Engaging the Approved 2016 Federal Works Budget

CSJ

CENTRE FOR SOCIAL JUSTICE (CSJ)

(Mainstreaming Social Justice In Public Life)

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By

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LIST OF ACRONYMS

DRC:	Democratic Republic of Congo
FERMA:	Federal Roads Maintenance Agency
FGN:	Federal Government of Nigeria
FMoW:	Federal Ministry of Works
FMoWPH:	Federal Ministry of Works, Power and Housing
FRA:	Fiscal Responsibility Act
GDP:	Gross Domestic Product
ICRC:	Infrastructure Concession Regulatory Commission
ICT:	Information and Communications Technology
MTEF:	Medium Term Expenditure Framework
MTSS:	Medium Term Sector Strategy
NIIMP:	National Integrated Infrastructure Master Plan
PPP:	Public Private Partnership
USD:	United States Dollars
VPD:	Vehicles Per Day

EXECUTIVE SUMMARY

Roads and other infrastructure are central to modernity and development. They are essential intermediate inputs into production and service delivery in both the public and private sector to the extent that the stock of roads and its state is a good measure of the level of progress and development of any society. According to international benchmarks, more developed countries typically have core infrastructure stock (roads, rail, ports, airports, power, water, ICT) equal in value to about 70 per cent of GDP, with power and transportation infrastructure usually accounting for at least half of the total value.

The review focuses on the public funding of the FMoWPH in the year 2016. The review tries to dissect the responsiveness of the budget for works towards Nigeria's developmental goals. Budgetary allocations of fund are geared towards meeting policy goals and targets. It will also interrogate the adequacy of the resources deployed and whether Nigeria is using the maximum of available resources to improve its network of roads and bridges.

Nigeria has a total road network of 194,200 kilometres, comprising 34,123 km Federal roads, 30,500 km State roads, and 129,577 km Local Government roads. The Federal Government owns 17 percent of the network while the States and Local Government Councils own 16 and 67 percent respectively. **V**ision 20:2020 and the National Integrated Infrastructure Master Plan (NIIMP) made provisions for infrastructure including roads. Specifically, the NNIMP expects an investment of $22 billion over the first five years and an additional $4billion in urban roads. This requires a provision of $5.2 billion per year. Provisions were made in the Infrastructure Concession Regulatory Commission (Establishment Act 2005) for private sector participation in infrastructure development including roads through Public Private Partnerships.

Key statistics indicate that Nigeria has a large number of uncompleted roads; there are roads which have been under construction and rehabilitation for over ten years whilst the cost of road construction in Nigeria is far higher than other African countries. Cost over-runs and augmentation are common but most times, these are not based on empirical evidence of macro-economic fundamentals like inflation. Compared to peer African countries, Nigeria has fewer numbers of kilometers and percentage of paved roads. So many road projects have been in the PPP pipeline for years without graduating to the implementation phase.

FGN allocated 3.83%, 2.85%, 1.00% and 4.84% of its overall budget to the works sector in the years 2013, 2014, 2015 and 2016 respectively. This is an average allocation of 3.02% of the overall budget over the four year timeframe. The variance between the appropriation and the NIIMP projection for the four years cumulatively amounts to

N3.795 trillion whilst it came up to an average of N948.97 billion a year. In 2013, the vote was only 23% of the NIIMP project; it was 13.80% in 2014; 4.35% in 2015 and 17.90% in 2016 respectively. Overall, this is an average allocation of 14.76% of the NIIMP projected sum over the four years. Essentially this shows that without other resources coming in from the private sector under PPPs or any other source, the funding gap remains very large. In 2013, only 44.347% of the capital allocation was utilized; the utilization rate rose to 47.62% in 2014 and moved up again to 95.97% in 2015. This indicates that the utilization rate was oscillating and very low over the three years. It was at an average of 62.64%.

On the basis of the foregoing, the following recommendations were made by the review.

i. Increase Resources Available to the Sector

This should be done as follows:

- Budgetary funding for the sector should be progressively improved starting from the 2017 federal budget.
- Toll gates should be returned to key federal roads to raise funds for the sector.
- The Federal Roads Maintenance Agency (Establishment, etc) Act should be fully implemented to the extent that the deduction and surcharge of 5% user charge on the pump price of petrol and diesel commences.
- Set up clear economic and fiduciary frameworks to ensure good returns on investment and use public pension funds to grow the sector.
- Roads bonds should be floated and tied to specific roads after good feasibility studies, proper costing and approval by the legislature.
- FGN should expedite action and move projects being considered for implementation under PPPs from the planning to the implementation stage. There should be a specific time frame for each project being packaged under a PPP arrangement. In this regard, confidence building measures should be mainstreamed in the engagement with investors.
- PPP arrangements should be devoid of politics and government must develop the political will to stick to agreements and contracts freely signed with private sector operatives. However, at the stage of negotiations and signing, the details and facts of the transaction should be available to the public to enable contributions and possible interventions in the public interest.

- The Infrastructure Concession and Regulatory Commission and FMoWPH should be more proactive in the discharge of their duties in facilitating the packaging of road infrastructure projects.

ii. Reduce the Cost of Road Construction

This should be done as follows:

- The cost of road projects should be reduced through benchmarking with African and international prices. Taking into cognizance the cost of building roads in other countries like Ghana, which has nearly the same soil environment like Nigeria, also with the Volta Region which is swampy, will put extant costs in their proper perspective and context.

- It is imperative that the Bureau of Public Procurement devises a standard database of prices of road construction materials and road construction across different soil textures in Nigeria to guide procurement in the sector.

- Augmentation and contract variations should be done within the context of prevailing macroeconomic fundamentals such as inflation and the value of the national currency. The National Assembly should demand and review relevant documentation before approving any upward review. The review should not be left to the executive alone.

iii. Halt Perennial Road Projects and Spreading Resources Too Thin

This should be achieved as follows:

- FGN should consider a moratorium on new projects in the road sector pending the completion of ongoing projects.

