AfriHeritage Research Working Paper 2017-002

Alternative Financing for Infrastructural Development in Nigeria

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OCTOBER 2017

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October 2017

LIST OF ACRONYMS

Acronyms	Meaning
AFDB	African Development Bank
BADEA	Arab Bank for Economic Development in Africa
BDO	Build-Develop-Operate
BOF	Budget Office of Federation
BOLT	Build-Own-Lease-Transfer
BOO	Build Own Operate
BOOS	Build Own Operate Sell
BOOT	Build Own Operate Transfer
BOT	Build Operate and Transfer
BTO	Build-Transfer-Operate
CAO	Contract, Add and Operate
CBN	Central Bank of Nigeria
CIA	Central Intelligence Agency
CSFs	Critical Success Factors
DB	Diaspora Bond
DBFM	Design-Build-Finance-Maintain
DBFO	Design-Build-Finance-Operate
DCI	Development Corporation for Israel
DDI	Diaspora Direct Investment
DES	Diaspora Engagement Strategy
DMO	Debt Management Office
DOT	Develop, Operate and Transfer
EBID	ECOWAS Bank for Investment and development
ECOWAS	Economic Community of West African States
ERGP	Economic Recovery and Growth Plan
FDI	Foreign Direct Investment
FEC	Federal Executive Council
FG	Federal Government
FGN	Federal Government of Nigeria
FRA	Fiscal Responsibility Act
GDP	Gross Domestic Product
GKPMD	Global Knowledge Partnership on Migration and Development
IAP	Infrastructure Action Plan
ICRC	Infrastructure Concession Regulatory Commission
IDCU	Infrastructure Delivery Coordination Unit
IMF	International Monetary Fund
LROT	Lease, Renovate, Operate and Transfer
NASS	National Assembly
NBO	Nigerian Budget Office
NCEMA	National Centre for Economic Management and Administration
NDDIS	Diaspora Direct Investment Summit

NIIMP	Nigeria Infrastructure Master Plan
OFID	OPEC Fund for International Development
OPEC	Organization of the Petroleum Exporting Countries
PDMM	Primary Dealers Market Makers
PPP	Public-Private Partnership
PSP	Private Sector Participation
R&D	Reconciliation and Development
ROO	Rehabilitate, Own and Operate
ROT	Rehabilitate, Operate and Transfer
SA	South Africa
SEC	Securities and Exchange Commission
SLDBs	Sri Lanka Development Bonds
SSA	Sub Saharan Africa
UK	United Kingdom
US	United States
USD	United States Dollar
USSR	Union of Soviet Socialist Republics
VC	Venture Capital
WAIFEM	West Africa Institute for Financial and Economic Management
WB	World Bank
WBG	World Bank Group
WDI	World Development Indicators

TABLE OF CONTENTS

SECTION 1: INTRODUCTION

1.1 Background and Conundrum

From independence in 1960, Nigeria showed great potential of being a prosperous nation on account of its abundant human and natural resources. The outlook was further brightened by the emergence of huge oil reserves in the early 1970s. Consequently, a great deal of emphasis was placed by the government on the implementation of series of ambitious Development Plans aimed at ensuring rapid economic growth and development with massive infrastructure to be put in place in the process. Initially, at least up to the early 1970s, the overall economic performance was impressive as shown in changes in the major economic indicators. The rate of growth of Gross Domestic Product (GDP) for instance, averaged about 8.8 percent between 1970 and 1974[1]. The massive inflow of foreign exchange earnings mainly from improved petroleum prices as well as high rate of domestic and foreign investments in industry, construction and services helped to sustain the GDP growth rate at reasonably high levels. However, the agricultural sector which used to be the back bone of the economy in the 1960s, was neglected and consequently, its share in total domestic output dropped from nearly 60 percent in the 1960s to about 35 percent by 1975.

Nigeria despite her effort to provide decent infrastructure for her citizens across all policy regimes has seen these efforts collapse without tangible results. The country is faced with the challenge of reforming the public sector into an efficient and responsive instrument for service delivery but corruption and fraud are yet to be fought ruthlessly. Infrastructure decay have become synonymous with Nigeria and most other African countries because of the role the public sector is playing in its provision hence, the need to reverse and have the private sector empowered to become competitive and lead the growth process which will in effect have ripple effect that will help lift millions of Nigeria above poverty line. Indeed, the general value-orientation of an average Nigerian citizen need to be reformatted and reshaped to de-emphasize rent-seeking, over dependence on government for literally everything, and expectations of something from nothing and to promote hard work, entrepreneurship, discipline, honesty and respect for traditional values. This is the way to go for the gap in infrastructural across all sectors to be closed.

Infrastructure development is very critical to achieving human capital development in any society. The economic impact that infrastructure improvement has on any nation building cannot be over-emphasized as the growth of any country's economy hugely depends on the status of her infrastructure. The dearth of needed infrastructure in a given society places serious limitation on human capital development. It is, perhaps, in view of its crucial role to achieving rapid economic growth that advanced nations of the world commit huge investment to infrastructural development. J.F. Kennedy, a former President of the United States of

[1] Central Bank of Nigeria (CBN) Statistical Bulletin 2002.

America, USA, once put the relationship between infrastructure development and economic prosperity into a proper perspective when he affirmed that: “America has good roads, not because America is rich, but America is rich because it has good roads”.

According to the World Bank, every 1 percent of government funds well spent on infrastructure leads to an equivalent 1 percent increase in Gross Domestic Product (GDP), which invariably means that there is a strong correlation between any meaningful inputs in infrastructure development which reflects on economic growth, indices, hence, the value of infrastructure cannot be underplayed.

Infrastructural decay across the country needs to be reversed for the private sector to be not only empowered but to become competitive and lead the growth process. This will go a long way in lifting the weak and vulnerable groups who are almost 70 percent of the population based on the Harmonised Nigerian Living Standard Survey (HNLSS, 2012). Infrastructural development especially in the electricity and transport requires explicit sectoral strategies in other to have a clear link to agriculture, industry/SMEs; services (especially tourism, art and culture, and information/communication technology), oil and gas and solid minerals. That has implication for not only more power generation but also roads and rail (rehabilitation, maintenance and new ones) across the country. The current Minister of Power, Works and Housing in May, 2016 supporting the claim lamented that poor infrastructural deficit is a major crisis facing the country that has constructed about 28,980km out of the 193,200km total length of her road network in the past 55 years of its independence. Comparing the country with other countries in terms of number of kilometers of paved roads, statistical evidence shows that Nigeria has only 15 percent of her roads paved. See table 1 below for the comparison between Nigeria and other countries.

Table 1: Nigeria and other countries in terms of Paved Roads in Kilometres

Countries	Total Roads	Paved Roads	Non-paved	% of Paved Roads
Afghanistan	42,150	12,350	29,800	29.30
Algeria[2]	113,655	87,605	26,050	77.08
Brazil	1,580,964	212,798	1,368,166	13.46
Cameroon[3]	51,350	4,108	47,242	8.00
China[4]	4,577,300	4,046,300	531,000	88.40
Egypt[5]	137,430	126,742	10,688	92.22
Ghana	109,515	13,787	95,728	12.59
Indonesia	496,607	283,102	213,505	57.01
Iran[6]	198,866	160,366	38,500	80.64

[2] Includes 645 km of expressways
[3] There are 28,857 km of national roads in 2011
[4] Includes 123,500 km of expressways
[5] Includes 838 km of expressways
[6] Includes 1,948 km of expressways

Countries	Total Roads	Paved Roads	Non-paved	% of Paved Roads
Israel[7]	18,566	18,566	0	100.00
Ivory Coast[8]	81,996	6,502	75,494	7.93
Kenya[9]	161,452	14,420	147,032	8.93
Libya	100,024	57,214	42,810	57.20
Malawi	15,450	6,951	8,499	44.99
Mauritius[10]	2,428	2,379	49	97.98
Namibia	44,138	6,387	37,751	14.47
Nigeria	193,200	28,980	164,220	15.00
Russia	1,283,387	927,721	355,666	72.29
Rwanda	4,700	1,207	3,493	25.68
Senegal	16,496	5,957	10,539	36.11
South Africa	747,014	158,952	588,062	21.28

Source: Central Intelligence Agency (CIA) – The World Factbook

The above table shows that countries such as Libya, Malawi, South Africa, Senegal, Indonesia and Afghanistan though have less than 70 percent of their roads paved are still by far better than Nigeria while countries like Mauritius (97.98 percent), Egypt (92.22 percent and Algeria (77.08 percent) all in Africa are competing to have almost all their roads paved.

Aside roads, Nigeria is not faring better in other core transportation infrastructures like rail and air. Figure 1 below shows that rail lines (total route in kilometres) are flat since 1980. In fact, available statistics from the World Bank World Development Indicators show that rail lines implying the length of railway route available for train service, irrespective of the number of parallel tracks increased from 3,512km in 1980 to 3,747km in 2016 about 6.69 percent increase which means that the country in the last 36 years were able to add only 235km of rail lines. This addition did not take cognizance of unusable rail lines across the country and those under repairs. This in essence implies that Nigeria may have less than 3,512km which she had in 1980.

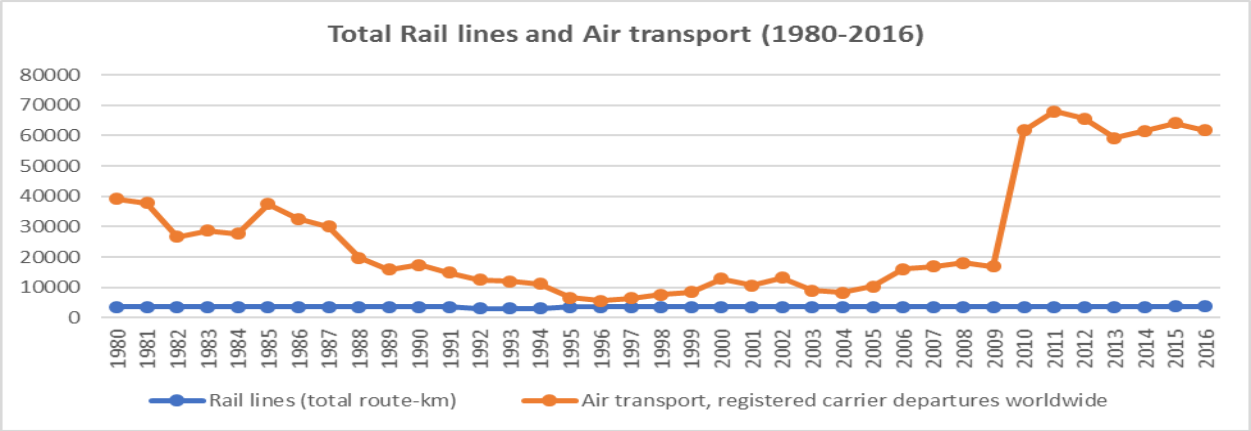
[7] Includes 449 km of expressways

[8] Includes intercity and urban roads; another 20,000 km of dirt roads are in poor condition and 150,000 km of dirt roads are impassable

[9] 8,500 km highways, 1,872 urban roads, and 4,048 rural roads

[10] Includes 99 km of expressways

Figure 1: Total Rail lines and Air transport in Nigeria for the period 1980-2016

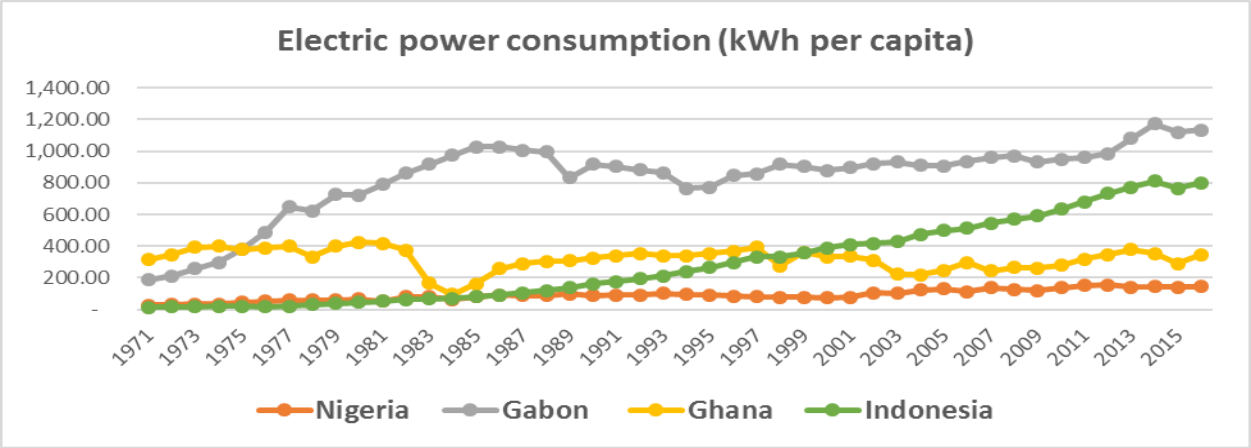


Source: Computed from World Development Indicators (WDI)

Although data on air transportation seem to increase by over 57.8 percent, that do not show a tremendous improvement when compared to other neighbouring countries. It is equally noteworthy from the above figure that this indicator dropped from 1985 and just increased in 2009 and has since started another dive downwards in 2015. Also, the absence of significant private intervention in the transportation roads and rail is something to worry about.

