



## **INFRASTRUCTURAL DEVELOPMENT IN NIGERIA:**

### ***CHALLENGES FOR PRIVATE SECTOR PARTICIPATION AND THE WAY FORWARD***

### **Introduction**

Over the years, Nigeria has suffered poor infrastructural development, which has affected its economic growth. There have been many conversations around infrastructural development and several presentations of blueprints for mega projects by successive governments with little or no action in reality.

This paper reviews the regulatory framework and private sector participation in Nigeria's infrastructural development ecosystem and the challenges to Nigeria's infrastructural development. Although the recent coronavirus pandemic has deeply affected all the sectors of the economy, this paper proffers recommendations and attempts to chart a way forward for the infrastructure sector.

### **Regulatory Framework**

Infrastructures are the basic essential facilities and services that should be put in place for development. It facilitates and accelerates economic development, such that where there are no infrastructures, economic development and growth would be difficult to achieve<sup>1</sup>. Economic development or growth is virtually impossible without a thriving infrastructure sector. In view of this, it is essential to briefly analyze the regulatory regime around private sector participation in infrastructural development in Nigeria.

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<sup>1</sup> Fidelis O. Nedozi, Jude O. Obasanmi & J.A. Ighata (2014) Infrastructural Development and Economic Growth in Nigeria: Using Simultaneous Equation, Journal of Economics, 2014, Volume 5, Issue 3, 325-332,

There are a couple of regulatory frameworks for infrastructural development in Nigeria. We will highlight just a few.

i. **National Policy on Public-Private Partnership.**

The National Policy on Public-Private Partnership (PPP) sets out the steps that the government will take to ensure that private investment is used, where appropriate, to address the infrastructure deficit and improve public services in a sustainable way<sup>2</sup>. The Policy ensures that stakeholders get value for their money, and the government provides the enabling environment to market PPP projects and for same to thrive.

The Policy recognizes the various legal frameworks for PPP, including the Privatisation and Commercialisation Act 1999, Infrastructure Concession Regulatory Commission (Establishment) Act 2005, Fiscal Responsibility Act 2007, Public Procurement Act 2007, Public Procurement Laws and Public-Private Partnership Laws of various States, and other relevant legislation. The scope and application of the Policy extend to various sectors of the economy, including housing and transportation. The Institutional stakeholders include the Infrastructure Concession Regulatory Commission (ICRC), National Planning Commission (NPC), Ministries, Departments and Agencies (MDAs), Federal Ministry of Finance, Debt Management Office, Accountant General of the Federation, Bureau of Public Procurement, and Bureau of Public Enterprises.

ii. **The Infrastructure Concession Regulatory Commission (Establishment, etc) Act 2005**

This Act establishes the Infrastructure Concession Regulatory Commission (ICRC), which is the body responsible for implementing and monitoring concessions and other PPP projects. The Commission is charged with a clear mandate to develop the PPP guidelines, policies, and procurement processes. The Commission is expected to collaborate with the States to promote an orderly and harmonised framework for developing Nigeria's infrastructure and accelerate the development of a market for PPP projects.

In line with the Commission's mandate, the Federal Government of Nigeria has committed to ensuring that all contracts completed in compliance with the ICRC Act will be legal and enforceable and that investors will be able to recover their expected returns subject to compliance with the terms of the PPP contract.

The ICRC has the mandate to develop and issue guidelines on PPP policies, processes and procedures (including concessions) and act as a national centre of expertise in PPP.

**Private Sector Participation in Infrastructural Development in Nigeria - Public-Private Partnership (PPP)**

The wanton infrastructural deficit in Nigeria makes PPP a veritable option for infrastructural development in Nigeria. In the words of President Buhari:

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<sup>2</sup> <https://ppp.worldbank.org/public-private-partnership/library/nigeria-national-policy-on-public-private-partnerships>

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<sup>3</sup> National Policy on Public Private Partnership, page 1 at <https://drive.google.com/file/d/0BzaBhwB6XxLWNXE1Nmx-ZSkxqT3c/view>



*“...we also have a huge infrastructure deficit for which we require foreign capital and expertise to supplement whatever resources we can marshal at home. In essence, we seek public-private partnerships in our quest for enhanced capital and expertise.”<sup>4</sup>*

Nigeria has the necessary structure for PPP projects to thrive, considering that it is the largest black country globally, the leading destination for investment in Africa, and has the largest entrepreneurial population in Africa. Examples of infrastructure projects that have been built using the PPP model include the Garki Hospital Abuja, 26 Port Terminals, Domestic Airport Terminal, and 3 Major Hydro Power Plants, amongst others. However, it is important to note that Nigeria's infrastructural deficit requires a capital injection in excess of \$100 billion.

Flowing from the above, there are a number of infrastructural developments, specifically in relation to housing and transport that can be achieved using the PPP model. These projects include Bus Rapid Transit for cities, bus terminals, railway lines, container depots, deep seaports, water transport, residential housing estates, industrial and commercial mega-structures, and office complexes.

### **Factors militating against infrastructural development in Nigeria**

Nigeria has a population of about 206,802,324 , with 52.0% of the population (107,112,526 people) in urban areas, a population density of 226 per Km<sup>2</sup> (586 people per mi<sup>2</sup>), and a total land area of 910,770 square kilometres (351,650 sq. miles).



