

Infrastructure Funding in Nigeria: Perspectives/ Insights for the Future

Keynote address by
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Outline

- Introduction
- Importance of Funding to Infrastructure Cost Management
- Factors Affecting Funding
- Conclusion and Way Forward



Talking Infrastructure



1.0

It is a great honour and privilege to present this keynote address at this professional conference of the Nigerian Institute of Quantity Surveyors. The importance of infrastructure to the economic well-being of any nation cannot be over-emphasised. Infrastructure development and economic growth are mutually-reinforcing, as infrastructure development plays a vital role in wealth creation.

The importance of infrastructure to national development is at the core of good governance and public welfare. Good infrastructure is critical to the overall development of the Nigerian economy, which in turn impacts the standard of living of the citizens. Good and sustainable infrastructure is needed in Nigeria not only to serve as a catalyst for economic growth, but also for the creative engagement of citizens and to generate national development. In summary, good infrastructure provides a platform for the socio-political transformation of the nation.



In the past few decades, the federal government of Nigeria has not been able to focus on infrastructure development at the scale required, due to dwindling resources, occasioned by poor economic development. The much talked-about public-private partnership is yet to gain traction in Nigeria, leaving the government to borrow from multilateral agencies such as The World Bank, African Development Bank, Japanese International Cooperation Agency, etc. In order to be able to repay these concessional loans for infrastructure development in the country, there is need for professionals in the NIQS to play their role in the diligent management of project funds from the multilateral agencies, as to be able to pay back the sums as and when due for sustainability.



To achieve this goal, members of the NIQS should be trained to be able to enforce the protocols of cost and project management that will ensure the diligent completion of infrastructure projects in Nigeria.



The multilateral institutions have been here with us since independence in 1960, and we have not been able to maximize the opportunity to enhance infrastructure development in Nigeria.

Let us at this junction look at some of the protocols of the multi-lateral institutions, and how to maximize our infrastructure development in Nigeria:

Multilateral development institutions are international organisations that provide financial assistance, typically in the form of loans and grants, to developing countries in order to promote economic and social development.



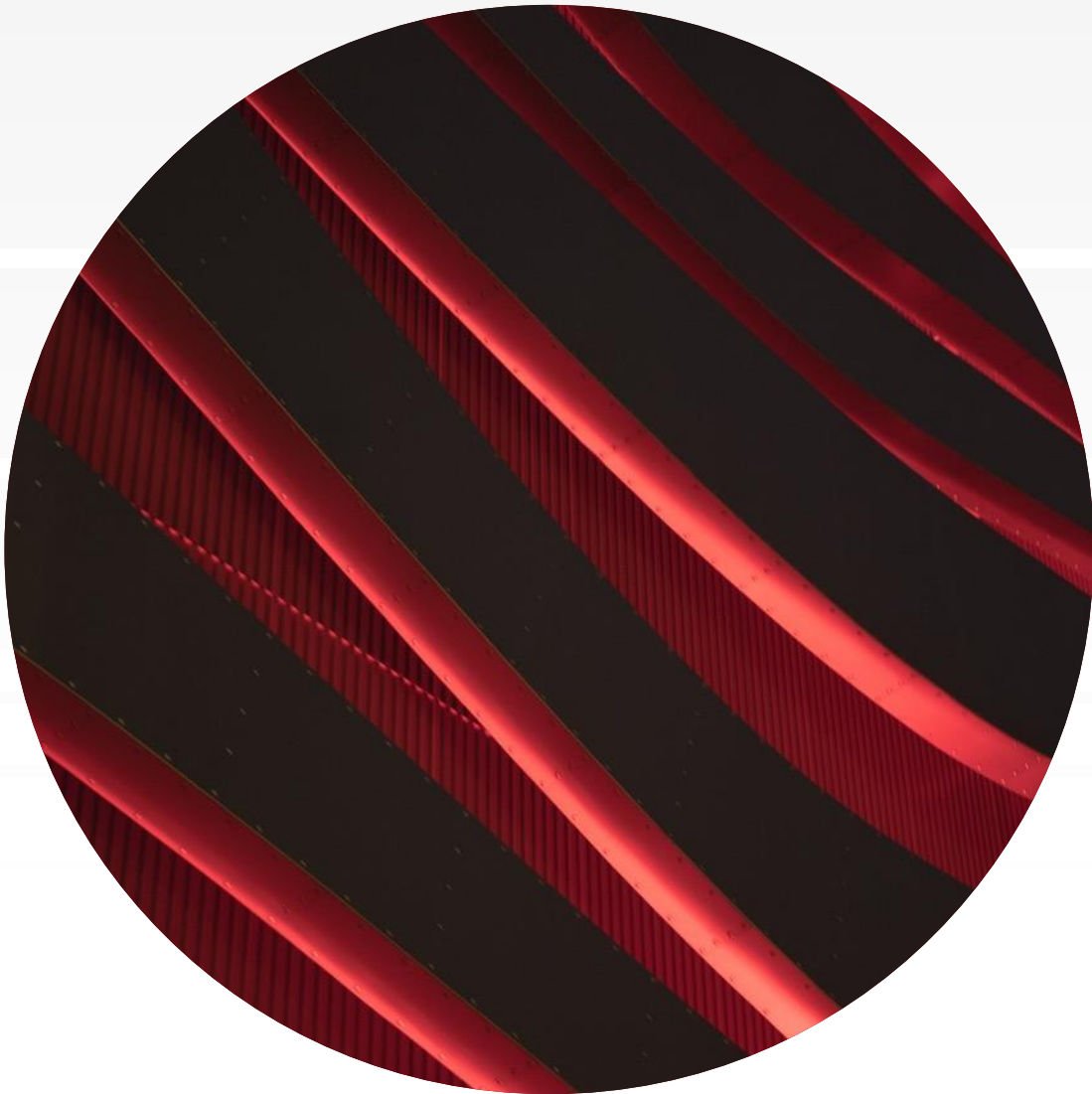
The notable institutions, include the following:

