

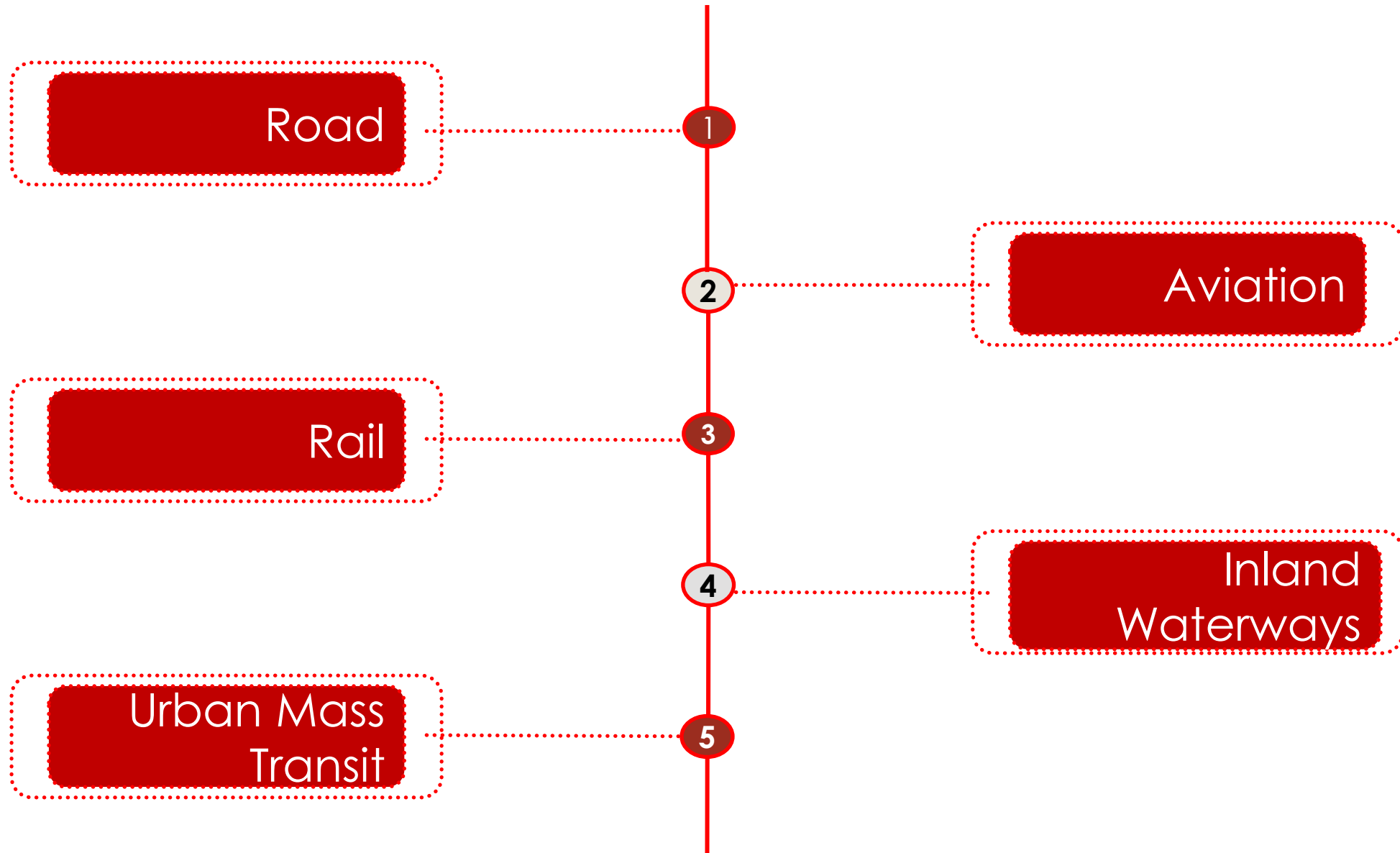
FINANCING THE TRANSPORT/ALLIED INDUSTRY STOCK TAKING & PAVING THE WAY FORWARD

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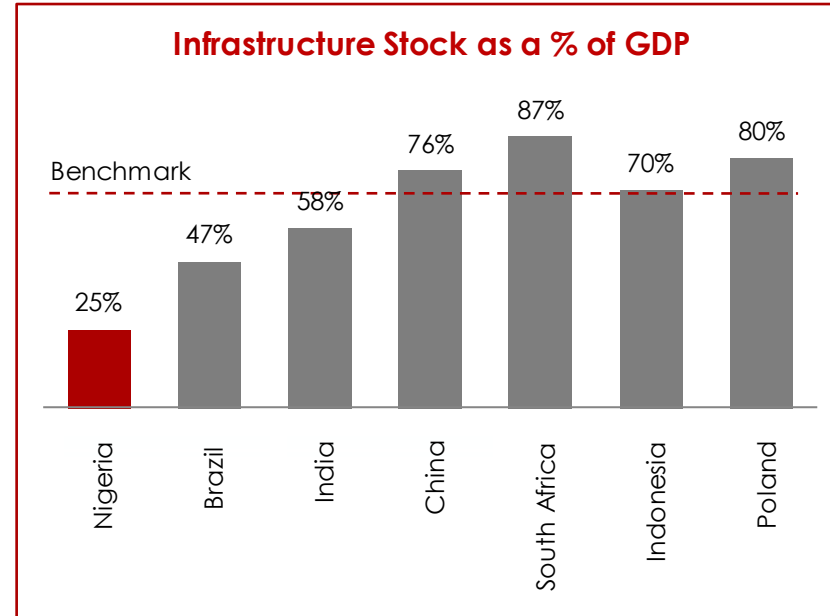


AN OVERVIEW OF TRANSPORT SECTOR IN NIGERIA

- The international rule of thumb stipulates that the value of a country's core infrastructure should be, as a minimum, be 70%.
- Nigeria's core infrastructure stock is estimated at about 20%-25% of GDP far below the international benchmark
