tr>
<tr>
<td></td>
<td>Permanent Secretary, Commissioner, and Secretary to the State Governor (SSG) receive memo.</td>
</tr>
<tr>
<td>28</td>
<td>Governor approves certificate.</td>
</tr>
<tr>
<td>45</td>
<td>Payment installment deadline in the initial contract.</td>
</tr>
<tr>
<td>58</td>
<td>SSG, Commissioner, and Permanent Secretary successively receive approved certificate.</td>
</tr>
<tr>
<td>62</td>
<td>Director of Finance and Administration requests release warrant.</td>
</tr>
<tr>
<td>72</td>
<td>Commissioner of Budget &amp; Planning receives forwarded documents.</td>
</tr>
<tr>
<td></td>
<td>Accountant General administers payment voucher.</td>
</tr>
<tr>
<td>80</td>
<td>Contractor receives payment 80 to 138 days later.</td>
</tr>
<tr>
<td>93</td>
<td>Average duration to process a payment installment.</td>
</tr>
</tbody>
</table>
The Oshiomhole Administration developed approaches to facilitate the effective execution of road contracts. These included the use of emergency projects to allow a ministerial tenders board to quickly approve contracts to respond to public hazards, and extensive use of contract revisions to avoid long contracting processes for new projects. These mechanisms have reduced the impacts of subpar design or project planning, as emergency projects or project revisions allow the State to swiftly correct design or process flaws. These mechanisms have also helped overcome long procurement and mobilization processes.

The Administration has maintained an Emergency Road Intervention Fund under the MoW to rapidly respond to urgent care of maintenance needs for roads or bridges. For such cases, the Governor can approve up to NGN100 million without seeking approval from his Executive Council or going through the annual budgetary process required for standard road projects. Emergency projects also do not require a supervisory consultant.

The Edo State 2012 budget allocated NGN1.2 billion toward the Fund, out of which NGN74 million was used to address the precarious state of the Ovia Rivers Bridge. Numerous deaths from drivers and pedestrians falling over broken railings on the bridge drove people living in the catchment area to appeal to government, through popular phone-in radio programs, to fix the road. Responding to citizens’ concerns, the state awarded a road reconstruction contract to 4ND Ventures to rapidly repair damaged rails and failed portions of the bridge. The project was completed in six months and with no cost revisions.

The state has also used project revisions to initiate new projects within existing contracts to avoid time-consuming and costly contracting and mobilization processes. Contractors can take months to mobilize to site and often require mobilization payment of at least 25% of the contract value.

The Administration leverages ongoing construction contracts to start new road projects within the same vicinity. Given this practice is fairly widespread and is thus perceived by contractors to be relatively low risk, in these cases contractors are often willing to start work immediately and do not require a mobilization payment. Despite covering their own initial expenses, contractors have reasonable assurance that they will be paid by the State, borne out by a political rather than a legal warranty.

Two projects—the Expansion of Akpakpava/Dualization and Expansion of New Lagos Road Benin City, and the Expansion of Dawson-Urubi-Uselu-Ughowu Lagos Road/Construction of Roundabout and Associated Works at Five Junction—are clear examples of the project revision mechanism at work. These contracts were initially awarded for NGN4.2 billion and NGN2.4 billion respectively, and were each revised by approximately 71% (to NGN7.2 billion) for the former and 125% (to NGN5.4 billion) for the latter. Combined, the two contracts encompassed road construction on five major roads across Benin City as well as adjoining feeder roads. While the project revision mechanism enabled new road works to be efficiently initiated, some informants questioned the value for money of these contracts. Together, the two contracts make up 12% of the Administration’s expenditure on roads but only 1% of the total length of roads constructed.