The very low productivity or non-competitiveness of the private sector and the lack of diversification of the economy are due mainly to the hostile business environment especially the infrastructural environment. The constraints have been noted to include: infrastructure deficiencies; poor security of lives and property; corruption and rent-seeking; low access and high cost of finance; weak institutions; ill-defined property rights, enforcement of contracts, and unstable macroeconomic policies especially fiscal and trade policy. Although these conditions seem to improve slightly since the return to democracy in 1999, there are still significant obstacles to be addressed in all forms of infrastructures. Critical to the growth performance of any economy is improvement in her power (energy) that will lead to general reduction in the cost of doing business and more conducive investment environment, including security of lives and property. High growth expected in the primary and secondary sectors, particularly agriculture, manufacturing and solid minerals can only happen at a sustainable rate when sustainable power (energy) is available. Figure 2 below shows a country like Indonesia which was below Nigeria in the early 1970s with regards to electricity power consumption per capita has not only surpass Nigeria but has more than 700 percent increase in electricity power consumption per capita by 2016.

Figure 2: Electricity Power Consumption (KWh per capita) for the period 1971-2016



Source: Computed from World Development Indicators (WDI)

Nigeria at 28.57kWh per capita was better than Indonesia with 14.35kWh per capita in 1971 but as at 2016, Nigeria's electricity power consumption per capita stood at 144.4kWh per capita as against 801.95kWh per capita for Indonesia. The figure further suggests that countries like Ghana and Gabon, all have electricity power consumption per capita than Nigeria over the last four decades. Unfortunately, Nigeria in 2006 pumped in about US$15 billion in the power sector for generation of thousands of megawatts of electricity without neither success nor culprits to show for it.

Every growing economy will be rationalized to give priority to health, education, agriculture, power supply and the maintenance of infrastructure projects that have high linkage effects with other projects and those that will generate employment at minimal cost. In most cases such economies introduce a sunk cost technique to examine the economics of ongoing/abandoned projects while rigorous project selection criteria are imposed on new projects including the need to ensure funding of such projects to completion. In a multi-layer country like Nigeria with the federal, state and local governments all working to produce better infrastructure, there is always the need to have synergy and avoid duplication of projects in the face of available inadequate funding. Such requires that the structure of the economy will pay attention to the relative competitiveness of Nigeria with countries at similar level of development with whom Nigeria has to compete for Foreign Direct Investment (FDI) by finding out what these countries have which are lacking in Nigeria. This helps in the process of adjustment for cost of doing business due to poor infrastructure that generally is expected to stimulate private investment in the real sector which must be a priority of any country with rational leaders.

When the Nigerian government adopted the Structural Adjustment Programme (SAP), the Government began to withdraw from the commanding heights of the economy through privatization, liberalization and deregulation. The adoption of SAP, initially for two years (July 1986 - June 1988), was the major reaction to the dwindling oil resources, macroeconomic policy distortions and the increasing need to diversify the production base of the economy. The

economy also witnessed a number of policy reversals between 1988 and 1989 in an attempt to cushion the adverse effects of the belt-tightening measures implemented in 1986 and 1987. Consequently, some of the gains of economic adjustment in those two years were gradually eroded and infrastructure provisions were not a major part of the deal though SAP aimed at improving the overall private sector performance.

Several policy changes under SAP also took place between 1986 and the early 1990s, designed to restructure and diversify the productive base of the economy in order to increase efficiency and reduce dependence on the oil sector. In addition, there was the need to achieve fiscal and balance of payment viability, to lay the basis for sustained economic growth, to improve the efficiency of public sector investments and to concentrate government efforts on increasing the growth potential of the private sector. These policy reforms were generally in the areas of exchange rate, foreign trade policy, banking and financial sector policy reforms, as well as commercialisation and privatisation of government owned companies and parastatals.

National Centre for Economic Management and Administration (NCEMA) (2005) noted that despite the programmes and policies put in place, the SAP brought few tangible benefits to the people through ineffective corporate governance, the distortions of continued government interventions especially in infrastructure and the lack of government part to carry the various stakeholders[11] in the design, implementation and execution of programmes hence, the overall effect of this non-action by various stakeholders is the increased level of poverty in Nigeria while the access to basic social services such as health, education and employment opportunities was reduced with dwindling economic fortunes.

In a similar vein, Soludo (2002) opined that the Berg Report and all the SAP policies implemented at the behest of the Breton Woods Institutions (BWIs)[12] in developing countries have as their intellectual precursor the ascendancy of the "new classical economics" and the principle of "monoeconomics" as the dominant paradigm for diagnosing economic problems and prescribing solutions. Also, as Mkandawire (1989:5–6) observed, "the neoclassical interpretation is based on the theoretical and empirical corpus of work that essentially derives from a set of theories on the efficacy of the market system in resource allocation." Its major principle is that of "monoeconomics" by which it insists on the universality of rational economic

[11] In particular, all stakeholders have been ignored in the core areas that involved them and thus, these had led to opposition to government's continued programmes. The continued absence of progress is the consequences of non-interactions between the government and the various stakeholders within a particular programme. There has been no capacity for decision-making including policy dialogue with other stakeholders. Also, the continued usurpation of democratic power by the military, which has spanned a cumulative period of 28 years, led to a supplanting of constitutional provisions by military decrees and engendered a culture of executive highhandedness and human rights abuses. The development of democratic institutions – the executive and the legislative arms of government, the judiciary, the media, and the civil society organisations- has been stunted. In particular, the Nigerian civil society remains relatively weak and fragile in terms of structure and organisation, and it has been susceptible to being ignored in the scheme of policy issues.

[12] The World Bank Group (WBG) and the International Monetary Fund (IMF).

behavior and the existence of marginal substitution possibilities in production and consumption.

The inability of SAP and the policy regimes that followed to achieve its stated objectives has been attributed to many other factors, prominent among which were: its short time-frame and poor sequencing of its reform measures; poor implementation of policies; as well as policy instability and lack of political will. Implemented along with the Structural Adjustment Programme were palliative measures, popularly called the *Social Dimensions of Adjustment,* meant to cushion the adverse effects of the reform. Like SAP, their implementation suffered from many weaknesses and consequently had negligible effects on the poverty, inequality and the overall infrastructures. The result of these policy regimes was a derailment from the infrastructure focus adopted during the development plans era and the economy is yet to recover from that because somehow, the focus of every policy regime has somehow noted that infrastructure is critical but yet nothing tangible has been done with much of the country's fund wasted.

A telling indictor was the result of the report of the Abandoned Projects Audit Commission set up by the then President, Goodluck Jonathan in 2011 which has an estimated 11, 886 federal government projects that have been considered abandoned in the past 40 years across the country revealed by a University don[13] while delivering the Federal University of Technology, Akure 24th Convocation Lecture titled, 'Technology and Human Development'. The expert attributed this situation as lack of a functional steel complex anywhere in the country which has made it impossible for Nigeria to achieve any meaningful technological growth and predicted that this may persist to the year 2020 since there is none in sight. The country's backwardness in technological development and the abandonment of the multi-billion dollar Ajaokuta Steel Complex and other federal government owned steel firms across the country has been blamed on sharp practices by corrupt leaders.

Let's recall that in 1979, the federal Government of Nigeria under General Olusegun Obasanjo, signed a global contract that was opened to bidders from all over the whole world. The then leaders of the country believed then that without a functional steel industry, there can be no industrialization and no material with which to build infrastructures. The contract was signed with TyajzPromExport of the then Union of Soviet Socialist Republics (USSR) for the establishment of the Ajaokuta Steel project. The date of completion in the contract was 1986 but until this date the project was never completed due to several factors including policy inconsistencies and massive project corruption for which no one was ever punished.

In 2016, a Bill for the amendment of the Public Procurement Act has been introduced to the National Assembly (NASS) to address issues of abandoned projects among others. This is because, today Nigeria has more than N5 trillion worth of abandoned projects. This revelation was made when the Senate Committee on Procurement convened a one-day public hearing on

[13] Kole Omotoso, Founder of the Africa Diaspora Research in Charis Complex, Centurion, South Africa, http://www.premiumtimesng.com/news/108450-about-12000-federal-projects-abandoned-across-nigeria.html

May 26, 2016 to amend the Public Procurement Act of 2007. At the meeting, the immediate past Director-General of the Bureau of Public Procurement revealed that the number of government projects abandoned across the country now stood at 19,000. The trend has obviously been on the rise[14]. "If gold rusts, what will iron do?" as queried by the sage quip and in this wise, with more than a hint of propriety, for if indeed such a monumental number could be chalked up to the projects abandoned by the Federal Government (FG), a fortiori, the state governments must be faring a lot worse.

It is a pity that the poor infrastructure situation in the country is happening when the country amassed much through the sale of oil and gas. According to Eboh (2017), Nigeria, over the last seventeen years, has recorded huge earnings from the petroleum industry, but had been unable to utilize the funds to improve the lives of its citizens, neither has the country used it to develop the economy and her infrastructure[15]. Eboh (2017) maintained that data compiled from the Central Bank of Nigeria (CBN), showed that Nigeria earned N77.348 trillion from the oil and gas industry from 1999 to 2016. Analysis of the various oil and gas earnings showed that the country recorded gross oil revenue of N77.348 trillion over the 17-year period (1999 to 2016) while after various deductions, net oil revenue over the same period stood at N41.038 trillion. Ironically, despite the huge resources earned from petroleum, the country has nothing concrete to show as she is besieged with inadequate infrastructures, epileptic power situation, low foreign exchange reserves, low savings and an abysmally low standard of living.

1.2 Objective of the Study

The major objective of this study is to critically analyse different and alternative scenarios that Nigeria as a country can utilise to finance infrastructure across the country. Scenarios to be analysed include: loans (domestic and foreign); as well as Public Private Partnership (PPP).

1.3 Methodology

This study is a desk research. All information and data presented and analyzed are secondary in nature from different national and international sources. These sources include: The Central Bank of Nigeria; The Budget Office of Federation; Debt Management Office (DMO), African Development Bank (AfDB), The World Bank Development Indicators (WDI), the Central Intelligence Agency – The World Factbook, relevant extant Laws and Policies, newspapers articles, studies by other authors on the subject, etc.

[14] Obiezu, Kenechukwu (2017). Legacy of abandoned projects, published by Blue Print on January 13, 2017.

[15] Eboh M. Vanguard September 05, 2017. @ https://www.vanguardngr.com/2017/09/nigeria-earned-squandered-n77trn-oil-revenue-17-years/,

SECTION TWO: BRIEFS OF MAJOR EXTANT LAWS AND POLICIES ON INFRASTRUCTURAL DEVELOPMENT AND EXISTING MODELS OF PUBLIC-PRIVATE PARTNERSHIP (PPP)

2.1 Introduction

This section looks at the enabling extant laws and policies that support infrastructural development in Nigeria and the strategies recommended by these extant laws and policies to see if they are adequate for a developing country like Nigeria. It also presents various efforts to use these instruments to provide infrastructure for the country.

2.2 The 1999 Constitution of the Federal Republic of Nigeria as Amended

The 1999 Constitution of the Federal Republic of Nigeria as amended being the Grundnorm though do not talk about infrastructure directly but implied the issue of infrastructure provisions thus: Section 14 (2) (b) of the Constitution of the Federal Republic of Nigeria 1999, (as amended) states that the security and welfare of the people shall be the primary purpose of government. Likewise, Section 16 (1) (a) and (b) of the same constitution provides that; the state shall harness the resources of the nation and promote national prosperity for an efficient, dynamic and self – reliant economy. It further states that the state shall see to it that the national economy is run in such a manner as to ensure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity. By subsection 2 (c) of S. 16, the state is to ensure that the economic system is not operated in such a manner as to permit the concentration of wealth or the means of production and exchange in the hands of a few individuals or of a group.