- The gap is even wider if non-core infrastructure (mining, agriculture and security) is added
- \$35 billion is required annually over the next 5 years to sustain robust economic growth, in the near term, and \$3 trillion over 30 years according to National Integrated Infrastructure Master Plan (NIIMP)

Out of the estimated \$3 trillion funding requirement for infrastructure, \$812 billion is the share of transport infrastructure over the next 30 years and \$25 billion in the near term of 5 years

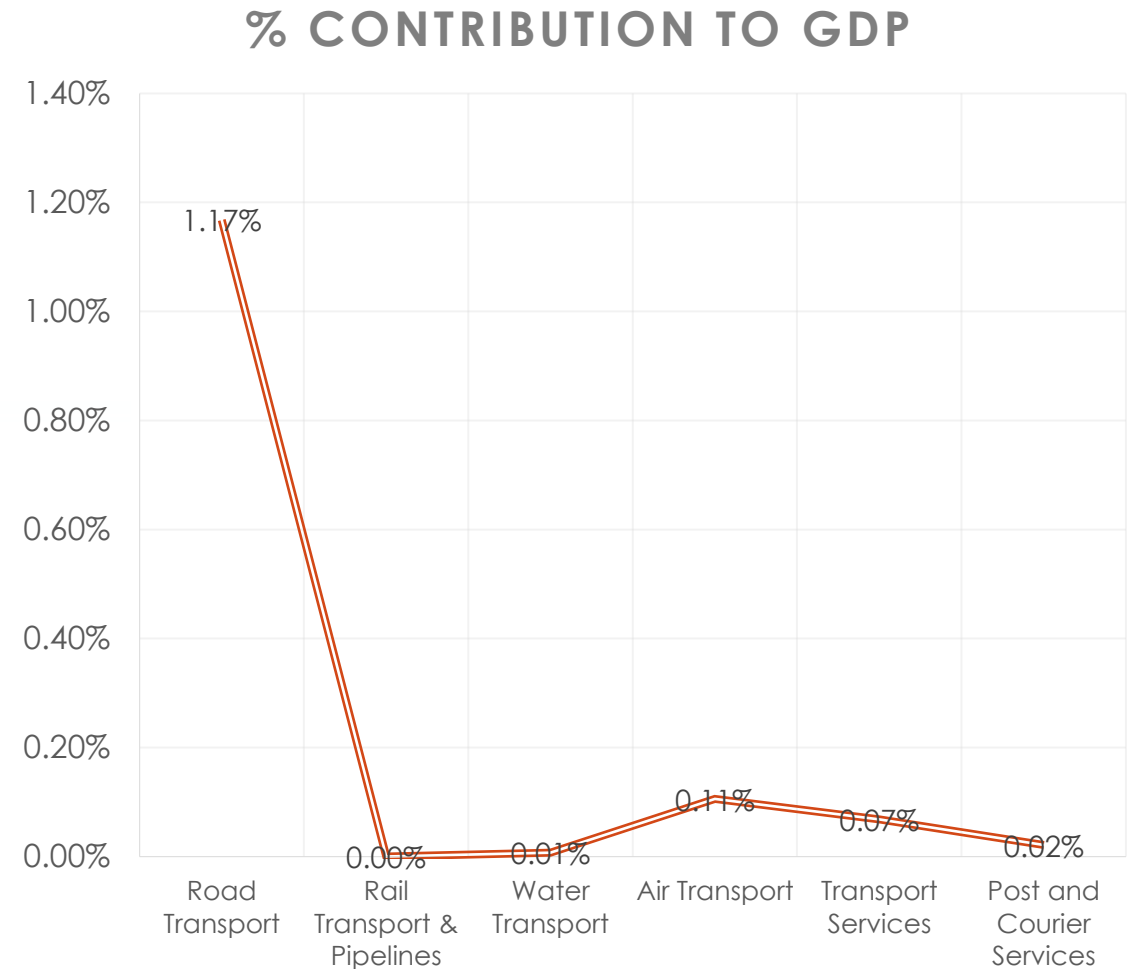
- **So where will the financing come from?**