Iyamho-Iyora Road is another example of how the Administration used contract revisions to implement multiple projects. The project scope was thrice revised to include township roads to communities along the 13km road. While the new roads were quickly implemented, the three revisions brought the contract value from NGN1 billion to NGN2.9 billion—a 196% increase.
Social Accountability and the Vexed Role of Civil Society in Improving Performance

The common presumption in the World Bank has been that greater ‘social accountability’ hinges on measures to facilitate ‘demand side’ engagements by citizens in the process of public policy, spending and service delivery. Interventions in support of social accountability tend accordingly to make special efforts to intensify two relationships of accountability: those between citizens (as clients for services) and service providers, whether these be contractors or government officials, and second, those between citizens and elected officials/policy makers. This study, along with preparatory work leading to the design of the Niger Delta Social Accountability project cautioned that, at least in the Niger Delta context, this was likely to be simplistic, have unintended consequences and risk missing one of the key lessons of this study.

First, presuming clear division of interest between citizens, including organized elements of civil society, political officials and service providers, is misleading. In this context, a more reliable starting point is to acknowledge that networks of political and business interest, local affiliations to geographic localities or ethnic identities, and the allegiances maintained through patronage, and so on, all cut across these divides. It became apparent during the course of this study that Edo State has a wide array of ‘civil society’ organizations whose potential to articulate ‘citizen voice’ remains untapped due to chronic gaps in funding and technical capacity. But, at the same time, it is far from certain that the ‘public interest’ would automatically be served should they realize this potential. Edo State has over 250 registered non-governmental organisations (NGOs). Few have a nuanced understanding of how government works, their technical capacity is limited, and with few exceptions, their unstable funding base make them prone to ‘treating’ in ways that can create distortions between the interests they claim to represent and how they are obliged in practice to behave.

Other spaces are also evident where credible public dialogue routinely occurs. The state has a vibrant popular media and growing profile of online discussions. Radio shows like “Man Around Town”, “People Talk to People” and “Roundtable” are well patronized, but their aims are diverse and their volatile advertising revenues and lack of a strong capital basis necessitate reliance on content sponsors. New media channels are also emerging as important, the Facebook group “Edo Political Forum”, for example, has over 6,800 members and often features lively discussions on state governance and development. Tracking conversations about road projects however reveal that they appear to be dominated by individuals with vested interests, such as contractors or state officials. Despite their passion, the study could find few instances where the quality or impact of road infrastructure was enhanced through these channels.

Second, it is arguably the case that ‘social accountability’ in Edo has been served by the enhanced measures documented in this report to improve the relationships of accountability between those responsible to deliver road infrastructure – the contractors and consultants – and the political executive, the Governor and his Economic Strategy Team. This dimension of the ‘accountability triangle’ made popular by the 2004 World Development Report tends to be neglected in social accountability interventions sponsored by donors. Yet in Edo it has been crucial for it has been the principal means whereby the Administration has been able to service important political constituencies whilst also engendering public perceptions that a broader social compact is being serviced through the results delivered.

There remain significant ways in which both the social compact between the political executive and Edo citizens can be enhanced. Those identified during the research and discussed during consultations are summarized in the concluding section. But it should be apparent that the entry point for these measures – such as Edo’s Open Data Portal – is to further heighten the accountability relationships between the political executive and service providers, contractors and the private sector, and through this, open further opportunities for more classic measures for citizens to make the performance of both more contestable in a public space.
Six years on, the delivery of roads is amongst the most remarked achievements of the Administration of Governor Adams Oshiomhole. Each year, spending on roads has consumed the lion’s share of development outlays—70% in some years—and recognition of the results features highly in the appreciative public perceptions of this administration’s performance.

This report documents the challenges faced by a delivery-focused Administration in a state recently marred by conflict and chronically low levels of citizen trust in public office bearers and authorities. As Section 2.0 noted, the Administration inherited a constrained fiscal outlook, a decayed and underperforming civil bureaucracy that performed according to a mix of formal and informal precepts and norms, and a pressing need to demonstrate a break from the past by delivering high profile public assets and services.