Being able to achieve the above provisions of the Constitution requires basic and standard infrastructure across the country. Such infrastructure must also be maintained regularly and their location must be such that promotes equity and fairness. Therefore, if infrastructure is skewed to benefit some sections of the society through distorted allocations or done in such a way that a particular section of the society benefits more than others, the result becomes a divide and production of different classes within the society which violates the above provision.

2.3 Infrastructure Concession Regulatory Commission Act (2005)

This Act noted that infrastructure at the Federal level cannot be done by the Federal Government of Nigeria (FGN) alone hence made provisions for how the private sector can be part of infrastructure provisions, reconstruction and rehabilitation. The act therefore, highlighted that if any Federal Government Ministry, Agency, Corporation or body involved in the financing, construction, operation or maintenance of infrastructure, by whatever name called, may enter into a contract with or grant concession to any duly pre-qualified project proponent in the private sector for financing, construction, operation or maintenance of any infrastructure that is financially viable or any development facility of the Federal Government in accordance with the provisions of the Act.

The infrastructure concession Regulatory Commission Act (2005) further provided for a Regulatory Commission and contained detailed procedure for the Government arrangement with Private Sector for construction, maintenance of Federal Infrastructures. It also detailed procedure on the following: Priority Projects; Guarantee on Concession Agreement; Competitive Public bidding for projects and contracts; Circumstances where competitive bidding for contracts may not be necessary; Duration of Concession; Recovery of Investment; Authentication of Project cost; Establishment of Special Account; Power to inspect by the Commission; Arbitrary variation of agreements; as well as Supervision of Project under concession. The Act has a limitation in that it does apply to investment and development projects relating to any infrastructure of any Federal Government ministry, agency, corporation or body. This Act has no provision for the state and local levels infrastructure which constitute the bulk of infrastructure in Nigeria.

2.4 Public Procurement Act (2007)

The Public Procurement Act was enacted in 2007 with defined Rules, Methods, Processes and Procedures by which Government Institutions are mandated by law to use to acquire goods, services and works using public funds. The Act among other things is expected to do the following:

- Ensure timely delivery of goods and services and completion of projects. – By Planning.
- Ensure sound financial management by achieving value for money in the organizations' expenditure – By Competitive Participation.
- Reduce corruption - By Ensuring Transparency and Fairness in the Procurement Processes.
- Encourage private sector growth and investment – By Open Competitive Bidding Process.

The act is also expected to do other things such as: harmonize the processes of public procurement in the public service; secure a judicious, economic and efficient use of state resources. i.e. Procuring (the right quantity; at the right price; from right supplier; and to be delivered to the right place and at the right time); as well as to ensure that public procurement is fair, transparent and non-discriminatory. In summary, the Public Procurement Act (2007) was enacted to provide a procurement oversight institutions established to regulate the practice of public procurement within governance and the participation of private sector actors such as contractors and consultants. The component of investment through Public Private Partnership (PPP) was not considered in the Nigeria's PPA (2007)

2.5 Nigeria Infrastructure Master Plan (NIIMP)

In July 2012, the then President Goodluck Ebele Jonathan, approved that the National Planning Commission coordinates the preparation of a National Integrated Infrastructure Master Plan (NIIMP) for the country. The Plan which was validated on July 10, 2014 was to be implemented over a period of thirty years (2014 – 2043). The NIIMP as it was written, adopted a coordinated approach to its development and will among others, address lack of linkages in the infrastructure sector. The ratified thirty-year NIIMP was estimated to cost N485 trillion and was

seen as a document which is to serve as blueprint for accelerated integrated infrastructure development in the country, was also endorsed at the Federal Executive Council (FEC) meeting.

NIIMP was in line with global trends in infrastructure development as countries that have adopted NIIMP include Malaysia, India, Singapore and China. Apart from generally supporting the growth of the national economy, the adoption of NIIMP in those countries has been accompanied by a remarkable private sector inflow of investment for infrastructure development. The NIIMP has also been known to enhance competitiveness of the countries where it was adopted. As part of the expected benefits, a prioritized project and programmes whose implementation will address current deficits in infrastructure in the country emerged from the Plan. The National Planning Commission in collaboration with the Infrastructure Concession Regulatory Commission (ICRC) developed a Framework for the NIIMP. Such collaboration consulted with key stakeholders in the infrastructure sector and in the process harvested ideas to enrich the framework. Thereafter, the working groups on various thematic areas of infrastructure were inaugurated before they commenced activities.

NIIMP never fully took effect under the Jonathan's administration as stipulated that Nigeria will need an average of 25 billion dollars per annum for the next five years to sustain a robust economic growth. It should be noted that the initial five-year operational period (2014-2019) of the plan has an investment portfolio of N26.9 trillion ($166.1 billion) in order to deliver priority infrastructure projects across the country but in practice the capital budgets neglected the NIIMP recommendations and had N1.1 trillion in 2014 which further came down to N558.03 billion in 2015 without any strategic private sector component. This was at variance with NIIMP projections which stated that to fund the infrastructure needs of a growing economy over the 30 years, the country would need to spend above three trillion dollars to close its infrastructure deficits in core asset classes.

In 2017, the Ministry of Budget and National Planning is reviewing the National Integrated Infrastructure Master Plan (NIIMP 2014-2043) to ensure its successful implementation. NIIMP is Federal Government's blue print for building world class infrastructures required to grow the economy, enhance quality of lives of the citizens, create jobs and improve the country's global competitiveness.[16] Unfortunately, the Ministry of Budget and National Planning which spearheaded the document acknowledged that infrastructure development in Nigeria is currently hindered by multiple legislative challenges, which hinder capital inflows and obstruct private sector involvement. A recent report in the official website of the NIIMP stated that "in total, changes will be required in about 20 different legislations" to enable successful implementation of the plan.

However, the umpire of NIIMP is yet to draft a bill for the NIIMP to be approved by the National Assembly. In anticipation of the launch of the plan, the Ministry in 2014, created an Infrastructure Delivery Coordination Unit (IDCU) headed by a senior staff, Mr. David Adeosun,

[16] https://www.vanguardngr.com/2017/07/fg-reviews-infrastructure-integrated-master-plan/

for the implementation of the NIIMP. The Unit was to take charge of; master plan monitoring and evaluation, programme management and development, communication and capability building, projects support and private sector investment, support high-priority projects and attract private sector investment. On why the Federal Government failed to initiate a legal backing for the plan, the Head of the Infrastructure Delivery Coordination Unit (IDCU), Mr. David Adeosun, told Daily Trust[17] that the issue of drafting a bill to give the document a legal backing was not finalized. The issue of legalising a plan was neither here nor there because it is difficult to legalise a living document. A document that is not sacrosanct and a document that will be reviewed as new things happen. These comments suggest that the NIIMP may not be entirely adopted by the current administration. This in effect suggests that NIIMP is not a policy document that the current administration is ready to start implementing.

2.6 Public-Private Partnership (PPP) Models Nigeria can use to boost Infrastructure

According to Investopedia[18], Public-private partnership (PPP) between a government agency and private-sector company can be used to finance, build and operate projects, such as public transportation networks, parks and convention centers. Financing a project through a public-private partnership can allow a project to be completed sooner or make it a possibility in the first place. A Public–Private Partnership (PPP) therefore, is a cooperative arrangement between two or more public and private sectors, typically of a long-term nature. Governments have used such a mix of public and private endeavors throughout history.

Investopedia[19] continued to suggest that PPPs have contract periods of 25 to 30 years or longer. Financing comes partly from the private sector but requires payments from the public sector and/or users over the project's lifetime. The private partner participates in designing, completing, implementing and funding the project, while the public partner focuses on defining and monitoring compliance with the objectives. Risks are distributed between the public and private partners according to the ability of each to assess, control and cope with them.

The World Bank[20] view PPPs as mechanism for government to procure and implement public infrastructure and/or services using the resources and expertise of the private sector. Where governments are facing ageing or lack of infrastructure and require more efficient services, a partnership with the private sector can help foster new solutions and bring finance. The World Bank futher opined that PPPs combine the skills and resources of both the public and private sectors through sharing of risks and responsibilities. This enables governments to benefit from the expertise of the private sector, and allows them to focus instead on policy, planning and regulation by delegating day-to-day operations.

[17] https://www.dailytrust.com.ng/news/general/fg-dumps-n398tr-infrastructure-master-plan/154662.html
[18] http://www.investopedia.com/terms/p/public-private-partnerships.asp
[19] Read more: Public-Private Partnerships http://www.investopedia.com/terms/p/public-private-partnerships.asp#ixzz4xkeMSNqk
[20] https://ppp.worldbank.org/public-private-partnership/about-public-private-partnerships

In order to achieve a successful PPP, a careful analysis of the long-term development objectives and risk allocation is essential. The legal and institutional framework in the country also needs to support this new model of service delivery and provide effective governance and monitoring mechanisms for PPPs. A well-drafted PPP agreement for the project should clearly allocate risks and responsibilities.

In Nigeria, different PPP models have been advocated and some have either been used or in the process of it being used. These PPP models applicable to Nigeria include but not limited to the following:

2.6.1. Build, Operate and Transfer (BOT)

Infrastructure development is a requirement for any country to function efficiently in the business circle especially in the global network. The Build, Operate and Transfer (BOT) model is mainly used as a development investment model to build infrastructures in an economy. It is the most popular of all PPP models. It is a particular form of PPP initiative to address infrastructure needs of the economy and also an outsourcing option of public projects to private sector to take charge of the design, finance, construction and operation of the facility under a concession agreement (Kashef, 2011). Thus, BOT is defined as a form of project financing, wherein a private entity receives a concession from the private or public sector to finance, design, construct and operate a facility stated in the concession contract.

Llanto (2008) defined BOT as an approach where a private party or concessionaire retains a concession for a fixed period from a public party, called principal (client), for the development and operation of a public facility. The development consists of the financing, design and construction of the facility, managing and maintaining the facility adequately and making it sufficiently profitable. A concession is a long term right granted to a concessionaire to use all utility assets conferred on the concessionaire, including responsibility for operations and some investment. Asset ownership remains with the authority (government) and is reverted to the authority at the end of the concession period, including assets purchased by the concessionaire. In a concession, the concessionaire typically obtains most of its revenues directly from the consumer and so it has a direct relationship with the consumer. A concession covers an entire infrastructure system (so may include the concessionaire taking over existing assets as well as building and operating new assets). The BOT model also gives the firms, who invest in developing countries, the opportunity to transfer their technological infrastructure and experience. Knowledge, experience and technological infrastructure, which are important factors in the development of these countries, form a great advantage as a different reflection of the investment made.

In a BOT framework, the host government grants a right to a consortium of private investors or companies to finance an infrastructure project. The investors build, construct and operate for an agreed period of time (to cover the cost and make profit) and eventually transfer the ownership of the project to the government without extra charges (Nourzad, 2009; Acar, 2009 and Kashef, 2011). In a BOT approach, "…a private party or concessionaire retains a concession

for a fixed period from a public party, called principal (client), for the development and operation of a public facility" (Menheere and Pollalis, 1996).

In Nigeria, just like every other country, the traditional role of government is to provide infrastructures to attract investment and facilitate trade within and across boarder. For this purpose, infrastructure development takes a large chunk of the national budget in an annual basis. In Nigeria, over 30 percent of annual consolidated expenditure[21] is spent on infrastructures like transport, road construction, power generation, etc. In order to meet with this requirement most times government at all levels resort to borrowing. In 2016 federal budget, about 30 percent (N433.3billion) of the entire budget was allocated to infrastructure, in particular works, housing and transport. At the same period in question, government borrowed over N2trillion to finance budget deficit. This should not be so especially as the country is experiencing capital crunch. Llanto (2008) suggested that during a period of budgetary constraints in an economy when discretionary spending of the national budget is either cut or maintained in peso term, the delegation of a government infrastructure project to a concessionaire is especially helpful. This was futher corroborated by Acar (2009) who in his words stated that BOTs are not burdens to national budgets because due to its outsourced nature. In the same vein, Kashif (2011) opined that the BOT model is unique because of the financial structure and operation stated in the concession and most importantly, both technical and financial risks are borne by the private sector. The BOT model is aimed at increasing the contribution share of the private sector in the infrastructure investments.

The BOT model is a method used in countries where the free market economy has not been entirely formed, in order to encourage private entrepreneurs (Kashef, 2011). The basic aim of this method is to open certain services, which require great capital, to foreign capital especially in terms of countries suffering capital shortage. There are stages of BOT. Llanto (2008) identified two parts of the BOT- pre-and post-concession activities. In the first part of the process, a feasibility study is done and then a consortium is awarded the concession to build and operate the facility. In the second part, the concessionaire starts to implement the project by obtaining the necessary requirements, designing the facility and constructing it. The facility is then used to generate revenues for the concessionaire and, after a specified period, transfers the ownership of the facility and its assets to the host government. Kashef (2011) recognized five phases of a BOT project. These are preliminary qualification evaluation phase, tendering phase, concession award phase, construction phase, operation phase and finally, the transfer phase.