- Among the ongoing ones, there should be prioritization to guarantee the completion of more vital national roads on schedule.

- Ongoing road projects could also be packaged for PPPs and other private sector funding arrangements. The sector needs a good dose of discipline and careful planning.

iv. Ring-fence Capital Budgets for the Sector

FGN needs to consider devising strategies to ring-fence the capital budget of the parent Ministry to ensure that allocated funds are released and utilized. The perennial under release and under-utilisation of approved funds will not lead to major improvements in the sector. This experience is not limited to works but is cross sectoral. The FGN therefore needs to enforce fiscal discipline to guarantee that recurrent expenses do not over shoot whilst the capital vote bears the brunt. Also, revenue forecasting should be more empirical and less overtly optimistic which leads to perennial shortfalls that impede capital budget implementation.

v. Prepare MTSS for the Sector

In accordance with the Fiscal Responsibility Act (FRA), the appropriation process should properly start with the preparation of Medium Term Expenditure Framework and its underlying Medium Term Sector Strategies. The MTSS should be prepared by a properly composed sectoral team where all major stakeholders including civil society are represented.

vi. Need to Enact the Federal Road Fund Bill into Law

The executive and NASS should work together to review the Federal Road Fund Bill and ensure its enactment into law to provide new incentives for the development of the road sector. This should be done before the end of the first quarter of 2017.

vii. De-Merge the Ministries of Works, Power and Housing

The Ministries of Works, Power and Housing need to be separated into three different Ministries to ensure efficient supervision of each of them by a Minister focused on their activities. The extant configuration is too unwieldy considering the intense demands of each of the merged sectors.

viii. Cement and Concrete Roads

It has been claimed that cement and concrete roads are cheaper and last longer than bitumen roads. Nigeria has cement making materials in abundance and now has a good measure of export capacity in the cement sector. On the other hand, bitumen is imported and will invariably be more expensive. If these set of facts are true, FGN should explore the option of this cheaper and more durable road construction material.

ix. Early Passage of the Budget

The budget should be prepared and presented by the executive to the National Assembly early enough and NASS should approve of same on or before the commencement of the New Year.

INTRODUCTION

1.1 Background

Roads and other infrastructure are central to modernity and development. They are essential intermediate inputs into production and service delivery in both the public and private sector to the extent that the stock of roads and its state is a good measure of the level of progress and development of any society[1]. According to international benchmarks, more developed countries typically have core infrastructure stock (roads, rail, ports, airports, power, water, ICT) equal in value to about 70 per cent of GDP, with power and transportation infrastructure usually accounting for at least half of the total value[2].

Good roads are also essential to the realisation human rights and fundamental freedoms to the extent that freedom of movement is facilitated by good roads while access to food, health, education and the enhancement of the dignity of the human person are facilitated by the movement that roads offer. Poor road networks lead to accidents which takes away human life. Road transport in Nigeria affects the price of goods and commodities; bad roads lead to increase in transport cost and this affects the prices of commodities and services.

Nigeria has a total road network of 194,200 kilometres, comprising 34,123 km Federal roads, 30,500 km State roads, and 129,577 km Local Government roads. This shows that investment in roads is not the sole function of the Federal Government of Nigeria (FGN) but investments are expected from states and local governments as well. However, most of these roads are in need of repairs. The Federal Ministry of Works, Power and Housing[3] (FMoWPH) is the government agency charged with the supervision of the road and construction sector. Its works section is charged with the mandate of construction and rehabilitation, planning and design of federal highways, monitoring and maintenance of federal roads and bridges, provision of engineering infrastructure and surveying and mapping the nation's internal and international boundaries. Despite the

[1] Akinyosoye quoting an Asian Development Bank report says that a country's infrastructure development should contribute to a great extent to the GDP to attain a reasonable level of sustainable development. Developing countries are expected to have the construction sector contribute a much larger input to GDP because it amounts to a significant amount of investment during a country's development. Yunusa furthers this perspective of the relationship between infrastructure and economic development through the correlation of a nation's GDP and her level of urbanization as demonstrated by World Bank studies. See Muyiwa Akinyosoye: *Infrastructure Development in Nigeria; Road Map to Sustainable Development.* Yunusa, M: *Planning Cities for Wealth Creation*: Lecture delivered at the First Urban Dialogue Series of Department of Urban and Regional Planning, Faculty of Environmental Sciences, University of Lagos, 2011.

[2] http://www.niimp.gov.ng/?page_id=1014-: Global benchmarks for infrastructure stock in the Nigerian National Integrated Infrastructure Master Plan.

[3] This was formerly three ministries in charge of housing, power and works but merged into one by the Muhammadu Buhari administration.

efforts of successive government to address the state of roads in Nigeria, the challenge of bad and or abandoned roads still exist nationwide.

In the MTEF 2016-2018, FGN stated its commitment to improved transportation infrastructure and the completion of infrastructure directly critical to the development of trade and commerce and inter-state roads linking critical commercial centres. It promised to set up an Infrastructure Development Fund to warehouse funds for capital development and thereby guarantee certainty in funding for critical infrastructure including roads. Again, President Muhammadu Buhari in the 2016 Budget Speech promised to increase investments to the road and other infrastructure sectors. Also, the vision of the Nigerian road sector is to elevate Nigerian roads to a standard where they become national economic and socio-political assets contributing to her rapid growth and development; to make federal roads functional and pleasurable and to contribute to the reinvention of Nigeria's trust and confidence in government. It is therefore expected that the budget of the Federal Ministry of Works (FMoWPH) should lead to the realisation of this vision.

1.2 Objectives of the Review

The review focuses on the public funding of the FMoWPH in the year 2016. The review tries to dissect the responsiveness of the budget for works towards Nigeria's developmental goals. Budgetary allocations of fund are geared towards meeting policy goals and targets. It will also interrogate the adequacy of the resources deployed and whether Nigeria is using the maximum of available resources to improve its network of roads and bridges.