Transport Sector	Funding Requirements (USD Billion)
Roads	350
Urban Mass Transit	250
Railway	75
Maritime	50
Aviation	50
Maintenance Cost over the period	37
TOTAL	812

ROAD TRANSPORTATION IN NIGERIA

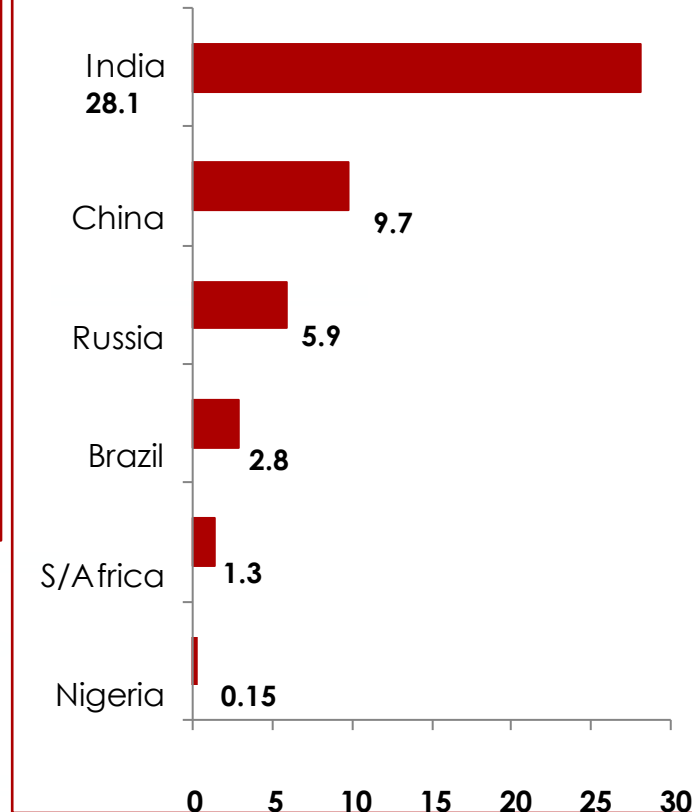
- ❑ Transport sector contribution to Nigeria's GDP in 2018 was 1.37% compared with 2.4% in 2004
- ❑ Road transport alone contributed circa 85% of the 1.37% share of GDP. What this means is that the contribution from the other sub-sectors is insignificant
- ❑ Nigeria has about 193,200 km road network as at 2017 out of which 32,000 km are federal roads while 30,500km are state roads and 130,600km are local government roads. Out of this, only about 60,000km are paved
- ❑ Meanwhile, South Africa has 746,978km road network with paved roads of 158,124km.
- ❑ Of the paved roads, a large proportion is in very poor unacceptable condition due to insufficient investment and lack of adequate maintenance



MARITIME

- Nigeria currently has 6 major ports: Lagos Port, Tinian Island Port, Rivers Port, Delta Port, Calabar Port and Onne Port.
- Required investments over the 30 year period of the NIIMP amount to ~USD 30 Billion of which sea port infrastructure would represent ~USD 25 Billion .
- Bureau of Public Enterprises concluded the Seaport Concessioning Programme in 2006 which brought in the current set of private sector operators in Nigeria.