Many authors identified different Critical Success Factors (CSFs) for a BOT model but from the body of literatures reviewed, CSFs apply to different projects. Nonetheless, a summary of major CSFs include: Strong private consortium, appropriate risk allocation and risk sharing, competitive and transparent procurement process, commitment/responsibility of

[21] Consolidated expenditure refers to the expenditure of the three tiers of government (Federal + States + Local Government Councils)

public/private Sectors, thorough and realistic cost/benefit assessment, project technical feasibility, good governance and political support, shared authority between public and private sectors, favourable legal framework, technology transfer and sound economic policy (Kashef, 2011; Qiao *et al.,* 2001; Jefferies et al., 2002; Bennett, 1998; Kanter, 1999).

Evidence from body of literatures showed that BOT has been very effective for the realization of public structure services and infrastructure development in most developing countries. In Turkey where the acronym – BOT was first coined by the Turkish Prime Minister Turgut Ozal in 1984, the model was used to construct aerodrome terminal buildings. According to Acar (2009) the model was used to reconstruct, modernize and improve six (domestic and international) airports in 2003. Such large scale public investment would not have been achieved in Turkey whose resources were limited and insufficient if not for this alternative investment model.

Due to the weak fiscal position of the Philippine government in the early 90s, it sought private sector support in carrying out priority infrastructure projects. As a result, the BOT law (otherwise known as Republic Act) was enacted in 1990. It was an Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for other purposes (Llanto, 2008). The Philippine government was the first country in Southeast Asia to enact a BOT law and they used it in road and airport terminal construction. The Ninoy Aquino International Airport (NAIA) Terminal 111 was a BOT project with capacity of 13 million passengers per year or 33,000 passengers daily at peak or 6,000 passengers per hour. Based on design, it has the following features: a 4-level shopping mall connecting the terminal and parking buildings; a parking building with 2,000-car capacity and outdoor parking which can accommodate 1,200 cars; 34 air bridges and 20 contact gates with the ability to service 28 planes at any given time; 70 flight information terminals; 314 display monitors, with 300 kilometres of fiber optic I.T. cabling; 29 restroom blocks; five entrances in the departure area equipped with X-ray machines; and 7 large baggage carousels, each with individual flight display monitors. The project was done under the PairCargo Consortium.

But, due a change in government and political intervention, the BOT contract was annulled after 98% of the terminal was completed. The claim for the expropriation of the project from the concessionaire was that there was a violation of the BOT law. However, the construction of Manila North Tollways-North Luzon Expressway was successfully completed (Llanto, 2008). Some of the BOT challenges include government incapability of identifying and preparing projects for competitive bidding, thereby creating incentives for unsolicited proposals by private proponents. Again, terms and conditions of contract most times are difficult to write and agree by both the government and the private sector involved. In Nigeria, the Lagos-Ibadan express way and the Lekki expressway (Lekki Toll Plaza) are successful BOT projects. There are different types of BOT models. They include:

- *Build Own Operate (BOO):* In a BOO project, ownership of the project remains usually with the Project Company. The government grants the right to finance, design, build, operate and maintain a project to a private entity, which retains ownership of the

project. The private entity is not required to transfer the facility back to the government.

- *Build, Own Operate, Transfer (BOOT):* In a BOOT project, the private company owns the facility during the concession period (Gatti 2007; Kashef, 2011). The government grants a franchise to a private partner to finance, design, build and operate a facility for a specific period of time. Ownership of the facility is transferred back to the public sector at the end of that period.
- *Build, Own, Operate and Sell (BOOS)*: In a BOOS project, ownership is lost as at the time the project is sold.

In a BOT, the parties involved consist of the principal (the government), the concessionaire, the investors (stakeholders and lenders), contractor, and operator. In the same vein, Nourzad (2009) and Kashef (2011) stated that a BOT consists of the following: the host government who supervises the work, a consortium who is named as a project company (consisting private companies that determine their equity, share and responsibility), lenders (financial institutions as a source of fund raising for the project), contractor for the building phase, suppliers who supply raw materials and machines, buyers of the product and operation contractors who maintain and repair operation tasks while the contract lasts.

2.6.2 Design-Build (DB) or Build Transfer (BT)

Under this model, the government contracts with a private partner to design and build a facility in accordance with the requirements set by the government. After completing the facility, the government assumes the responsibility for operating and maintaining the facility. Some refer to this method as Build-Transfer (BT).

2.6.3 Buy Build Operate (BBO)

The government sells the facility to the private business. The private business refurbishes and operates the facility. The entire ownership is lost to the private business that refurbishes the facility.

2.6.4 Design Build-Operate (DBO)

A single contract is awarded to a private business which designs, builds, and operates the public facility, but the public retains legal ownership. Under this model, the private sector design and builds a facility on the turn-key basis. Once the facility is completed, the title for the new facility is transferred to the public sector, while the private sector operates the facility for a specified period. This model is also referred to as Build-Transfer-Operate (BTO).

2.6.5 Design-Build-Maintain (DBM)

This model is similar to Design-Build except that the private sector also maintains the facility. The public sector retains responsibility for operations.

2.6.6 Build-Develop-Operate (BDO)

The private business buys the public facility, refurbishes it with its own resources, and then operates it through a government contract.

2.6.7 Build-Own-Lease-Transfer (BOLT)

The government grants the right to finance and build a project which is then leased back to the government for an agreed term and fee. The facility is operated by the government. At the end of the agreed tenure the project is transferred to the government.

2.6.8 Contract, Add and Operate (CAO)

CAO is a contractual agreement whereby the project developer adds to an existing infrastructure facility which it rents from the government and operates the expanded project over an agreed as a period franchise. There may or may not be a transfer arrangement with regard to the added facility provided by the project developer.

2.6.9 Develop, Operate and Transfer (DOT)

DOT is a contractual arrangement whereby favourable conditions external to the new infrastructure project which is to be built by a private developer are integrated into the arrangement by giving that entity the right to develop adjoining property, and thus, enjoy some of the benefits created by the investment such as higher property or rent values.

2.6.10 Rehabilitate, Operate and Transfer (ROT)

ROT is a contractual arrangement whereby an existing facility is turned over to a private entity to refurbish, operate and maintain for a specific period as a franchisee, on the expiry of which, the legal title to the facility is turned over to the government. The term is also used to describe the purchase of an existing facility from abroad, refurbishing, erecting and consuming it within the host country.

2.6.11 Rehabilitate, Own and Operate (ROO)

ROO is a contractual arrangement whereby an existing facility is turned over to the private sector for refurbishing and operation with no time limit on ownership. As long as the operator has not violated the franchise, it can continue to operate the facility in perpetuity.

2.6.12 Lease, Renovate, Operate and Transfer (LROT)

LROT can be said to be a contractual arrangement whereby an existing infrastructure facility is handed over to private, parties on lease, for a particular period of time for the specific purpose of renovating the facility and operating it for a specific period of time; on such terms and conditions as may be agreed to with the government for recovering the costs with an agreed return and thereafter, transferring the facility to the government. The Ministry of Power has adopted this route for the renovation of existing power plants.

2.6.13 Design-Build-Finance-Operate/Maintain (DBFO, DBFM or DBFO/M)

Under this model, the private sector designs, builds, finances, operates and/or maintains a new facility under a long-term lease. At the end of the lease term, the facility is transferred to the public sector. In some countries, DBFO/M covers both BOO and BOOT.

2.7 Benefits of PPP

The issue of private sector participation is high on the political, economic and social agenda of many countries, with the key challenge being to devise arrangements that are predictable and sustainable, while delivering better services. Infrastructure is essential to supporting economic growth. Private sector participation in this sector offers clear benefits, as follows: Stimulate economic growth; Improved and expanded infrastructure services that would not be there otherwise; Technology transfer, training of local personal and development of national capital markets; Competition and innovation; Improved efficiency; Faster implementation; Relieving the government budget and borrowing; Providing a benchmark with which to judge the public sector's performance; Better allocation of risk between the public and private sectors; Improve service delivery; Improve cost-effectiveness; Increase investment in public infrastructure; Reduce public sector risk; Deliver capital projects faster; Improve budget certainty; as well as Make better use of assets.

Private sector participation brings with it a more commercial approach to infrastructure provision, reducing political intervention. Governments, distanced from their responsibility of providing the infrastructure service itself, can tackle other issues such as tariff reform.

SECTION THREE: ANALYSIS OF THE EXTANT LAWS AND POLICIES GOVERNING INFRASTRUCTURAL DEVELOPMENT AND PROJECTS SLATED FOR PPP

Analyses of the above documents show that since return to democracy, the only extant law and policy that has provisions for other actors in infrastructure provisions is the infrastructure concession Regulatory Commission Act (2005). In fact, Part I of the Act is all about Private Sector Participation (PSP) in Federal infrastructure but the major lacuna here is not extending such participation to the state and the local government.

It is equally noteworthy that during the period 2003-2007 even before the enactment of the infrastructure concession Regulatory Commission Act, the Government started withdrawing from direct production of goods, except in oil and gas while the production of services in the key areas of education, health, water supply, science and technology and capacity building became the focus. Infrastructural services since then has become a shared responsibility between the public and private sectors, the donor community and end users. The adoption of several Public Private Partnership (PPP) options like Build, Operate and Transfer (BOT); Rehabilitate, Operate and Transfer (ROT); as well as Build, Own, Operate and Transfer (BOOT) and other innovations to attract private capital were advocated in areas such as power generation and distribution, roads and railways construction, water supply, ports (air and sea), prison infrastructure, courts, etc though not much was achieved during the period. In summary, all efforts to mobilise national resources to facilitate the development of strategic economic infrastructure that improves the general attractiveness of Nigeria as a preferred investment destination have been deemed unsuccessful till date. Be that as it may, that does not mean that something has not been achieved in terms of PPP as provided by the Infrastructure Concession Regulatory Commission Act (2005). The following projects are some of the projects that have been embarked on based on the provisions of the Act. See table 2 below for details.

Table 2: Selected PPP projects by preferred Model and sector

Project Name	Client	Sector	Description	Preferred PPP Model	Revenue Model	Project Status
Rehabilitation and Upgrade of Murtala Muhammed Airport Road, Lagos	Federal Ministry of Works	Roads	2.8km dual carriage Apakun – Murtala Muhammed Airport (MMA) road is to be expanded from its present width of 4 lanes to 8 lanes with 2.75m shoulders on either side, including vehicular bridges and pedestrian bridges at appropriate locations.	Build, Operate and Transfer (BOT)	To be defined by business case	FGN has approved for the Lagos State government to commence a total reconstruction of the road as at May 2017
2nd Niger Bridge, Onitsha-Asaba	Federal Ministry of Works	Roads and Bridges	Bridge is a 6-lane dual carriageway of approximately 1.760m long and 32.4m wide including 14km long approach road with three (3) river bridges and three (3) interchanges on the approach road	Build, Operate and Transfer (BOT)	Defined by business case	FGN approved N150.84 million for the consultancy and engineering design for access roads 1 and 2 to link Asaba in Delta State, Onitsha in Anambra State and the Second Niger Bridge as at march, 2017
River Niger Bridge at Nupeko	Federal Ministry of Works	Roads and Bridges	Bridge on river Niger at Nupeko will serve as a link to various communities between Niger State and Kwara State. Site visits revealed that the bridge was under construction at some point, but was abandoned. The FMoW is now seeking to implement the project under the PPP scheme	Build, Operate and Transfer (BOT)	To be defined by business case	Consultants engaged to undertake the development of the Outline Business Case (OBC). Adverts have been placed in local newspapers requesting EOIs from interested concessionaires
Small and Medium Hydro Power Projects	Federal Ministry of Power	Power	Hydro Power generation of up to 43 megawatts from existing Ten (10) Small and Medium dams.	Rehabilitate/Build, Operate and Transfer (RBOT)	Not indicated	Expressions of Interests for Transaction Adviser to take the project to market have been submitted. Evaluation