2. SECTORAL POLICIES AND PLANS

2.1 Vision 20:2020

Vision 20:2020 in its "optimizing the key sources of economic growth" demands the expansion of investments in critical infrastructure. In its domestic constraints to growth and development, it identifies decaying infrastructure as one of key challenges. It states as follows of the transport system[4]:

> *"Nigeria's infrastructural base has remained inadequate to meet the needs of the economy. The transportation system comprising road, rail, air and water remains largely under-developed and decaying. The intermodal system has also not been developed, making the movement of goods and persons within the country costly and difficult".*

In terms of funding infrastructure, the Vision provides that:

[4] Nigeria's Vision 20:2020 at page 19.

"First, policy focus will be on increasing the quantity and quality of government infrastructure spending, with a view to achieving accelerated infrastructural development within the first three years while ensuring that maximum value is derived from such expenditure. A second priority will be the development of a framework for joint financing of infrastructure projects between the federal and state governments, as well as between multiple state governments. Thirdly, private investments will continue to be encouraged, and policy focus will be on creating the environment for infrastructure investments in Nigeria to be competitive and attractive, building on the framework for infrastructure concessioning now in place with the enactment of the ICRC Act".

The Vision and its First National Implementation Plan sought enhanced investments in the road sector. It identified the major problem of the road sub-sector in Nigeria as the near total lack of maintenance at all levels (Federal, State and Local Government), and the absence of a rational planning and road investment system based on economic criteria.

2.2 Policy on National Integrated Infrastructure Master Plan (NIIMP)

The National Integrated Infrastructure Master Plan has a 30 year horizon, 2014-2043, made up of 3no 10-year strategic plans, 6no 5-year operational plans. The key objective of NIIMP is to ensure coordinated approach to infrastructure development in Nigeria and help to integrate diverse infrastructure plans and projects across all sectors and regions in Nigeria. Other objectives of the plan are to strengthen linkage between infrastructure sector components and the national economy, review, upgrade and harmonize existing subsector master plans.

The NIIMP will also help to prioritize projects and programmes for implementation in the medium to long-term, promote private sector participation in infrastructure development, enhance performance and efficiency of the economy. NIIMP will provide the capital allocation framework for the required investments to bring infrastructure in Nigeria in line with the country's growth aspirations. In the road sector, the NIIMP states as follows:

"Priority portfolios focus on refurbishing and expanding the cross-national highway network. This includes dualisations as well as general rehabilitation of major routes. Furthermore, the regional road networks will be rehabilitated and expanded"

"The overall vision of the transportation sector is "to achieve an adequate, safe, environmentally friendly, efficient, affordable and sustainable integrated transport system within the framework of a progressive and competitive market economy for Nigeria"[5]*.*

For the road subsector, the sub-sector strategic goals are to:

[5] http://www.niimp.gov.ng

- *Develop, operate and maintain a safe, efficient and effective road network;*
- *Facilitate economic and social development through efficient movement of people and goods;*
- *Enhance connectivity between economic centres of the country;*
- *Improve linkages to other transport modes to enhance intermodal transportation;*
- *Secure funding from the private sector, multilateral agencies and concessionary loans for highway development.*

On the expected investment in the road sector, the NIIMP states:

> *"The roads sub-sector accounts for the lion's share of required transport infrastructure investments. Reaching the aspirations will require an investment of about USD 350 billion over the next 30 years, for rehabilitation, expansion and upgrading of the Nigerian road network. The corresponding investments throughout these three decades comprise the rehabilitation of about 120,000 km of existing road, increasing the total length of paved roads from the current 70,000 km to more than 180,000 km and the construction of about 95,000 km of new roads. This also includes construction and rehabilitation of feeder roads to all major seaports and airports. Of the overall amount, USD 22 billion will have to be invested in the first 5 years"*

Additionally, USD 4 billion is required for urban transportation, focusing on urban road transport infrastructure on the first 5 years. NIIMP recognizes that public current accounts rely heavily on oil revenues: if oil revenues decrease during the NIIMP period, the available financing from public current accounts will also decrease. It identifies key roads for public and private sector prioritization to include Lagos-Ibadan road; Second Niger bridge; Benin-Shagamu; East West Road, Costal Highway: Lagos, Warri, Port Harcourt, Calabar; Abuja Ilorin; and 4th Mainland bridge.

The sources of funding for the NIIMP including the road sector are budgets, debts, other public funds including the Sovereign Wealth Fund, accumulated public pension funds and PPPs. The private sector is expected to invest in the road subsector but they will require inter alia:

- *Federal government commitment to adopting a PPP framework for road construction, maintenance and management;*
- *Access to concessionary (cheap) financing and long-term capital, right of way and tax exemption and duty waivers;*
- *Adequate and efficient maintenance of the existing road network;*
- *Government support in terms of guarantees required to enhance the viability of projects in the sector; and*
- *Policy stability.*

2.3 Infrastructure Concession Regulatory Commission (Establishment Act 2005)

The ICRC Act provides in S.1 as follows;

> *As from the commencement of this Act, 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 prequalified project proponent in the private sector for the financing, construction or maintenance of any infrastructure that is financially viable or any development facility of the Federal Government in accordance with the provisions of this Act.*

The Act sets up the process and regulations for public private partnerships in infrastructure. It provides for guarantees on concession agreements, competitive public bidding for projects and contracts and circumstances in which bidding will not apply, duration of concession, recovery of investments, arbitration, etc. The full and proper implementation of the Act should bring in increased private sector investments into the road sector.

3. RELEVANT STATISTICS AND INFORMATION OF THE ROAD SECTOR IN NIGERIA

3.1 Total Road Network and Traffic

Nigeria has a total road network of 194,200 kilometres, comprising 34,123 km Federal roads, 30,500 km State roads, and 129,577 km Local Government roads[6]. The Federal Government owns 17 percent of the network while the States and Local Government Councils own 16 and 67 percent respectively. 19 percent of the main road areas are paved. According to official sources:

> *The most recent visual and qualitative condition assessment of federal roads by FERMA (March 2011) revealed that only 26.5% of the federal roads are rated as being in a good condition. Bad roads lead to increase in traffic volume. Traffic data for federal roads show that about 5% of the roads carry over 10,000 vehicles per day (VPD); 19% carry between 6,000 – 10,000 VPD, while 26% and 51% of the roads carry between 4,500 – 6,000 VPD and less than 4,500 VPD respectively*[7].