- World Bank (WB)
- International Monetary Fund (IMF)
- International Finance Corporation (IFC)
- African Development Bank (AfDB)
- Inter-American Development Bank (IADB)
- Asian Development Bank (ADB)
- European Bank for Reconstruction and Development (EBRD)
- Islamic Development Bank (IsDB)

Nigeria has been a major beneficiary of multilateral institutions funding since 1958, when, as a British Colony, the World Bank provided \$28 million to finance the modernization and expansion programme for the existing facilities of the Nigerian Railway Corporation and for extending the rail lines to the then-termed North-Eastern province of Bornu.

Therefore, funding is at the root of infrastructure cost management; without project funds there will be nothing to cost-manage anyway.





2.0 Factors Affecting Funding

There are challenges affecting multilateral institutions funding of public projects in Nigeria and these are being seriously and systematically addressed by past and present governments. Some of these challenges are discussed below:

2.1 Delays in Finalising Project Funding Framework Agreements

Due to the layers of government bureaucracy, infrastructure development programmes, which have been conceived, appraised and approved in principle, for implementation by multilateral institutions, get stranded in the Government approval or ratification process. As a result, the funding effectiveness for the implementation of desperately-needed public sector programmes and their associated sub-component projects, get delayed. In some instances a number of projects commenced some years after the actual multilateral institution's Approval-in-Principle was granted.

Arising from these delays are the attendant problems of increased infrastructure maintenance work backlogs, possible increases in the previously-estimated value of respective projects, increased project time-lapse and the non-full realisation of the development programmes' noble objectives. These affect the ability of multilateral organisations to initiate, implement programmes and achieve their disbursements, which ultimately dampens their desire to fund new public-sector programmes.

2.2 Identification and Selection of Candidate Projects

Prior to seeking multilateral institution funding, a detailed Needs Assessment ought to be undertaken by the respective beneficiary Government Establishments, which requires the funding, in order to assess the public need and fully articulate the objectives of the proposed programme(s). Based on the above assessment, a ten (10) year prioritization plan could be developed for implementation in phases.