A precept of the study process was that it would not seek to pass judgment but rather reflect a reality and present, in a balanced way, the positive attributes as well as the risks and less desirable features of real experience. It is a case where delivery is given a premium, an iterative process of adapting both formal and informal systems is employed and leadership focuses on the political, technical, and financial capabilities needed to tackle the deficits and dysfunctions that exist and that had been highlighted by the World Bank assessments. This is no small feat and, as the WDR 2011 notes, such transition strategies are rare.

Section 3.0 summarized the strategic, technical and financial assets mobilized by the Administration through the early stages of its tenure to achieve results. These capabilities have included centralizing authority in the project cycle; the enrollment of a wide range of expertise into the EST, and the deployment of special advisers, and agencies for rapid response and project monitoring. They have included many alternative approaches to handle irregular cash flows while maintaining implementation progress, such as the inventive use of project revisions, bills of quantity, design as you go, and fast-track approvals to contract variations and additions. Successful leveraging of the private sector was also central. A small army of consultants boosted the State’s technical and administrative capacity and contractors with the resources and willingness to deliver higher quality outputs were found. And, finally, the financial sector was enrolled by government agencies and contractors to handle risks, issue advance payment guarantees, and so on.

Section 4.0, The Project Management Cycle at Work in Edo, showed how the capabilities that systems exhibit is always asymmetric: that is, they perform better in some respects than in others. Many of these capabilities, in the hands of a different leadership and strategic team could be used for quite different purposes, at odds with the public interest. Thus, this delivery record also presents a number of challenges. Inadequate design is clearly a feature and something that the Administration is keen to fix. Gaps in early stages of the project cycle have impacted quality: for instance, of nine...
projects where drainage was relevant, four were judged to have inadequate drainage. Furthermore, the current PFM system—as it relates to spending on capital projects—is transaction-intensive, and is marked by highly variable unit costs, unpredictable completion times, and frequent and costly demands on the time and attention of senior officials. Some features, such as arrangements to pay engineering consultants, create perverse incentives for contractors and consultants to collude or otherwise act in ways that constrain the delivery of quality assets. Although procedures have been created to manage the local norms of social settlement, a long history of public disenfranchisement is not easily displaced. Relationships between contractors and communities are often fraught by contests over each actor’s perceived roles, responsibilities, and rights around projects where substantial public resources are being visibly spent.

Equally important is transitioning the positive elements of these systems to the next State Governor, and returning, over time, these functions and systems to the normal routines of the civil service. Experience elsewhere shows that these challenges, electoral transition and institutionalization, can be the Achilles’ heel of the kinds of political and executive systems that currently operate in Edo State.

But, perhaps most noteworthy is what the process of elaboration of this report has achieved. In seeking to weigh up both the strengths and weaknesses, the capabilities and deficits, the relationship between the Edo state authority and the World Bank has strengthened significantly and the Administration itself, keenly aware of its own weaknesses, is seeking support from a partner that it was once most wary of. As a result, Edo’s executive has asked the Bank help it move to “the next stage of its development,” a stage which moves beyond the challenge of immediate delivery and focuses on the need to institutionalize good public sector management to ensure the legacy of progress made. The Bank is well placed to now leverage this relationship through lending, policy and technical assistance to support the institutionalization of a delivery record. It is, perhaps, this process and the sequencing of the Bank’s entry points which provides the most relevant lessons for the Bank as it prepares to strengthen its innovations at the state level under its forthcoming Country Program Strategy. Other common factors worth bearing in mind as the Bank scales up its engagement around results at the state level include: the personality and background of the lead reformer (the Governor); the presence of a credible, high level technical team—in this case the EST—with competent experts under contract to the State and close access to the Governor; the need to expect change and transition and to adapt accordingly, and the challenge of the engagement for institutions like the Bank when faced with less than orthodox practices in terms of how design, costing, and quantities are handled, how contract liabilities and cash management are done, and how information is managed across a portfolio of investments that is rapidly growing in complexity.
In the case of Edo, based on this joint analysis and the strong relationship that has developed, the Administration is seeking the Bank’s support at two levels. First it is requesting support on its two main policy priorities—commercial agriculture for jobs and education and skills for youth. Both of these sectors face similar demands: how to select projects to optimize competing social, economic, and political priorities; how to procure and supervise contracts; and how to ensure the flow of funds, certify progress, and make payments in the face of stretched human and financial resources. Each effort will need to manage relations with citizens, whether they are directly connected to specific spending initiatives or the general public demanding opportunities for input and accountability for results. In other words, the realities highlighted here about how to organize for results in the roads sector are in some way or another directly applicable to development spending across this range of priorities.