The annual losses to the economy due to bad roads have been put at N133.8 billion[8] as at 2003. The losses must have increased considering the deteriorating road network and increased number of vehicles plying the roads.

[6] Draft Green Paper on Federal Roads and Bridges Tolling Policy - FMoW
[7] Supra, Draft Green Paper on Federal Roads and Bridges Tolling Policy - FMoW
[8] Central Bank of Nigeria Occasional Paper Series, No. 27; Highway Maintenance in Nigeria, Lessons from Other Countries, 2003.

3.2 Comparative Analysis

For decades, the Nigerian road sector has been plagued by multiple challenges. With the quantum of resources derived from oil, Nigeria still lags behind its contemporaries in Sub Saharan Africa in the road sector. South Africa was able to integrate concessions in its road and transport sector and this has been well managed to meet the countries road needs. It is ranked as having the 9th longest road network in the world with 747,014 km and 6th longest rail network in the world. The country has been able to establish tolls on major roads and concessioned them to various private companies to maintain, rehabilitate and manage. In the case of Nigeria, with 194,200 kilometres which is far smaller when compared to South Africa, we are yet to get to the point of successful road concessions[9].

Table 1: Comparison of Nigeria's Road Kilometer and Paved Road with Other Countries in Africa

South Africa Road Km	Paved Road	Ghana Road Km	Paved Road	Egypt Road Km	Paved Road	Nigeria	Paved Road
747,014 *(km)*	158,952km	109,515.0	13,787km	137,430.0 *(km)*	126,742km	193,200km	28,980km

Source: https://www.cia.gov/library/publications/the-world-factbook/fields/2085.html

While South Africa has been able to achieve a total of 21% paved roads from her total number of 747,014 kilometer road network which is higher than that of Nigeria's 193,200km, Nigeria is just able to attain 15% paved road. Ghana's paved road is 12.59% of her total road network; Egypt's paved road is 92.22% of her total road network. Thus, Egypt and South Africa are far ahead of Nigeria.

3.3 Uncompleted Road Projects

Babatunde Fashola, the current Minister in charge of Works identified 200 abandoned road projects in Nigeria. The problems associated with the abandoned roads and other works projects in the country can be traced inter alia to the inefficient budgeting practices[10].

3.4 High Cost of Road Construction and Cost Over-runs in Nigeria

In Nigeria, as at 2013, a kilometer of paved road was constructed for an outrageous amount ranging from N400 million to over N1 billion. For instance, the 9.52km Ibadan – Oyo State Capital township road was awarded at the cost of N5.8 billion ($35m)[11], which is approximately N609.24million (or $3.7million) per kilometre. This sum largely exceeds the upper bound of the estimated benchmark of 1,374,429.60 $/Km as derived from an

[9] *Source:* https://www.cia.gov/library/publications/the-world-factbook/fields/2085.html.

[10] Vanguard Newspaper of February 16, 2016.

[11] Leadership (Abuja; 7/11/2012): Nigeria: *Construction of 1km of Road for N1billion by ACN States is Scandalous, S/West PDP Insists*. Available Online: www.allafrica.com/stories/201209080491.html/

earlier World Bank study[12]. Also, the contract sum of the Abuja-Abaji-Lokoja Road project; a Federal Government road in Nigeria of 196km, was estimated at an initial sum of N42 billion ($326.5 million[13]) in 2006, increased to N116 billion ($730.9 million[14]) in 2011; which is the prevailing benchmark for the completion of the project[15]. This indicates an increase of 176.2 percent; despite the inflation growth rate at a declining average of 2.52% from 2006 to 2011. With the total cost of the Abuja-Abaji-Lokoja (196km) contract at N116 billion ($730.9 million), the cost of the project per kilometre will be approximately N591million ($3.73 million). This sum exceeds the upper bound benchmark cost of $1,374,429.60/Km estimated from the World Bank recommended cost of constructing 1Km of paved road[16].

The Study by Victoria et al (2008) confirms this to be true, as they observed very high cost overruns in Nigeria. A set of indicators were constructed to perform comparative assessments of the contract procurement and implementation processes in the road sector across 13 countries in Sub-Saharan Africa: Congo, Democratic Republic of Congo (DRC), Ethiopia, Ghana, Kenya, Malawi, Mauritania, Mozambique, Madagascar, Nigeria, Tanzania, Uganda, and Zambia. They generated a specialized dataset for 109 road and bridge works contracts and 76 supervision consultancy contracts between 1999 and 2007 in 22 projects financed by the World Bank[17].

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[12] *World Bank Report; Roads Works Costs per kilometer;* Rodrigo Arvhondo Callo, 2000.

[13] Average exchange rate in 2006: N/S = 128.65 (Source: CBN Statistical Bulletin -Various Years)

[14] Average exchange rate in 2011 and 2013: N/S = 158.70 (Source: CBN Statistical Bulletin - Various Years)

[15] Federal Ministry of Works, Mabushi-Abuja (2nd December, 2013): Issues in Abuja-Abaji-Lokoja Road Contract Variation and Current Execution, published in ThisDay Newspaper, Tuesday December 3, 2013. Pg i.

[16] The World Bank Benchmark for the Cost of Road Construction per Km was adjusted for country inflationary level from 2000-2012/2013. Data on Inflation were extracted from the IMF (in conformity with the Central Bank and National Treasury Inflation Estimations). Nigeria's inflation growth rate 2000-2012 = 16.27 (2000-2013 = 12.57) and South Africa's inflation growth rate 2000-2012 = 0.28 (2000-2013 = 3.75).