Unfortunately, in some cases, due to lack of sufficient baseline data, relevant information sources, lack of experienced personnel etc programmes/projects, which have been designed to provide social and economic benefits to communities and funded by multilateral organisations, are poorly designed from concept stage. This affects the success of the development programme's desired objectives and in such situations, the achievement of such programme cannot be monitored, evaluated and verified, effectively, to ensure proper implementation and to serve as lessons for future programme conceptualization designs.

2.3 Institutional Capacity Problems

Successful implementation of any development programme is largely dependent on the project management, administration and technical skills of the implementing organisation, which is managing the development programme. This is extremely important, as all project management activities, from procurement to supervision, must be undertaken in a timely manner and in consonance with the respective approved project plans. As such, works undertaken by contractors must be checked, verified, signed off and submitted for payments in line with agreed project timescales, in order for the disbursements to be made as and when due.



However, where the Government implementing establishment is not ably equipped or does not have the capacity to handle the programme management requirements, projects, which were originally planned to be completed in 2 years, for instance, may take 5 or 6 years, due to lapses within the establishment. Ultimately, this will affect the confidence of the multilateral development institutions in the Government's capability to deliver Public-Sector projects.

2.4 Political Interference

Again, successful implementation of programmes and associated projects, funded by multilateral development institutions, are in some cases, affected by political interference, which manifests at different stages including, but not limited to, procurement of contracts, hiring of project implementation staff, location of projects etc. In some instances, projects are located in areas, which are outside the sphere of the development programme.



2.5 Counterpart Funding

Majority of the public-sector projects funded by multilateral institutions, require between 10% and 20% counterpart funding from the Federal Government. With some projects, the counterpart funds are required, mandatorily, to be in an escrow account, prior to the first disbursement from the lender.

Unfortunately, due to the Government budgeting cycle and budgetary allocation release process, counterpart funds may not be in place within the agreed period, thereby disrupting funding arrangements with multilateral institutions. In some cases, the Government run the risk of losing the opportunity to drawdown the much-desired funds to finance otherwise urgent development programme(s).

3.0 Conclusion and Way Forward

In order to surmount all these challenges and ensure better funding streams for desperately needed public sector projects, the Federal Government continues to seek the establishment of strong, result-oriented institutions, which can fully harness the best available industry strategies for delivering successful public-sector projects in a timely and cost-efficient manner.

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In the Road Sector, the Federal Government, through the Federal Ministry of Works, is driving the process of passing the Road Reform bills; namely the Federal Roads Bill and the National Road Fund Bill, on which I worked tirelessly when I served as Minister of Works (2011-2015). Specifically, the Federal Roads Bill is aimed at creating an appropriate and structured framework for the ownership, management, and development of our Federal Roads, as obtainable in other economies, with better quality and well-maintained road infrastructure.



A major highlight of the Bill is the creation of the Federal Roads Authority (FRA) to manage the Federal Roads network across the length and breadth of Nigeria, with an enhanced mandate that transcends road maintenance to include road construction, rehabilitation, road network planning as well as technical regulation of road asset designs and specifications.



“ Similarly, the National Roads Fund Bill, when assented, will create an independent fund that addresses inadequate, unpredictable, and irregular funding of the Roads Infrastructure. The proposed National Roads Fund involves the aggregation of a token fuel levy and other revenues, including tolls, derivable from road users directly to a fund managed by a Board representing users’ interests.

The Fund will be disbursed to the Federal and State governments for routine preventive maintenance through their road agencies, which must be established by law with a dedicated account for that purpose as required by the Bill. As part of the Fund mandate, funds could be raised from multilateral institutions for the management of the road networks of the country, in an efficient and effective manner.



It is the overall goal of the Federal Government to ensure that the above-discussed issues, associated with accessing multilateral institutions funding, are holistically addressed through strong performance-driven government establishments, as described in the previous paragraph. This, I believe, will enable the Federal Government to deliver the urgently required public sector infrastructure projects, through multilateral institutions' funding, in a sustainable manner.

I challenge members of the NIQS to be in the front-seat to ensure this paradigm becomes operative in our dear country.

I thank you all for your attention.





THANK YOU!



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