Second, the Administration is also seeking the Bank’s support to ensure that its “delivery legacy” is embedded in strong institutions and that the many risks are addressed and merits embedded. The Bank has provided Edo with the first in a programmatic set of development policy loans, recognizing the state’s reformist strength and ability to deliver. The second loan is now under preparation and an investment loan, SEEFOR, is well placed to provide the needed investment to further this agenda.

While it is too early to pre-judge the direction that this will take, consultations between the study team and Edo officials during and at the conclusion of this study (September 2013) suggested some obvious areas for support including:

- Improved methods for determining the most efficient allocation of capital resources, to help discipline the earlier, more discursive process of weighing the political, economic, and social merits of competing proposed projects.
- Improved revenue forecasting, to lessen, amongst other things, the disconnection between annual budget allocations and actual project spending approvals, and to augment efforts to manage accumulated liabilities.
- Project design, including correcting the absence of effective Geographic Information Systems (GIS) capabilities that constrain the use of accurate geospatial data in project designs and more consistent approaches to quantities surveys and costing.
- Increased collection and usage of information on capital project liabilities to increase the effectiveness of centralized control and planning, while also enhancing cash management decisions.
- Revitalizing the role of the Fiscal Governance and Project Monitoring Office (FGPMO) including through developing protocols for project oversight, field asset inspections, and an integrated project management dashboard, such as the proposed ‘Edo Eagle Eye’ web application to support high level project management oversight.
- Expanding public access to project designs, implementation schedules, contractor and community obligations and settlement procedures, so as to reduce the volume of unanticipated disruptions—and increased costs—to project implementation.
- Formalizing and regularizing contract revision procedures, and reflecting these in infrastructure planning, design and management.
- Reducing opportunities for weak and comprised technical supervision as a result of consultant fee payments through contractor management systems, and sponsoring arrangements for supervising engineers to run independent testing (e.g., affiliated with COREN).
- Drawing lessons from the contractor community on best practice methods to achieve equitable and durable ‘community settlements’, so as to reduce high cost disruptions to implementation through ‘gaming’ the system.
- Consideration of ways to enhance audit processes, including the involvement of qualified engineers, revisiting the role of the Auditor-General’s Office in pre-audit functions.

The precise details of such a roadmap will need further discussion, however, and Bank teams will need to continue to innovate in order to follow strong state leadership and balance incremental and adaptive approaches that avoid overly ambitious or prescriptive reforms that are easily mimicked but which often fail to deliver results. In this sense, the case study is still unfolding as the Bank mobilizes to rise to its counterpart’s challenge to “help Edo move to the next level.” The next stage is unlikely to be any simpler and will involve intense dialogue where assumptions are challenged, plans adapted and a large dose of realism needed as Edo tries to prove that good performance can be institutionalized to its citizens.
Endnotes


2. Following a series of workshops involving officials from the Governor’s Economic and Strategy Team (EST), key State Ministries, Departments, and Agencies (MDAs), and Edo civil society groups, a method of working was mutually agreed upon before the study was conducted during the first half of 2013. The study team included 13 members from the Niger Delta Social Accountability (NDSA) project, officials and consultants from Edo State MDAs, and members of the Edo State Conference on NGOs (CONGO) and the Niger Delta Citizens and Budget Platform (NDCBP).


9. Edo Development Policy Credit is a three year, $225m program, the first year comprising US$75 mill (http://www.worldbank.org/projects/P123353/nigeria-edo-state-first-development-policy-operation).