[17] The objectives of creating a new database were to establish a framework for cross-country comparisons of the procurement processes and implementation of road works contracts in Bank-funded projects, develop a set of alert indicators or red flags based on quantifiable criteria to recognize and track vulnerabilities to corruption in the roads sector, and facilitate measurement of the performance of road works contracting in projects financed by the Bank. The dataset builds upon the Road Costs Knowledge System (ROCKS)[17] developed by the World Bank's Transport Unit and goes beyond its scope including more variables. In particular, it includes a more detailed bidding information covering separately, contracts with a pre-qualification requirement and without pre-qualification, data on consultants supervising relevant road works contracts, and names and nationalities of bidders participating in tenders. It also adds such road works unit costs as single and double surface treatment (US$/$m^2$), and unit costs of sub-base (gravel, crushed stone) and earthworks (soft, hard), both in US$/$m^3$. The database also distinguishes between contract cost per km (contracted value), its estimated cost (generated by design engineer), and actual cost (taking into account variation orders).

Reporting the cost overrun in road construction, the highest cost overruns were observed in Nigeria, where the contracts increased their original value by 39.7 percent on average during implementation. The average cost overruns in Ghana were 34 percent although one contract increased its value by 86 percent. The cost increases for Mozambique and Tanzania were around 18 percent. No cost overruns were observed in the reviewed contracts of Ethiopia, Uganda, and Kenya. All cost overruns reported were based on variation orders and exclude price escalation.

3.5 Perennial Road Projects

Apart from the cost overruns, another major challenge of the road sector is that there seems to be a disconnect between the available resources and number of budgetary road projects across the country. In spite of the little available resources, multiple projects are spread across the nation and this stalls the completion of these projects. The Abuja Lokoja road, East West road, Port Harcourt Owerri road, Enugu Onitsha road, etc, have all been in the works for about ten years and are yet to be completed. Also, the Enugu Port Harcourt expressway has been under perennial repairs for the past 10 years.

3.6 Full Implementation of the FERMA Law has not Commenced

Under the Federal Roads Maintenance Agency (Establishment, etc) Act that was passed in 2002 and amended in 2007, one of the sources of funding the activities of FERMA is the 5% user's charge on the pump price of petrol and diesel; of which 40% will accrue to FERMA and 60% to be utilised by the established State Roads Maintenance Agencies; and international vehicles transit charges as may be determined by the Honourable Minister of Transportation. But this 5% charge has never been implemented thereby denying the sector of the expected revenue. On the other hand, toll gates were erected on certain federal highways to collect tolls to fund road rehabilitation and repairs in accordance with the Act but were later dismantled on the orders of the President under the Obasanjo government. This was a retrogressive step that has not been explained by government till date.

3.7 The Federal Road Fund Bill was not Enacted into Law

This was a Bill for an Act for a Fund to be known as the ‘Federal Road Fund’ (hereinafter referred to as ‘the Fund’). The object of the Fund by Section 2 is to:

a. *create a pool of dedicated funds to finance the rehabilitation, repairs and maintenance of Federal Roads in the country, and*
b. *promote the sustainable development and operation of Federal Road Networks in the country.*

By Section 3 (1), there shall be paid and credited to the Fund established by this Act:

a. *fuel levy received from diesel and petrol products as may be determined from time to time by the Federal Government;*
b. *grant and loans to Federal Government for road rehabilitation, repairs and maintenance;*
c. *all such sums, fees, charges, interests, etc, as may by payable to the Fund from any source whatsoever; and*
d. *Vehicle Import Tax;*
e. *fees, fines and other amounts collected by the Government or any of its agencies under the Federal Highways Act;*
f. *Toll fees on Federal Road;*
g. *Sums from Annual Appropriation and the Sovereign Wealth Fund*

(2) Where in compliance with the provision of the Constitution, the monies and dues enumerated in subsection (1) are paid to the Consolidated Revenue Fund of the Federation, the National Assembly shall appropriate an amount from the Consolidated Revenue Fund of the Federation in accordance with the annual Appropriation Acts, which shall not be less than the total amount derived from the Grants, Taxes, levies etc, collected under this Act at the end of the preceding year.

This would have created a pool of funds for road rehabilitation and repairs but it did not see the light of the day. However, this bill needs to be re-worked and re-presented to NASS for enactment into law. In re-working the bill, provision should be made for the Fund to finance new road projects and new sources of funding should be included in the bill. The bill should also harmonise the duties and function of the new body to be created under the law with FERMA.

3.8 The Minister for Works, Power and Housing Provides a 3 Year Plan

A three year plan has been set up by the Minister for Works, Power and Housing, Babatunde Fashola with the aim of covering about 6000 kilometers of roads at the end of the third year. In each year, a total of 2000 kilometers will be covered. The projects to be covered are based on criteria such as projects with economic value, those carrying heavy traffic and those that are almost completed. Further, the FGN’s plan is to complete a total of 31 projects in the first year and 55 projects in the second year and 44 projects in the third year. Some of the notable projects earmarked by the Minister include the Lagos-Ibadan Express Way, the Second Niger Bridge, and Murtala Muhammad International Airport Road in Lagos[18].

[18] See Vanguard newspaper of February 16, 2016.

4. REVIEW OF FEDERAL ALLOCATION TO WORKS (ROAD SECTOR)

4.1 Issues in this Part of the Review

This part will review the key provisions in the overall envelope of the MoWPH and try to isolate the works element, recurrent and capital expenditure as well as the funding gap (if any) in view of the infrastructure deficit discussed above. It is imperative to note that this review will differ from the review of other ministries that were not merged to the extent that some analysis will be based on assumptions from the preceding year(s). It will also highlight capacity deficits and frivolous, inappropriate and wasteful expenditure heads. A trend analysis for the years 2013 to the extant year will be done to show that what is happening in 2016 is not isolated but establishes a pattern of appropriationa and expenditures over the short to the medium term.