Project Name	Client	Sector	Description	Preferred PPP Model	Revenue Model	Project Status
						and further market development activities in Progress
PHCN 3 Large Hydro Power Plants	Federal Ministry of Power	Power	Concessioning of Kainji, Jebba and Shiroro in partnership with BPP	Build, Operate and Transfer (BOT)		Currently awaiting submission of bid documents by qualified concessionaires following the conclusion of physical data room and due diligence activities.
25 Silos complexes	Federal Ministry of Agriculture & Rural Development	Agriculture	The Federal Ministry of Agriculture and Rural Development intends to concession 25 Silo Complexes located in different parts of the country to allow for greater participation of farmers and the Public.	Rehabilitate/Build, Operate and Transfer (RBOT)	To be defined by Business Case	Evaluation of Expressions of Interests submitted for OBC consultant to commence as soon as go-ahead is received from relevant Ministry
National Centre for Women Development	Federal Ministry of Women Affairs	Social infrastructure	National Centre for Women Development hopes to transfer operation of its facility in Abuja comprising of a 100-bed guest house with underground parking facility, 1200 seat auditorium and 300 seat auditoria via PPP.	Rehabilitate, Lease, Operate and Transfer (RELOT)	User Charges	Selection of Transaction Adviser underway
Rehabilitation and Upgrade of Kiri Kiri Lighter Terminals I & II	Federal Ministry of Transport/ Nigeria Ports Authority (NPA)	Transport	NPA is undertaking the process to concession the terminals to private operators for a variety of possible uses including fishing and container operations.	"Landlord Port Model" for the Nigerian ports in line with the ports reform programme	Rent or lease charges	OBC consultant selected and OBC and market development activity completed. Technical proposal for KLT II has been evaluated by an Inter-Agency Committee including NPA and Ministry

Project Name	Client	Sector	Description	Preferred PPP Model	Revenue Model	Project Status
						of transport, October 2017
Rehabilitation and Upgrade of Onitsha Inland Waterway Port	Federal Ministry of Transport/National Inland Waterway Authority (NIWA)	Transport	The Onitsha River Port has a 180m quay length berth with other facilities which include: warehouse, mechanical workshop, administrative offices and cargo handling equipment.	Rehabilitate/Build, Operate and Transfer (RBOT)	Not specified	Federal Ministry of Transport/Federal Ministry of Finance – Request for expression of interest for concession of Onitsha River Port (Rehabilitate, Operate and Transfer (ROT) Basis). August, 2017
Development of Katampe District	Federal Capital Territory Administration (FCTA)	Urban Development	Accelerated development of urban districts across the Federal Capital Territory (FCT), with Katampe district as a Pilot Case.	Build, Operate and Transfer (BOT)	Not specified	The Concession Contract was signed on 19th Oct, 2010. Ground breaking ceremony was held on the 2nd of February 2012
Development of Four Districts	Federal Capital Territory Administration (FCTA)	Urban Development	District infrastructure comprising of roads, bridges, drainage, water distribution, street lighting, power distribution and telecoms in Mabushi, Kado, Gwarimpa and Durumi Districts of the FCT.	Design, Build, Finance, Operate and Transfer (DBFOT)	Developmental levies	Selection of preferred concessionaire in progress
Reticulation and upgrade of Kuje Waterworks	Federal Capital Territory Administration (FCTA)		The Project involves construction of a dam, water treatment plant, laying of distribution network and storage tanks to provide safe portable water supply to the residents of Kuje Town and its environs.	Build, Operate and Transfer (BOT)	User Charges	A preferred bidder has been selected to develop the Outline Business Case (OBC) and negotiations and further market development in progress.
Source: Infrastructure concession Regulatory Commission (2017)						

SECTION FOUR: OTHER INFRASTRUCTURAL FUNDING OPTIONS AVAILABLE TO NIGERIA

4.1 Introduction

As Chima and Ekeghe (2017)[22] stated in their paper that Infrastructure financing plays critical role in promoting economic growth, improving standard of living, poverty reduction, enhancing productivity and in improving competitiveness. The duo further stressed that Nigeria is currently faced with huge infrastructural gap that has hindered its desire to exploit its rich natural and human resources to stimulate its development. This is happening, in spite of the country's huge oil and gas, sunlight and hydro resources, yet the country cannot generate enough electricity to drive its development. It is well documented that Nigeria's infrastructure deficit has obstructed its economic growth and development and such challenges continue to impact negatively on the cost of doing business, investment, and capital inflow into the country. It is true that the recent World Bank Ease of Doing Business Report moved Nigeria 24 points upwards, that is still not enough to say that the country is ready for flow of Foreign Direct Investment (FDI) because of huge infrastructural gap which are not part of the indicators used in the World Bank Ease of Doing Business Report still discourages every single foreign investor.

The implication of the above is that Nigeria must as urgent as possible source for funds from other areas to be able to meet with her infrastructural deficit demand which the Acting Director General, Infrastructure Concession Regulatory Commission (ICRC), Mr. Chidi Izuwah at the 2017 annual conference of the Finance Correspondents Association of Nigeria (FICAN) held in Lagos put the total amount of funds required to provide quality infrastructure in Nigeria in the next six years 2017 – 2023 at about $100 billion. Breaking the funds down the Acting Director estimated that while about $60 billion would be required for the oil and gas sector; about $20 billion is needed to revamp the power sector; $14 billion for roads and bridges; and between $8 and $17 billion for rail tracks. The Acting Director further suggested that some other sectors that require huge investments include housing and highways, ports, airports, dams, bridges and tunnels, water and telecommunication. What this implies is that Nigeria requires to evolve creative options to generate long-term finance to tackle Nigeria's infrastructural challenges. This section looks at various other options (internal and external) apart from Public-Private Partnership (PPP) Models Nigeria as a country can take advantage of in financing her huge infrastructural gap. Such option covers both domestic and external options.

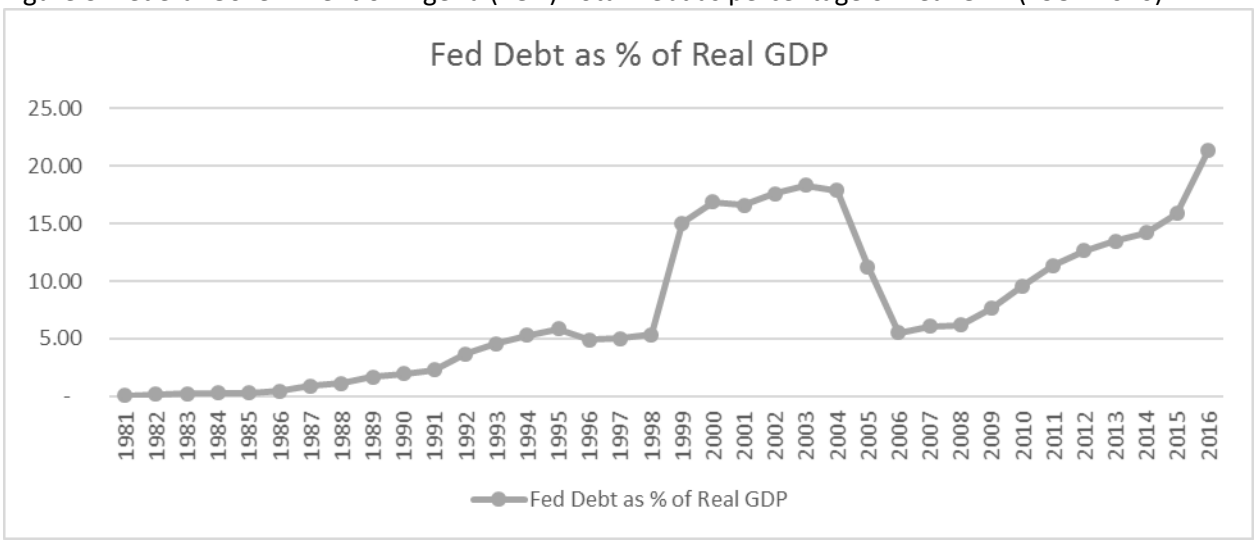
4.2 Domestic and External Debt

Domestic and external debts are options a country can utilise to finance infrastructural deficit but in Nigeria currently, the size of the Nigeria's debt stock has been on the increase with huge amounts annually allocated to debt servicing especially for external loan. Unfortunately, most

[22] https://www.thisdaylive.com/index.php/2017/09/20/filling-nigerias-infrastructure-gap/

of these loans were not tied to capital projects and lack some restrictions as provided by the Fiscal Responsibility Act (2007). Debt borrowing is a major instrument by government to finance budget especially in a developing country where low capital stock and limited investment opportunities exist. Arnone (2005) defines external debt as that portion of the country's debt that is acquired through foreign sources such as corporations, government or financial institutions. Countries (developing and underdeveloped) borrow to increase their capital stock, maintain defence expenses, finance industrialization, establish social and economic infrastructures like education, health, transport, communication, water disposal, electricity, water and sanitation among others (Ince, 2001; Ajudua and Davis, 2015). In Nigeria, for instance, over USD 25billion investment is required per annum over the next five to seven years for infrastructural development to occur (Nwankwo, 2015). Capital expenditure at the federal level has been less that 30 percent on average in the last seven years which is like a drop in an ocean when compared infrastructural needs. In 2016 for example, about 1.59tn (26 percent of the entire budget) was allocated to capital expenditure, which is about 185 percent increase from the 2015 allocation of N557bn (Amakom and Agu, 2016). In 2017 Federal Government of Nigeria's budget, N2.24tn (30.7 percent) of the total budget was allocated to capital expenditure also. While economists believe that borrowing is healthy to the economy and helps to maintain economic growth and development, the Nigerian case is unique because borrowing most times has never been a corresponding development outcome in infrastructure. The federal Government of Nigeria debt profile (domestic and external) hit about 21.4 percent of real Gross Domestic Product (GDP) in 2016 as depicted in figure 3 below just as deficit financing provisions in 2017 budget was over N2trillion with another proposal of N1.6trillion in 2018.

Figure 3: Federal Government of Nigeria (FGN) Total Debt as percentage of Real GDP (1981-2016)



Source: Computed from figures – Central Bank of Nigeria (CBN) Statistical Bulletin (2016)

The above analysis suggests that though debt can be an avenue for infrastructural financing, Nigeria should not be advised to follow that path because if the States and Local Government debt is included, the country might have exceeded the 25 percent threshold for developing

countries. Furthermore, the Fiscal Responsibility Act (2007) made clear provisions for debts, debt management and borrowing limits and usage which are only for capital projects and human development, concessional in nature, subject to legislative approval and a long period of amortization. The Act provided that the nation's debts should be sustainable and should also have some limitations. This implies that loans should not be spent on recurrent expenditures. But, most loan funds are not tied to any capital project and often spent on social protection. In agreement to this fact, Amakom and Agu (2016) asserted that borrowing to finance social protection issues has become more of a debt trap than the 2004/2005 Paris Club debt of the Federal Government of Nigeria. After exiting the Paris Club debt trap through the debt relief package in 2005, a look at the debt profile of the economy revealed that the nation's debt has accumulated especially from 2010 till date (see figure 3 above). Between the period of debt relief and 2014, the debt stock did not raise much dust because of the oil boom (Amakom and Agu, 2016). For the past decade also, budget deficits have been growing unprecedentedly with external debt rising simultaneously. Agu (2015) noted that the nation's reckless borrowing, poor use of debt funds, complications in contracting and lack of capacity to repay culminate external debt crisis in Nigeria. Therefore, debt both domestic and external is no longer the best alternative for financing infrastructural deficit in Nigeria.

4.3 Diaspora Direct Investment (DDI)

According to Rodriguez-Montemayor (2012), the term Diaspora conveys the idea of transnational populations, living in one place, while still maintaining relations with their homelands, being both 'here' and 'there'. The author defined the term to include people settled in a host country on a permanent basis, labour migrants based abroad for a period of time, dual citizens, ethnic Diasporas, citizens of the host country, or second-generation groups. Chander (2001) defined Diasporas as "that part of a people, dispersed in one or more countries other than its homeland, that maintains a feeling of transnational community among a people and its homeland. Diasporas are merely a socio-political formation created as a result of either voluntary or forced migration (Debass and Ardovino, 2009). The authors further stated that Diasporas regard themselves as being of the same ethno-national origin and often permanently reside as minorities in a host country. Diasporas drive international remittances and their ethnic and social ties make impact on entrepreneurship in their home countries (Ruey-Jer, Tan and Sinkovics, 2011; Rodriguez-Montemayor, 2012).

Globalization has made it easy for foreign individuals and companies to invest in productive activities that foster development in their home countries. This is possible because of culture and the emotional ties such individuals have for their countries of origin. This is a new paradigm shift from the loan component of foreign direct investment (FDI) to a more internally and sustainable development option. According to World Bank Migration and Remittances Factsheet 2016, 247 million people (3.4 percent) of the world population live outside their country of birth. About 2.5 (23.2 million) of the total population of sub-Saharan Africa are migrants (Global Knowledge Partnership on Migration and Development, 2015). The GKPMD report further stated about 15 to 17 million Nigerians is estimated to live abroad and it is on

record that the Nigerian Diaspora communities are among the best educated and relatively affluent of the immigrant population.