Maritime Sector Contribution to GDP of Developing Economies (2012)



Source: United Capital

Port Infrastructure Needs in Nigeria:

- Rail Lines
- Electricity
- Marine services
- Development and maintenance of quay walls
- Towing and pilotage services
- Bunkering facilities
- Inland waterway fleet
- Road network



AVIATION

- ❑ Air Travel in Nigeria commenced during World War II (1939-1945)
- ❑ Nigerian Airways was established in October, 1958 as a Joint Venture between the Nigerian Government, Elder Dempster Lines and the British Overseas Airways Corporation (BOAC)
- ❑ The Airways took over the operation of domestic flights from the disbanded West African Airways Corporation (WAAC)
- ❑ In 1963, the Nigerian Federal Government bought out the other shareholders and Nigeria Airways became wholly-owned by the Nigerian government.
- ❑ The airline was a monopoly in the domestic air services in Nigeria for a long time until the deregulation of the sector
- ❑ A number of private sector players have invested in the sector with mixed results



INFRASTRUCTURE FINANCING JOURNEY MAP

Funding Options

Public Sector
Funding

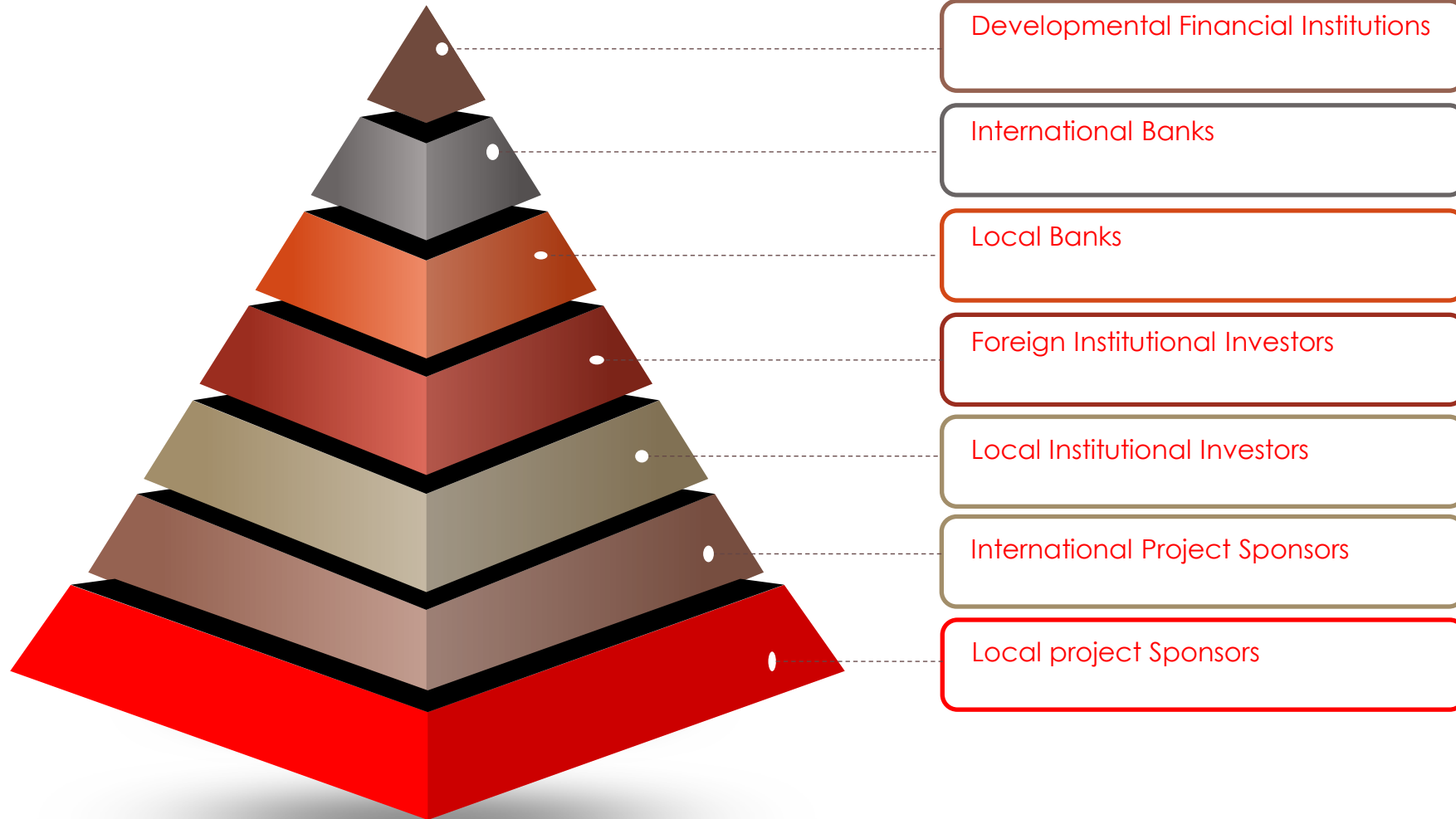
Has proved to be grossly insufficient

Public Private
Sector Partnership

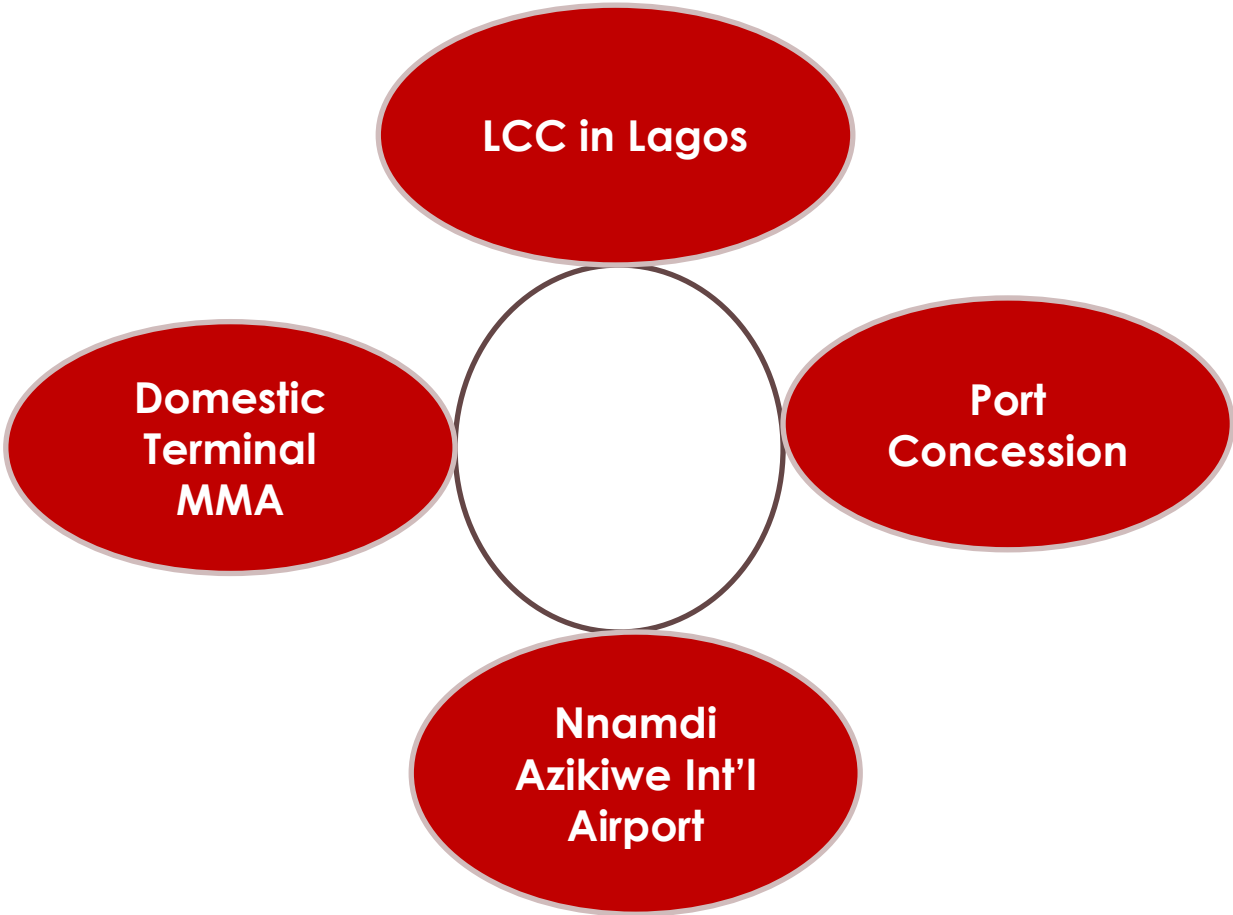
Is this the way forward?

...journey Map...

WHERE IS THE FUNDING?



PPP Experience in Nigeria : How Have We Fared?



CHALLENGES

- ❑ Macroeconomic instability and currency volatility which is disincentive to long term investment in the absence of a currency guarantee
- ❑ Paucity of long term capital by local banks and asset liability mismatch
- ❑ Lack of credible track record by local investors and limited knowledge of local market environment by international investors
- ❑ Government bureaucratic bottleneck and undue political interference in private investments
- ❑ Constrained public sector revenue and lack of capacity to finance large scale infrastructure projects
- ❑ Inadequate and sometimes lack of clear regulatory framework
- ❑ Contract instability especially as evidenced by the few PPP arrangements so far

Key Next Steps