4.2 Allocations to Works and the Funding Gap

Nigeria is committed to providing not less than $5.2 billion of its resources to roads education under the NIIMP benchmark. However, some part of the resources is expected to come from public private partnerships, borrowing and pension fund investments. But the budget is expected to provide a reasonable part of the funds. In Table 2 below, the study reviews the allocations to works 2013 to 2016 and their compliance with the NIIMP commitment. The decision to go back to 2013 is to establish a trend in the allocations which will be compared to the 2016 allocation. The Table also seeks to establish the funding gap.

Table 2: Budgets and Funding Gap in Nigeria's Works Sector, 2013-2016

Year	Overall Federal Budget (₦ Millions)	Total Allocation to Works (₦ Millions)	% of Vote to Works to Overall Vote	NIIMP Projection for Works (₦ Millions); Equivalent of USD5.2 billion	Variance between NIMP Projection and Allocation to Works
2013	4,987,220,425.601	191,251,326,508	3.83	831,480,000,000	640,228,673,492
2014	4,695,190,000,000	133,726,558,986	2.85	954,200,000,000	820,473,441,014
2015	4,493,363,957,158	44,985,916,543	1.00	1,035,320,000,000	990,334,083,457
2016	6,060,677,358,227	293,173,916,543	4.84	1,638,000,000,000	1,344,826,083,457

Source: Budget Office of the Federation: Approved Budgets and NIIMP[19]

Table 2 shows that the Federal Government of Nigeria (FGN) allocated 3.83%, 2.85%, 1.00% and 4.84% of its overall budget to the works sector in the years 2013, 2014, 2015 and 2016 respectively. This is an average allocation of 3.02% of the overall budget over the four year timeframe. The variance between the appropriation and the NIIMP projection for the four years cumulatively amounts to N3.795 trillion whilst it came up to an average of N948.97 billion a year. In 2013, the vote was only 23% of the NIIMP project; it was 13.80% in 2014; 4.35% in 2015 and 17.90% in 2016 respectively. Overall,

[19] The conversion from USD to the naira was taken from Fx-rate.net/NGN/?date_input using the prevailing CBN rate on the last day of the year.

this is an average allocation of 14.76% of the NIIMP projected sum over the four years. Essentially this shows that without other resources coming in from the private sector under PPPs or any other source, the funding gap remains very large.

4.3 Distribution and Composition of the Allocations 2013-2016

Table 3 shows the distribution of allocations between capital and recurrent expenditure over the four year term of the review. The MoWPH got an allocation of N456, 936, 811,203 in the 2016 federal budget. However, the presiding Minister, Babatunde Fashola declared that from the N422.964 billion given to the sector for capital projects, N268 billion which represents 62 percent will be allocated to works[20]. The Minister disclosed that the FGN is ready to finish the construction of 200 uncompleted roads rather than starting new ones.

Table 3: Disaggregation between Recurrent and Capital Allocations to Works, 2013-2016

Year	Total Allocation to Works (₦ Million)	Recurrent Expenditure (₦ Million)	% of Recurrent Expenditure to Total works Allocation (₦ Million)	Capital Expenditure (₦ Million)	% of Capital Expenditure to Total Works (₦ Million)
2013	191,251,326,508	26,590,178,318	13.90	164,661,148,188	86.10
2014	133,726,558,986	27,405,355,931	20.49	106,321,203,055	79.51
2015	44,985,916,543	25,173,916,543	55.96	19,812,000,000	44.04
2016	293,173,916,543	25,173,916,543[21]	8.59	268,000,000,000	91.41

Source: Approved Budgets 2013- 2016, BOF.

There is a marked reduction in the recurrent expenditure for 2016. Whether this can be accounted for by the merger of the former Works Ministry with Power and Housing is not clear. The average recurrent expenditure over the four years is 24.74% of the vote of the sector whilst capital expenditure got 75.26% over the four years. This is a good development but capital expenditure needs more emphasis in the future, especially as the non budgetary sources of funding are yet to be developed. The projection is to increase public funding while developing the non budgetary sources.

Table 4 shows total capital allocation as a percentage of the overall capital allocation.

[20] Vanguard Newspaper of February 16, 2016.
[21] This is based on the recurrent expenditure of the stand alone Ministry of Works in 2015.

Table 4: Capital Allocation to Works as a Percentage of Overall Capital Vote

Year	Total Capital Budget to all Sectors	Capital Allocation to Works	Capital Allocation to Works as a % of Overall Capital for the Year
2013	1,591,657,252,789	164,661,148,188	10.35
2014	1,119,614,631,407	106,321,203,055	9.50
2015	556,995,465,449	19,812, 000,000	3.56
2016	1,750,000,000,000	268,000,000,000	15.31

Source: Approved Budgets: 2013-2016

This gives an average allocation of 9.68% over the four years. But the allocations have been oscillating and have not remained constant. Evidently, more resources are needed from budgetary and non budgetary sources.

Table 5 shows total recurrent allocation as a percentage of the overall recurrent allocation.

Table 5: Recurrent Allocation to Works as a Percentage of Overall Recurrent Votes

Year	Total Recurrent Budget for all Sectors	Recurrent Budget Allocation to Works	Recurrent Allocation to Works as a % of Overall Recurrent for the Year
2013	2,415,745,972,812	26,590,178,318	1.10
2014	2,454,887,566,702	27,405,355,931	1.12
2015	2,607,132,491,708	25,173,916,543	0.97
2016	2,646,389,236,196	25,173,916,543	0.95

Source: Approved Budgets: 2013-2016

This gives an average allocation of 1.04% over the four years. This is normal considering that the Ministry firms out most of its work to contracting firms and consultants.

4.4 Releases, Cash Backed and Utilised Parts of the Capital Budget

In the Nigerian budgeting practice, there are usually variances between the budgeted sums and the sums released whilst the released sums are not always fully cash backed. The utilisation also comes out lower. Table 6 indicates the position in the works sector between 2013 and 2015.