Diaspora Direct Investment (DDI) policy framework is anchored on the Diaspora engagement strategy (DES) which is a policy initiative that sets objectives on i) how to use international remittances, ii) how to facilitate access to the skills of migrants including repatriation programs and iii) how to create networks (Rodriguez-Montemayor, 2012). Such policies seek to promote productive investments from abroad that are linked to Diaspora members through remittance, investment, skills, network and political influence. Boyle, Kitchin and Ancien (2009) defined Diaspora strategy as an explicit and systematic policy initiative or series of policy initiatives aimed at developing and managing relationships between homelands and Diasporic populations. DDI in particular refers to direct investments from companies connected to Diasporas in productive activities in the home country of such Diasporas (Rodriguez-Montemayor, 2012). DDI is a part of a larger transnational superstructure contributing to the integration of societies into the global economy via an interconnectedness of donations, small and large investments, trade, tourism, and unilateral transfers (Orozco, 2004). DDI relies on a transnational social network made up of migrants and migrant mechanisms operating between host and home countries. According to Rodriguez-Montemayor (2012), migrants are the linchpin because they have a unique knowledge of their homeland and culture. These factors make the migrants a more viable facilitator of capital acquisition and investment. DDI focus exclusively on companies' direct investment and not Diasporas sending money to family members who may consume and not invest the money. This is why it is presumably economically superior to remittances in that a larger pool of potential investments (outside of the limits of the family) ensures more efficiency in the use of resources.

DDI plays an important role in development. According to Kuznetsov (2010), Diasporas have often been linked to the institutional development of their homeland and are often identified as a potential source of talent and skills. They also push for reforms in areas as diverse as public finance, education, innovation, health care and infrastructure provision. DDI has more advantage when compared to other types of FDI in terms of stability particularly during unfavourable economic conditions, because of the emotional connections of Diaspora members to their country of origin (Rodriguez-Montemayor, 2012). Moreover, such companies engaging in DDI are often seen as the "first movers" into a country due to potential advantages they have in terms of knowing the culture and having social networks in the home country (Riddle, Brinkerhoff, and Nielsen, 2008; Rodriguez-Montemayor, 2012). Also, in terms of political and economic matters, Diasporas may have impacts on home countries as a source of "soft power" to influence economic and political matters in the home country (Kuznetsov, 2010).

Many scholars assert several potential benefits of DDI and from literatures reviewed, they include brain gain, technology transfer, stable financial investments, FDI attraction, efficient supply chains, lower costs and increased profitability (Nielsen and Riddle, 2009; Javorcik and Spatareanu, 2005; Mayr and Peri, 2008). In the same vein, Debass and Ardovino (2009)

summarized DDI roles as the brain gainer, altruist technologist, brave capital investor, catalyst and diplomat.

DDI programmes require development of clusters. These according to Rodriguez-Montemayor (2012) and Sonderegger and Täube (2010) include clusters of universities, research laboratories, and high-tech industries to create a critical mass of talent, skills and investors. In the same vein, Kuznetsov and Sabel (2006) identified Diaspora database and meeting with high achievers as a basic requirement for DDI programmes to thrive. Regular and relevant meetings in the home and host countries are essential to keep Diaspora members informed, engaged, and active, but Rodriguez-Montemayor (2012) warned that such meetings must target the right people as many Diaspora initiatives have failed because they did not identify high motivated individual who could stick to the initiative for a long time. Another requirement of DDI is the development of venture capital (VC) market. If an investment proves profitable, the program's share of the rewards could be invested in a fund that would make additional investments possible. Rodriguez-Montemayor (2012) stated that unlike the loan programmes, the investment fund model does not create a liability for the entrepreneur, which may allow more latitude for productive risk-taking. Ideal examples include the Taiwan VC industry and Yozma in Israel which offers attractive tax incentives for the country's venture-capital investments. Other requirements of DDI include matching funds, digital technologies (social networks, online communities, etc), business incubators, investment promotions and institutional reforms (Rodriguez-Montemayor, 2012; Debass and Ardovino (2009).

Chile used the High Achiever Model of DDI and named the project Chile Global. This model is based on the premise that DDI programs should aim to engage key Diaspora members, instead of trying to achieve high mass mobilization (Aikins and White, 2011). It focused on "champions" by targeting those who can influence corporate investment and decision-making processes. Chile Global is a DDI programme that engages high achievers for mentoring start-ups in the country. In Mexico, the Padrino program engages their Diasporas to invest directly in local community projects. Fund El Cucayo in Ecuador helps cover the seed capital with a viable business plan or funds for expansion of a proven profitable business. El Salvador, for instance, has conducted courses on Diaspora-homeland partnerships, based on practical models from Israel's and other countries' experiences. Grants from Fund El Cucayo enable access to finance knowledge, because they are usually accompanied by technical assistance. The Indian Diaspora utilized intellectual capital and knowledge-based industries to creating more value added. However, the success of attracting DDI lies within both home and host countries' institutional framework (Debass and Ardovino, 2009). Newland and Tanaka (2010) identified five types of support that DDI programs can give to entrepreneurs in the country of origin. These are networking (virtual or in-person networks), mentoring (match aspiring entrepreneurs with Diaspora experts), training, investment funds and venture capital and partnerships (funds + management).

DDI has some challenges which are particular to developing countries. Riddle, Hrivnak and Nielsen (2010) discussed these barriers in more details. For instance, in the country of

residence, Diasporas often face obstacles to full labour-market incorporation due to discrimination and other structural impediments while in the country of origin (usually emerging markets), labour markets are often characterized by high levels of unemployment and/or underemployment. Another limitation is the educational system where there is low incorporation in the country of residence and bad quality in the country of origin. This limits the access that DDI have to human capital, which may discourage investments in these areas. However, engaging a large pool of successful and educated Nigerian Diasporas into development investments would be worthwhile.

4.4 **Diaspora Bond**

A Diaspora bond is basically a government debt that is targeted but not limited to the nationals of the country that are living abroad. The idea is based on a presumption that because of emotional ties to their country of origin, expatriates may find investing in such products worthwhile, especially if they are financing development projects. Diaspora bonds provide the governments with an opportunity to tap into the wealth of their Diaspora community to fund national level development. In other words, governments can tap into capital markets beyond foreign direct investment, foreign investors and conventional loans to finance development. Mkansi (2013) defined Diaspora bond (DB) as a sovereign bond that targets investors that have emigrated to other countries and the relatives of those emigrants. A Diaspora bond is a debt instrument issued by a country – or potentially, a sub-sovereign entity or a private corporation to raise financing from its overseas Diaspora (Ketkar and Ratha, 2007).

According to Terrazas (2010), Diaspora bond are long dated sovereign debt agreements that are marketed to Diasporas, issuers of this bond gain access to fixed term funding at discounted interest rates. The benefits of Diaspora bond focus mainly on the patriotic discount, i.e. the difference between the market interest rate for government debt and the interest rate the Diasporas are willing to accept. Ketkar and Ratha (n.d) summarized the attraction for both issuing countries and investors as: patriotic discount, stable source of finance especially in bad times, support to sovereign credit rating on the countries issuing bond. For investors (Diasporas), patriotism and desire to do "good" in the country of origin, risk management particularly, debt servicing in local currency is less. Diaspora bond has been used to attract migrants' savings as an alternative to borrowing from the capital market and international institutions and could be opened to all kinds of investors and not restricted as per nationality only (Mkansi, 2013). Diaspora bonds enhance the credit rating of a country. Ketkar and Ratha (2007), assert that making available a reliable source of funding through nurturing Diaspora bond market improves a country's sovereign credit rating.

Many countries have launched bids but with varying levels of success. Israel had issued bond to the Jewish Diaspora annually since 1951 through the Development Corporation for Israel (DCI) and raised a total of $32.4 billion as at 2015 and consistently raising over $1 billion each year (Mkansi, 2013). The bond was set up to finance development projects in various industries including energy and transport (Ketkar and Ratha, n.d). The bond issued by the DCI was listed with the Securities and Exchange Commission (SEC) and thus, it was open to foreign nationals

as well as the Diaspora of Israeli origin. Israel-Diaspora Bonds were fixed, floating rate bonds with maturity periods ranging from one to twenty years and bullet repayment, with large financial incentives including making its interest rate slightly higher than US Treasury bills. To make the bonds more accessible, the DCI set up retail agencies in the US and other countries.

The case of India is also a success story. India set up its bond for infrastructure financing and to support their balance of payments. This has been done three times and the details follow: Indian Development Bonds in 1991 ($1.6 billion), Resurgent Indian Bonds in 1998 ($4.2 billion) and Indian Millennium Deposits in 2000 ($5.5), raising a total of $11.3 billion (Mkansi, 2013). India's bonds were issued strictly to the Diaspora of Indian origin and were not listed in the SEC. India also chose fixed rate bonds with five-year maturity and a bullet maturity. As financial incentives, the bonds were two percent higher than US Treasury bills and were exempt from Indian income and wealth tax (Ketker and Ratha, n.d).

The Government of Sri Lanka has also sold Sri Lanka Development Bonds (SLDBs) since 2001 to several investor categories including non-resident Sri Lankans raising a total of $580 million to date. South Africa is reported to have launched a project to issue Reconciliation and Development (R&D) bonds to both expatriate and domestic investors (Bradlow, 2006). Although the Lebanese government has had no systematic program to tap its Diaspora, anecdotal evidence indicates that the Lebanese Diaspora has also contributed capital to the Lebanese government (Ketker and Ratha, 2007).

However, African countries like Ethiopia have had limited success. Its first bid (known as the Millennium Corporate bid) to finance a hydro-electric dam in 2008 was unsuccessful because take-up was low. Experts have opined that lack of trust of repayment was among the key issues that deterred potential buyers. With about 21.8million Diaspora stock and 30.4billion Diaspora savings estimate respectively for Sub Saharan Africa (SSA) Nigeria can tap into the wealth of remittance liquidity (Mkansi, 2013). The author also noted that it has been suggested that sub-Saharan African countries could raise $5–$10 billion by issuing Diaspora bonds and $17 billion by securitizing future remittances and other future receivables. Against the backdrop of falling oil prices and the loss of value of the naira, the Diaspora bond bid may be a good alternative for Nigeria to raise much-needed funds to finance investments and alleviate the burden of external loan and debt serving.

Government policies and financial management framework should be clear and transparent respectively, so as to build the trust of Nigerian Diasporas and other investors who may be willing to invest in the economy of the nation. Currently, and precisely in March this year, the Federal Government of Nigeria (FGN) through the Debt Management Office (DMO) issues a Diaspora bond to raise $300 million. The bonds will have at least five to ten years maturity and annual dividends between five to eight percent (which is higher than bank deposit). It is exempt from tax and could be used as collateral and discounts on the FG housing scheme. The bonds will be sold on the floor of the Nigerian Stock Exchange (NSE) and across the 21 Primary Dealers

Market Makers (PDMM) licensed by the DMO. The bond will have a maturity of five to seven years and it is expected to be issued by June this year.

In 2016, the FGN drafted a Diaspora policy to mobilize and harness the potential of Nigerian Diaspora for national development. The first objective of this policy is to develop robust and dynamic strategies targeted at harnessing Diaspora resources towards national development. Specifically, in Section 3.25 titled "Promotion of Diaspora Investments and Savings", the government recognizes the fact that the Diaspora can contribute to defining their home country's value proposition and nation brand. This Policy Priority Area offers the basis for Diaspora investments and savings at home. The Nigerian Diasporas across the globe have the potential to play a crucial role in Foreign Direct Investment and in nurturing the venture capital industry. In Section 3.26 titled Establishment and Regulation of Diaspora Bonds also, Diaspora bonds could be further used to mobilize savings for financing development projects. The legal framework for the regulation of Diaspora bonds should both encourage financial institutions to offer the service and the Diaspora to get involved in the service, through initiatives within financial institutions and private companies, such as attractive interest rates. Nigerian financial institutions will therefore be encouraged to build their networks and operations globally in order to attract the Nigeria Diaspora to save and invest through them.

To achieve this, the policy states that Government is committed to creating the needed human and material infrastructure to engage, enable and empower the Diaspora towards national development. Also, Government shall continue to provide the enabling environment to encourage the Diaspora to contribute their quota to national development. Nigerian financial institutions will therefore be encouraged to build their networks and operations globally in order to attract the Nigerian Diaspora to save and invest through them.