<sup>4</sup><http://www.icrc.gov.ng/assets/uploads/2018/01/Fastrack-infrastructural-development-The-PPP-imperative-for-Nigeria.pdf>

<sup>5</sup> As of Friday, August 21, 2020, based on Worldometer elaboration of the latest United Nations data. See <https://www.worldometers.info/world-population/nigeria-population/>



- i. The country has abundant natural resources, including one of the largest natural gas and crude oil reserves in Africa, over 300,000 square kilometres of arable land, and significant deposits of largely untapped minerals. The strong demographic growth with an improving age mix with a median age of 18.1 years, increased technological innovation, and fast urbanisation have all contributed to shaping Nigeria's future<sup>6</sup>. Despite the above, the following factors have impacted negatively on infrastructural development in Nigeria:
- i. **Corruption:** Nigeria has a long history of corruption, coupled with the systematic abuses of power, which have contributed to its inability to explore and exploit its natural and human resources. Nigeria is ranked the 146 least corrupt nation out of 180 countries, according to the 2019 Corruption Perceptions Index reported by Transparency International. The government has made efforts to fight corruption, but not much has been achieved in this regard. The Interim Management Committee of the Niger-Delta Development Commission (NDDC) was recently reported to have been ordered to refund N4.9 billion illegal payment, which said the fund was meant for infrastructural development in the oil-producing communities and States.
- ii. **Consolidation of past development efforts by successive governments:** Governments have abandoned several abandoned projects at various levels over the years. Conflicting ideologies and antagonism sometimes compound this issue by rival political parties who may take over the helms of affairs at the various levels.

<sup>6</sup> See Adekalu Balogun, "Infrastructure development in Nigeria: Better Late than Never" available on <https://www.pwc.com/ng/en/assets/pdf/infrastructure-development-in-nigeria.pdf>, accessed on 21st August 2020





- iii. Efficient utilization, effective management, and maintenance of facilities:** Some roads, railways, and structures constructed over time have been abandoned and poorly maintained. The lack of a proper maintenance culture has negatively impacted Nigeria's infrastructural development. This has ultimately hampered economic growth and development and negatively affected potential revenue generation for the government. For example, when Cross Rivers State's government constructed Tinapa, it was a world-class recreational facility and a project of envy by other States. However, in recent times, Tinapa has lost its glory and grandeur. There has been little achievement in the rail and water transport system despite the roads' unending congestions. Railways and watercourses are still areas that the government has not given critical attention to<sup>7</sup>. Development of these means of transport will facilitate the faster and easier movement of people and products, particularly goods from rural areas, ease the congestion on the roads, generate more income for the government, and reduce production costs.
- iv. Access to Credit Facilities:** It is imperative to point out that access to credit facilities is a critical requirement for infrastructural development. While some argue that the difficulty in accessing credit poses a challenge to infrastructural development in Nigeria, others say it is more of the project's bankability and not access to credit. This will be discussed further in the latter part of this paper.

- v. Inflation:** The high rate of inflation and the fall of the Naira coupled with the decline in the oil price pose a threat to the country's infrastructural developments in the coming future.

### **Recommendation for Infrastructural Development in Nigeria**

The desire for true patriotic leadership in Nigeria is most needed for ensuring sustainable infrastructure development. The Nigerian government must commit to providing good governance and ensuring public infrastructures are well protected, managed, and maintained. On-going and future developments should be closely monitored while ensuring that the projects are awarded on merits, and practical timelines are given and strictly followed for completion. The government should continue in its fight against corruption and addressing excessive spending in governance. Saved resources could be directed to providing infrastructures for the overall growth of the economy.

Also, government facilities should be appropriately managed and put into effective and efficient use. To this end, abandoned projects should be resuscitated, and less impactful projects, where necessary, should be curtailed. It is expected that PPP could be a viable avenue for securing the private partnership in the management of these projects. Furthermore, credit facilities for infrastructural projects should be made easily accessible with minimum interest rates. This will serve as a boost to investment and PPP in infrastructural projects.

PPP in infrastructural projects.

Finally, it will appear that the current standard PPP model of the various governments in providing land, while the private sector provides the finances, is not working in practical terms in Nigeria for several reasons,

<sup>7</sup> The Lagos State government has made appreciable progress in this regard. 21st August 2020

including political risks. Thus, for future projects, government would have to adopt a hybrid model, wherein beyond providing land and right of way, government would have to make a reasonable financial commitment to each project either as a take-off grant or equity and other forms, which would, in turn, reduce the cost of the projects on the private sector players and ultimately make the project more bankable. The government could also consider giving tax incentives, developing residential housing estates around the project locations, amongst other things. This will drive human traffic to those project areas and make the project more viable, practicable, feasible, and appealing to the private sectors.

## Conclusion

Infrastructure is key to economic development, particularly as it relates to the construction, management, and regulation of infrastructure projects. In spite of the various factors militating against infrastructural development in Nigeria, it is advised that the government, investors, lenders, and all the parties involved in project development commit to providing pragmatic and sustainable infrastructures that meet international best standards.

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