Table 6: Allocations, Releases, Cash Backed and Utilized Sums in Sector Budget 2013-2016

Year	Capital Budget Allocation to Works	Total Released	Total Cash Backed	Utilization	% of Capital Utilized	% of Released Budget Utilized	% of Cash Backed Utilized
2013	164,661,148,188	79,861,150,924	79,861,150,924	73,017,174,665	44.34	91.43	91.43
2014	106,321,203,055	50,657,878,888	50,657,878,888	50,629,359,529	47.62	99.94	99.94
2015	19,812,000,000	19,362,000,000	19,362,000,000	19,012,795,588	95.97	98.20	98.20

Source: Budget Office of the Federation and Budget Implementation Reports.

In 2013, only 44.347% of the capital allocation was utilized; the utilization rate rose to 47.62% in 2014 and moved up again to 95.97% in 2015. This indicates that the utilization rate was oscillating and very low over the three years. It was at an average of 62.64%. For allocations that were paltry compared to the needs of the sector, this level of utilization cannot be explained in a rational manner. However, the utilized percentages compared to the amounts released and cash backed showed that the Ministry had the capacity to utilize funds that have been released.

4.5 Major Projects in the Budget from 1 Billion and Above

Table 7: shows the major road construction projects that are valued from N1billion and above in the 2016 federal budget.

Table 7: Major Road Projects above N1 Billion in the 2016 Budget

CODE	PROJECTS	AMOUNT (N)
23020114	CONSTRUCTION / PROVISION OF ROADS	260,082,997,390
FMWPH007021480	COMPLETION OF CONSTRUCTION OF ONGOING FEDERAL SECRETARIATS IN ANAMBRA,BAYELSA,GOMBE,NASARAWA,OSUN,ZAMFARA, YOBE AND EKITI STATES	3,615,384,095
MOPWH162014879	CONSTRUCTION OF OJU/LOKO OWETO BRIDGE TO LINK LOKO AND OWETO WITH APPROACH ROADS. C/NO. 6108	10,000,000,000
MOPWH162014891	ABUJA-ABAJI ROAD (SECTION 1, INTERNATIONAL AIRPORT LINK ROAD JUNCTIONSHEDA VILLAGE JUNCTION) C/NO. 5862	5,000,000,000
MOPWH162014899	KANO-MAIDUGURI ROAD (SECTION I - V)	13,109,415,878
MOPWH162014929	REHABILITATION OF MAIDUGURI - DIKWA - GANBORU ROAD SECTION II DIKWA - GAMBORU C/NO.6069	1,000,000,000
MOPWH162014930	DUALISATION OF SAPELE - AGBOR - EWU ROAD SECTION I: SAPELE - AGBOR IN DELTA STATE C/NO.6249	2,000,000,000
MOPWH162014931	REHABILITATION AND CONSTRUCTION OF OSHEGBUDU - OWETO ROAD IN BENUE STATE, C/NO.6265	4,200,000,000
MOPWH162014932	YOLA - MUBI ROAD	1,500,000,000
MOPWH162014933	NUMAN - JALINGO ROAD	1,000,000,000
MOPWH162014935	REHABILITATION OF ZARIA - DANBOBO ROAD	1,500,000,000
MOPWH162014906	CONSTRUCTION OF KIAMA - KISHI ROAD (61.85KM)	1,500,000,000
MOPWH162014912	REHABILITATION OF BRIDGES AND FEDERAL ROADS ALONG BAUCHI - GOMBE AND WITHIN GOMBE STATE	1,400,000,000
MOPWH162014895	REHABILITATION OF KAFIN MAI YAKI - GODUWA - MARAKU - SAMI NAKA ROAD	1,500,000,000
MOPWH162014904	REHABILITATION OF APAPA - OSHODI- OWOROSHOKI EXPRESSWAY IN LAGOSROAD	2,447,363,304
MOPWH162020960	REHABILITATION OF OTHER ROADS, INCLUDING RE-INBURSEMENT TO STATE	34,211,979,898
MOPWH162020971	REHABILITATION OF LAGOS- IBADAN ROAD SECTION I	40,000,000,000