The Diaspora policy looks promising and have good investment plans for Nigerians abroad but the policy did not state how these plans will be achieved in specific terms. Many Nigerians and their businesses are successful abroad and because of their ties to their place of origin may be willing to invest in their home country. Such policy should be predictable and clear enough on investments in the nation. This policy document meanwhile is a draft plan that awaits implementation.

4.5 National Institutions that can Finance Infrastructure

There are a number of Development Finance Institutions (DFIs) that can finance different infrastructural types in Nigeria include:

- ***The Infrastructure Bank:*** The Infrastructure Bank formerly known as Urban Development Bank of Nigeria Plc, was established in 1992 under decree No. 51 of the 1992 constitution of the Federal Republic of Nigeria. The Infrastructure Bank Plc is Nigeria's dedicated infrastructure bank providing financial solutions to support key long-term infrastructure projects, including transportation infrastructure, municipal common services, mass housing and district development, solid waste management and water provision, and power and renewable energy projects. The Infrastructure Bank Plc has a

unique ownership structure. It is majority owned by the private sector but also has the Federal Government, State Governments and Local Governments as well as the Nigeria Labour Congress as shareholders. The Bank is thus, a government sponsored but private sector led development finance institution.

- ***Federal Mortgage Bank of Nigeria:*** Federal Mortgage Bank of Nigeria (FMBN) was established in 1956, known then as the Nigerian Building Society (NBS), a joint venture of the Commonwealth Development Corporation and the Federal and Eastern Governments of Nigeria. Following the introduction of the Indigenization Policy, the Federal Government, by Indigenization Act [1973], acquired the NBS and consequently renamed it the Federal Mortgage Bank of Nigeria (FMBN). In 1994, FMBN assumed the status of the apex mortgage institution in Nigeria, with the promulgation of the FMBN Act 82 [1993] and the Mortgage Institutions Act 53 [1989]. It also commenced the management and administration of the contributory savings scheme known as the National Housing Fund (NHF) established by Act 3 of [1992]. The National Housing Fund (NHF) is a social savings scheme designed to mobilize long-term funds from Nigerian workers, banks, insurance companies and the Federal Government to advance concessionary loans to contributors. In fulfilling its mandate, the Bank is to also float capital market instruments such as mortgage-backed bonds and Mortgage Backed Securities for sale to institutional investors, such as pension funds, insurance companies, securities companies and banks, to raise long term funds for its secondary mortgage lending activities. This is to ensure a sustainable supply of liquidity to finance first home mortgage loan originations. Following the reform of the Nigerian housing sector, FMBN was restructured into a Federal Government-Sponsored Enterprise (FGSE) with more focus on its secondary mortgage and capital market functions. FMBN is shifting operational emphasis to expand its functions from solely social housing on-lending under the NHF, to other areas of business including commercial on-lending for housing, refinancing of commercial mortgages created by mortgage loan originators, mortgage purchasing and warehousing and mortgage-backed securitization. The Bank's current business model targets partnerships with local and international organisations with financial and technical capacity, interested in delivering affordable mass housing for the low-income end of the market.
- ***National Pension Fund:*** Statistics from the National Pension Commission (PenCom) suggests that at least 70 percent or about N4.13 trillion of the over N5.9 trillion as at 30th September 2016 pension funds have been invested into guaranteed federal government bonds and treasury bills. According to the Head, Investment Supervision Department, PenCom, Nigeria's contributory pension assets is valued at N5.96 trillion as at 30th September 2016, and currently the largest available pool of capital. The Nigerian government officials and pension stakeholders have consistently called for the investment of pension funds in infrastructure, especially as the recession bites harder[23]. In January 2016, the current Minister of Power, Works and Housing, urged PenCom and pension operators to invest the over N5 trillion pension fund in building infrastructure.

[23] https://www.dailytrust.com.ng/news/business/story/182821.html

In fact, the FG seems to be very particular about this call following dwindling resources and high cost of funds. If proper agreement is reached, infrastructure such as roads, housing, the Fourth Mainland Bridge, coastal roads linking several coastal states from Lagos to Bayelsa and the new seaports in Lekki and Badagry can be funded from the Pension Fund according to the Minister. This looks like a novel idea in the face of infrastructural deficit facing the country but the critical issues and stakes in investing pension funds in infrastructure is very huge. Although Infrastructure is a potential avenue for pension funds to reap higher and consistent returns on investment, but that requires adequate policies, structures and regulations to be instituted. In the paper, "Pension Funds for Economic Development: Investing Pension Funds in Infrastructure" Ohioma[24], submitted that "Infrastructure is a potential avenue for pension funds to reap higher and consistent returns on investment, if adequate policies, structures and regulations are instituted." See details of the paper argument in box 1 below.

Box 1: Infrastructure is a potential avenue for pension funds to reap higher and consistent returns on investment, if adequate policies, structures and regulations are instituted

Indeed, many countries in Europe, Latin America and Africa have successfully utilised part of the accumulated pension funds by investing in new infrastructure projects or renewing dilapidated ones. The paper noted that globally, productive investments in infrastructure are majorly made possible by long-term private funds/savings. Other sources are government revenues and bank loans. The paper also noted that pension fund investment in infrastructure is a reasonable proposition given the good asset/liability match, as infrastructure projects are long-term investments that match the long duration of pension liabilities, adding that Ghana, Kenya, South Africa, India and Brazil have effectively deployed pension funds for investment in infrastructure.

According to the author, investment in infrastructure can be done via: Direct Investment; Ownership (equity/shareholding) in the infrastructure company developing the project; Co-investment, with other institutional investors and project development firms; Infrastructure Bonds; and Infrastructure/Private Equity Funds, managed by experienced Fund Managers.

In 2016, the national budget significantly increased the allocation to capital expenditure, by up to 26.2percent of the budget, which amounted to N1.59 trillion. The Ministry of Finance estimates an annual infrastructure need of N7.3 trillion. Consequently, only 22 percent of it's estimated annual need for infrastructure can be accommodated by the 2016 budget. Infrastructure alternative assets are investments which generate returns that are consistently above inflation rates.

[24] "Pension Funds for Economic Development: Investing Pension Funds in Infrastructure" presented at the 2016 National Pension Commission Journalists' workshop held in Calabar

Box 1: Infrastructure is a potential avenue for pension funds to reap higher and consistent returns on investment, if adequate policies, structures and regulations are instituted

Challenges of pension funds investing in infrastructure include:

- Availability of Products: Huge dearth of alternative asset products in the Nigerian financial markets.
- Liquidity Risk: Pension funds prefer low or no risk products, which are able to generate steady income from the onset.
- Political Risk: Historical examples of project development challenges with government policy inconsistencies.
- Crowding Out: The consistently higher yields offered on 'risk-free' FGN fixed income instruments had crowded out alternative assets.
- Engendering pension funds investment in infrastructure
- Project Viability: Availability of "Bankable" (commercially viable) projects.
- Repayment Guarantee: Full repayment guarantee by FGN, especially in the early stages of projects financing.
- Investor's Confidence: Strong political will and consistency in formulation of policies to retain investor's confidence.
- Managerial Capacity: Institute policies to attract global infrastructure advisors and managers, in order to build capacity and facilitate knowledge/skills transfer to Nigerians.

The paper argued that Nigeria's current infrastructure situation places it at a competitive disadvantage globally. The current stock of infrastructure is inadequate to support the present and future socio-economic needs of the country, including the current imperative to diversify the economy away from oil in the shortest possible time. Availability of long-term financing is a critical factor – it is clear that private finance is needed to supplement government's constrained financial resources. Pension Funds are a potential source of private financing to help fund infrastructure in Nigeria. However, for now Nigerian pension funds can only invest indirectly in infrastructure through structured instruments, such as bonds and funds. The minimum requirements/criteria for pension fund investments in infrastructure, as stipulated in the investment regulation is very robust and provides adequate safeguard for pension fund assets.

With the increasing revenue shortfall from the government and dearth of capital for infrastructure, experts advocate for adequate safeguards be put in place quickly so that some percentage pension funds and life insurance funds can be deployed to building the critical infrastructure needed to help rejuvenate the economy.

Source: Agabi C. (2017) Can investing pension funds in infrastructure help Nigeria end recession? Publish Date: Jan 27 2017 2:00AM;
https://www.dailytrust.com.ng/news/business/story/182821.html

4.6 International Institutions that can Finance Infrastructure

International financial institutions such as the World Bank, the International Monetary Fund (IMF), African Development Bank (AfDB) do lend to countries with low interest rate and high moratoria. They can invest in infrastructure especially the World Bank and the AfDB. One other option Nigeria can explore is the ECOWAS Bank for Investment and Development (EBID). The ECOWAS Bank for Investment and Development (EBID) is the financial institution established by the 15-member states of the Economic Community of West African States (ECOWAS) comprising Benin, Burkina Faso, Capo Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. The Bank's headquarters is in Lome, Togolese Republic. In a recent interview by the President of the ECOWAS Development Bank, the President of the Bank outlined series of ways through which member states can utilise the services of the Bank in closing infrastructural gap in the sub-region. The detailed interview excerpts are presented in Box 2 below:

Box 2: Can the ECOWAS Development Bank Close the Sub-Region's Infrastructure Gap?

The Bank has two financing undying windows namely, the promotion of the private sector and development of the public sector: In all, the bank aims at contributing to the economic development of West Africa through the financing of projects and programme in particular, those related to transport, energy, telecommunications, industry, poverty alleviation, the environment and natural resources. In the calculation of its founding members, the bank also intends to become the leading regional investment and development Bank in West Africa, an effective tool for poverty alleviation, wealth creation and job promotion for the well-being of people in the region.

Apart from the above, the bank is to foster the emergence of an economically strong, industrialized and prosperous West Africa with a fully integrated economic system at regional and global levels in order to benefit from the opportunities offered by globalization. The Bank's corporate object is to grant loans and guarantees for financing investment projects and programmes relating to the economic and social development of member states; mobilize resources within and outside the community to finance the bank's investment projects and programmes; provide the technical assistance that may be required within the community to study, prepare, finance and implement development projects and programmes; receive and manage the portion of the Community Levy resources earmarked for financing community development activities; manage any community special funds relevant to its corporate object; carry out any commercial, industrial or agricultural activity related to the bank's corporate object or required for the recovery of debts owned the Bank.

Going by its mandate and within the scope of its corporate object, the EBID cooperates with national and sub-regional development organizations operating within and outside the community. Furthermore, the Bank cooperates with other international organizations with similar aims and other institutions involve in the development of community. Good enough, at

Box 2: Can the ECOWAS Development Bank Close the Sub-Region's Infrastructure Gap?
the just concluded 15th Ordinary Session of Board of Governor's Meetings of the ECOWAS Bank for Investment and development (EBID), in Abuja, Nigeria's Vice President Yemi Osinbajo, who declared the meeting open commended the ECOWAS Bank for Investment and Development for being proactive in infrastructure funding and development in the sub-region, stating that a strong, vibrant and creative EBID is a strong pillar in the development of the sub-region.

He also said the challenges today call for creativity and foresight in supporting and making investments in our member countries, adding that one of the crucial issues today which will decisively impact the future is how the bank can make a difference in the lives of our young people in the sub-region. He stated that with the country's robust economic plan and the ongoing business environment reform it was confident that investing in Nigeria would continue to be a smart business decision. The Vice President stated that there was no doubt that the success of the Nigerian economy with its population in the region and as the largest GDP in the continent would positively influence the whole sub-region.

However, available data and statistics from the World Bank and other global institutions indicate a not-too-cheering infrastructure gap that needed to be closed if the sub-region is to fare well. Take for instance the 15th edition of the African's Pulse, a biannual analysis of African economies, put together by the World Bank which dictates a special section to the performance of Africa's infrastructure, currently ranks below all other developing regions. This reveals that closing the infrastructure quality and quantity gap relative to the best performers in the world could increase growth of GDP per capita by 2.6 percent per year. The report noted that if inefficiencies are addressed, public and private investment in infrastructure could be a strategic tool for poverty reduction and economic development, adding that Sub-Saharan Africa experienced a slowdown in investment growth from nearly 8 percent in 2004 to 0.6 percent in 2015. This sluggish investment has coincided with a sharp deceleration in economic growth in Africa.

Infrastructure is particularly important since the continent ranks at the bottom of all developing regions in nearly all dimensions of performance. The report analyses trends in infrastructure quantity, quality and access; explores the relationship between infrastructure growth and economic growth in region; documents stylized facts on public investment in the region; and examines the quality of infrastructure spending. On the positive side though, Sub-Saharan Africa has made great progress in telecommunications coverage in the past 25 years, expanding at a fast pace across both low-and-middle-income countries in the continent. Access to safe water has also increased, from 51 percent of the population in 1990 to 77 percent in 2015.

But the challenges that remain are vast and deeply ingrained. For example, little progress has been made in per-capita electricity generating capacity in over two decades. Only 35 percent of the population has access to the electricity, with rural access rate less than one-third urban ones. Transport infrastructure is likewise lagging with Sub-Saharan Africa being the only region in the world where road density has declined over the past 20 years. The growth effects of

Box 2: Can the ECOWAS Development Bank Close the Sub-Region's Infrastructure Gap?

narrowing Sub-Saharan Africa's infrastructure quantity and quality gap are potentially large. For instance, growth of GDP per capita for the region would increase by estimated 1.7 percent points per year if it were to close the gap with the median of the rest of the developing world. Closing the infrastructure quantity and quality gap relative to the best performers in the world could increase growth of GDP per capita by 2.6 percent per year. The largest potential growth benefit would come from closing the gap in electricity-generating capacity.

It has been observed that public capital spending levels are too low to address the region's infrastructure needs. According to granular budget data collected by the BOOST initiative for 24 countries in Sub-Saharan Africa, annual public spending on infrastructure was 2 percent of GDP in 2009-15. Roads accounted for two-thirds of overall infrastructure investments in the region. Capital spending on electricity and water supply and sanitation each accounted for 15 percent of total capital expenditures. When analyzing public spending in infrastructure, the report found that countries spend significantly less money than they actually allocate to projects. This reduces the execution of projects earmarked for investment each year, a clear sign of the inefficiencies pervasive in the sector.

Public-private partnership in Sub-Saharan Africa remain a very small market, with projects concentrated in only a few countries, namely, South Africa, Nigeria, Kenya and Uganda. Improving the institutions and procedure governing project appraisal, selection and monitoring are among the policies countries should implement to ensure they have a sound public investment system. Still on infrastructure deficit in Sub-Saharan Africa, another fact sheet from World Bank has shown that an estimated 6.8 trillion-naira investment and an overall price tag of 12 trillion naira would be required to tackle the challenges of infrastructure operations and maintenance. The report also noted that, "The total required spending translates into some 12 percent of Africa GDP as there is a funding gap of 56.6 trillion naira per year." The report indicated that "Currently, there is an under provision leading to a financial gap of more than 800 trillion naira. The poor state of infrastructure also in the Sub-Saharan Africa reduces national economic growth potentials by 2 percent points and productivity by as much as 40 percent annually.

"Africa's main infrastructure deficit is found in the power sector, whether measured in terms of generation capacity, electricity consumption or security of supply, as Africa's power infrastructure delivers only a fraction of the service found in other developing countries," adding that, "The 48 countries of the Sub-Saharan Africa, with a combined population of 800 million people, generate roughly the same amount of power as Spain, which has a population of 45 million" said the report. Few years back, current Emir of Kano and former Governor of Central Bank of Nigeria, while speaking at the second biennial conference of West Africa Institute for Financial and Economic Management (WAIFEM), in Lagos on financial infrastructure for sustainable development in West Africa, affirmed the lack of infrastructure in the continent and stressed on the need for the region to come together and develop its infrastructure, as it is the capital stock that facilitates the provision of public goods and services.

Box 2: Can the ECOWAS Development Bank Close the Sub-Region's Infrastructure Gap?

He noted that "Socio-economic development can be fast-tracked by the presence of adequate and efficient infrastructure as it provides a linkage to the global economy and creates a multiplier effect that benefits the entire society directly and indirectly. Infrastructure development drives economic growth and therefore, emerging market and developing economies needs to increase infrastructure investment to enhance access to energy, clean water and basic transport for an all-inclusive economic growth and development." He noted that the apex bank through the Banker's Committee has taken adequate steps to improve the financing of infrastructure projects in the country by articulating and strategizing on ways to boost lending to the most critical sectors of the economy such as power, transportation and agriculture and accelerate growth.

According to him "The bank also financed the drafting of the National Infrastructure Financing Policy in 2012. The key thrust of the policy was to provide a framework for leveraging private finance for infrastructure development; promoting the development of specialized funds and multilateral agencies in the financing of development projects; diversifying and developing non-banks sources of long term finance for infrastructure financing; and recommend incentives that will spur local and international project developers and financiers, to invest in infrastructure projects in Nigeria." The level at which these policies have affected infrastructure improvement both in the region, and in the sub-region leaves much to be desired. Back home in Nigeria, there are clear indications that implementation of the Federal Government's Infrastructure Action Plan (IAP) would gulp about $350 billion in ten years.

A consultant to the African Development Bank (AfDB), Dr. Russell Cheetham, while recently presenting a report on closing the infrastructure gap and accelerating economic transformation by the AfDB, said that there was need for special analysis by government to identify areas of need across the country, saying that "Full implementation of the proposed IAP would require $350 billion of development expenditure during 2011 and 2020." He said "At $350 billion, the development cost of the IAP is larger than any previously published estimate for overcoming the infrastructure gap in Nigeria." He noted that "About $15 billion will be required for capacity building and technical studies that support the design and implementation of the programme." He further stated that capital expenditure includes about $285 billion for rehabilitation of existing infrastructure and construction of new facilities to meet existing and future demand. He posited that additional $50 billion would be required for investment in transport fleet of the country, including aircraft, tankers for transportation of LNGs locomotives and rolling stock for the railways.

The AfDB consultant said that there was need for enlarge bus fleets required to meet the projected 45 percent increase in the urban population of the country between 2011 and 2020, and even advised that the government must ensure maintenance structure be put in place to avoid waste of investment. "Suppose we do spend the $350 billion to rebuild and expand the infrastructure base of the country, the problem is that it must be well maintained. If it is not

Box 2: Can the ECOWAS Development Bank Close the Sub-Region's Infrastructure Gap?

well maintained, the fear is that the asset will deteriorate just like it did in the last 30 years because of lack of maintenance. So you spend $350 billion and you don't maintain, 10 years later, you will not lose $350 billion alone, but you go on to rebuild," he said. Cheetham said that expenditure on rehabilitation would be in the ration of $4 to every dollar on maintenance.

Also speaking at the report presentation, Mr. Ousmane Dore said that the aim of the report was to take stock of the infrastructure gap in the country. "This report has clearly highlighted that there is huge gap. If you look at the support in Nigeria, it's about infrastructure we have in water, road and power and all those have already positioned AfDB to be the main provider of infrastructure on the continent, particularly here in Nigeria," he said. But what roles have the ECOWAS Bank for Investment and Development played in closing the region's infrastructure gap? President of the sub-regional Bank, Mr. Bashir M. Ifo, in his speech at the just concluded 15th Ordinary session of the Board of Governors held in Abuja recently said the implementation of the 2016-2020 strategic plan is being constrained as a result of the lack of adequate resources, noting that the review of the key indicators of the above-mentioned plan showed that all of the projected targets for various quantitative indicators have fallen below expectations.

According to him, especially hard hit was the mobilization of resources, which is the overarching pillar in the 2016-2020 strategic plans. He however expresses hope that with the intensification of resource mobilization initiatives, the implementation of the 2016-2020 strategic plan would considerably improve, as the bank was able to conclude negotiations with the Arab Bank for Economic Development in Africa (BADEA), which culminated into the signing of two loan agreements in the amount of $45 million and $25 million, for trade finance and private sector financing, respectively, at the margins of the 42nd Annual General Assembly of the Islamic Development Bank in May 2017, in Jeddah, Saudi Arabia. "We are also in discussion with the Indian Government for another $500 million line of credit to the bank. In addition, discussions are ongoing with the Islamic Development Bank, the OPEC Fund for International Development (OFID), etc. for the purpose of mobilizing adequate resources to finance development projects and programmes within the ECOWAS sub-region in conformity with our mandate."

He said in spite of resource constraints, the bank has been making significant regional developmental and integration efforts. He said the bank's net cumulative commitments in member states were recorded at UA 917.6 million ($1.34 billion) for 135 projects as at 31st December 2016. This is roughly an 8-fold increase from the date of commencement of operations as a bank on January 1, 2004, when total net cumulative commitments stood at UA121 million ($187.9 million). He appealed to shareholders, to assist the bank to fulfil its mandate of helping member states in their drive to reduce poverty, create employment and build the necessary infrastructure to undergird economic growth and development. He stressed that the payment by member states of the remaining capital arrears will not only help the bank to fulfil its mandate in the sub-region, but will also significantly contribute to positioning it as a viable financial entity that can mobilize adequate funds on the back of its shareholder support.

Box 2: Can the ECOWAS Development Bank Close the Sub-Region's Infrastructure Gap?
In short, additional equity infusion would strengthen the bank's balance sheet, which would then permit it to mobilize funds at competitive rate.

He noted that as at 31st July 2017, the total amount of capital in arrears in respect of the first and second tranches of the called-up capital stood at (about 135 billion CFA Francs). Concerning project appraisals, a total of 11 projects amounting to UA 60.4 million or $121.5 were appraised, representing a decline of 12.2 percent in value when compared with the previous year. According to him, going by the performance of the bank relative to financial activities, the Board of Directors in 2016 approved the financing of 9 projects amounting to UA 76.13 million, against 8 in 2015; just one project more than the previous year. The president further told the shareholders that the size of the bank's balance sheet remained largely unchanged from the previous year at UA 547.7 million in 2016. How then can projects be funded? As at 31st December 2016, the bank, made a net profit of UA3.2 million thereby consolidating on the profit of UA 2.4 million realized in 2015, representing an increase of over 33.3 percent. If the bank is to achieve the desired results in closing the infrastructure gap, discussions with the Indian Government of $500 million line of credit to the bank, ongoing discussions with the Islamic Development Bank, the China Development Bank, the OPEC Fund for International Development (OFID), should be vigorously pursued in order to mobilize adequate resources to finance infrastructure projects within the sub-region.

Source: Ifo, B. M. (2017) Can ECOWAS Development Bank close the Sub-Region's Infrastructure Gap? *Economic Confidential*, Vol 10. No 129, September 2017

4.7 Conclusions and Way Forward

It is undisputable that infrastructure is the most important factor for the rate of development of developing country like Nigeria. As such, Nigeria is preoccupied by the most effective methods to financing infrastructure. Additionally, public funding challenges have compelled both the private and public-sector actors and clients to rethink the conventional methods of funding infrastructure development.

The importance of infrastructural development cannot be over-emphasized. It has been established by various studies that infrastructure capital has a significant, positive effect on economic output and growth. Therefore, adequate and well-functioning infrastructure promotes not just productivity and economic development but also connects people to jobs, goods and services, as well as provides access to international markets.

The paper outlined other funding alternatives and elucidated the various PPP models which Nigeria's laws and policies can accommodate as well as the benefits and limitations of Public–Private Partnerships (PPP). The paper further suggested other national and international options available and discouraged domestic and external debt as an alternative due to the antecedents of such in Nigeria. The paper also suggested innovative applications of models that will enable the private sector to invest confidently in government-procured infrastructure

schemes irrespective of the sector, and, crucially, when it would be desirable to use such model.

The Economic Reform and Growth Plan of the Buhari administration states its agenda for infrastructure especially the road sector inter alia to "complete the road sector reforms to establish a Road Authority and a Road Fund to enhance best world practice in the administration of road network development and management in the country."

Is it feasible to achieve the targets of infrastructure from the epileptic capital budget implementation or the issuance of Sukuk bond[25]? Unfortunately, the Road Fund Bill which was introduced into the legislature in 2011 with a newer version introduced currently has stalled in the current National Assembly. The bill which addresses the issue of funding of road projects and an objective of creating and sustaining a pool of funds dedicated to financing, rehabilitating, repairing and maintenance of federal roads and enhance sustainable development and operation of the federal road network should not be a bill that should wait for ages when every Nigerian understand the state of our infrastructure especially road networks. The sourcing of revenues for the Fund is proposed to include fuel levies of about five percent of pump price; grants and loans from the Federal Government for road rehabilitation, repairs and maintenance; fees, charges and interest payable to the Fund; vehicle import tax; fines and amounts collected by government under the Federal Highways Act; toll fees on federal roads; sums of money coming from annual appropriation; and monies coming from the Sovereign Wealth Fund. The fuel levy will be shared between the federal government and the states in a 40 percent – 60 percent ratio. Why should such a bill that is expected to alleviate the infrastructural deficits in the country be used for politics?

There is also the need for Nigeria to look inward and provide the enabling environment for the usage of over N5trillion pension fund which is lying idle for infrastructural development just like Ghana, Kenya, South Africa, India and Brazil have effectively deployed pension funds for investment in infrastructure.

[25] Sukuk bond is a loan with a seven-year tenure due in 2024 at a return of 16.47 percent; the initial investments and the resulting interest must be returned to the investors.

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