MOPWH162020972	REHABILITATION OF MAIDUGURI - DIKWA - GANBORU ROAD SECTION II DIKWA - GAMBORU C/NO. 6069	1,000,000,000
MOPWH162020962	CONCESSION OF 2ND NIGER BRIDGE IN ANAMBRA AND DELTA STATES INCLUDING PAYMENT OF COMPENSATION AND CONSULTANCY	13,136,816,518
MOPWH162020963	CONSULTANCY SERVICES INCLUDING ENGINEERING, DESIGN AND SUPERVISION OF ROADS PROJECTS	4,000,000,000
MOPWH162020964	PAYMENT OF ONGOING PROJECTS NATIONWIDE	4,500,000,000
MOPWH162020965	PLANNING AND DEVELOPMENT INCLUDING WEIGH BRIDGES, ROADS, FURNITURES AND HOSTING OF TRANSAHARA ACTIVITIES	1,600,000,000
MOPWH162020967	REHABILITATION OF ILORIN-JEBBA-MOKWA-BOKANI ROAD	4,800,000,000
MOPWH162020969	REHABILITATION OF SOKOTO-TAMBUWAL-JEGA-KONTAGORA-MAKERA SECTION IN SOKOTO/KEBBI STATES C/NO. 6161	7,154,860,840
MOPWH162020970	RE-CONSTRUCTION OF SOKOTO-TAMBUWAL-JEGA-KONTAGORA-MAKERA SECTION II IN NIGER STATE	1,663,996,759
MOPWH162020971	REHABILITATION OF LAGOS- IBADAN ROAD SECTION I	40,000,000,000
MOPWH162020972	REHABILITATION OF MAIDUGURI - DIKWA - GANBORU ROAD SECTION II DIKWA - GAMBORU C/NO. 6069	1,000,000,000
MOPWH162020974	CONSTRUCTION OF APAKUN-MURTALA MUHAMMED INTERNATIONAL AIRPORT ROAD IN LAGOS STATE ON DBFOMT BASES UNDER PPP SCHEME	4,000,000,000
MOPWH162020975	REHABILITATION OF HADEJIA-NGURU ROAD	2,500,000,000
MOPWH162020977	DUALISATION OF ODUKPANI-ITU-(SPUR IDIDEP ITAM) - IKOT EKPENE ROAD IN CROSS RIVER /AKWA IBOM STATES	6,000,000,000
MOPWH162020979	DUALIZATION OF KANO-KATSINA ROAD PHASE I: KANO TOWN AT DAWANA ROUNDABOUT TO JIBIA TO NIGERIA BORDER TO NIGER REPUBLIC C/NO. 6213	2,601,089,671
MOPWH162020980	CONSTRUCTION OF KANO WESTERN BYE PASS C/NO. 5346	3,468,119,561
MOPWH162020991	LAFIA - OBI – AWE	2,000,000,000
MOPWH162020995	NINGI - YADAGUNGUME - FUSKARMATA ROAD (PHASE III)	1,000,000,000
MOPWH162020981	CONSTRUCTION OF KADUNA EASTERN BYPASS C/NO/ 5346	2,427,683,693
MOPWH162020982	CONSTRUCTION OF SHARE-PATEGI KOGI STATE BOUNDARY (188KM)	1,000,000,000
MOPWH162020983	REHABILITATION OF ENUGU-PORT HARCOURT DUAL CARRIAGEWAY SECTION I: LOKPANTA-UMUAHIA IN ABIA STATE C/NO. 6208	2,774,495,649
MOPWH162020985	REHABILITATION OF ENUGU-PORT HARCOURT DUAL CARRIAGEWAY SECTION II: LOKPANTA-UMUAHIA IN ABIA STATE C/NO. 6209	1,734,059,780
MOPWH162020984	MAINTAINANCE AND CONSTRUCTION OF BRIDGES, NATIONWIDE	1,600,000,000
MOPWH162020997	ENGINEERING SERVICES	2,400,000,000
MOPWH164015390	RECONSTRUCTION OF THE OUTSTANDING	3,480,000,000

	SECTIONS OF BENI-OFOSU-ORE- AJEBANDELE-SHAGAMU EXPRESSWAY PHASE III, C/NO.6133	
MOPWH164015391	DUALIASATION OF OBAJANA JUNCTION TO BENIN PHASE 2: SECTION I (OBAJANA JUNCTION TO OKENE)	1,663,996,759
MOPWH164015392	REHABILITATION OF ROGO - KARAYE - KIRU - KWANAR DONGORA ROAD	1,100,000,000
MOPWH164015394	DUALIASATION OJ OBAJANA JUNCTION TO BENIN PHASE 2 SECTION IV (EHOR- BENIN)	3,277,000,000
MOPWH164015396	DUALIASATION OF IBADAN-ILORIN SECTION II IN OYO STATE CONTRACT NO. 173A	6,000,000,000
MOPWH164015398	REHABILITATION OF ILORIN-OMUARAN-EGBE IN KWARA STATE	1,267,609,313
MOPWH164015516	REHABILITATION OF SHARADA-MADOBI- KWANAR DANGORA KADUNA STATE	2,000,000,000
MOPWH164015520	REHABILITATION OF DIGARE - MANSIR (BAUCHI STATE) - GARGA - FURYAM KASUWA - JARMAI (PLATEAU STATE)	3,000,000,000
MOPWH164015522	CONSTRUCTION OF NGUZU - OSO ROAD. CNO. 6160	1,300,000,000
MOPWH164015403	REHABILITATION OF ABUJA- KADUNA ROADS	1,373,433,273
MOPWH164015405	REHABILITATION ZARIA-KANO ROADS	1,220,167,334
MOPWH164015407	COMPLETION OF GOMBE-NUMAN-YOLA ROAD PHASE II (GOMBE-KALTUNGO) IN GOMBE STATE C/NO.6261	2,875,787,768
MOPWH164015427	OJI-ACHI-AWGU-NDEABOH MPU-OKPANKU-AKAEZA ROAD IN ENUGU AND EBONYI STATES SECTION II	1,134,059,780
MOPWH164015409	PANKSHIN - TAPSHIN - GAMBAR - SARA -KAL – GINDIRI	1,000,000,000
MOPWH164015408	REHABILITATION OF CHAM-NUMAN SECTION OF GOMBE - YOLA ROAD IN ADAMAWA STATE	1,313,681,652
MOPWH164015429	ENUGU-ONITSHA ROAD-ENUGU-ANAMBRA STATE C/NO. 6266	5,468,119,561
MOPWH164015458	NENWE-ODUMA-UBURU WITH SPUR TO ISHIAGU MILE 2	2,167,574,725

Source: Approved 2016 Federal Budget, BOF

Four major projects got above N10 billion with the rehabilitation of Lagos-Ibadan road getting the highest vote. The roads are as follows:

- Construction of Oju/Loko Oweto Bridge to link Loko and Oweto with approach roads. C/No. 6108: N10 billion
- Kano-Maiduguri road (Section I - V): N13 billion
- Concession of 2nd Niger Bridge in Anambra and Delta States including: N13bn
- Rehabilitation of Lagos- Ibadan road Section 1: N40 billion

There is a further sum for rehabilitation of other roads, including re-imbursement to States amounting to N34 billion. This provision is omnibus as there are over 100 rehabilitation projects with allocations attached to them in the Ministry's budget under the Federal Roads Maintenance Agency. Again, the works budget with provisions for over 100 roads shows that the Ministry is spreading its resources too thinly and many of the projects do not have sufficient appropriation for substantial progress to be made on them in 2016. As usual, roads which have been recurring in the budget for the last 10 years will still not be completed in the 2016 fiscal year.

4.6 Works Projects in the Public Private Partnership Pipeline

In line with the ICRC Act 2005, and the National Policy on PPPs, the following projects under the Ministry of Works are under the PPP Pipeline Project List as shown in Tables 8 and 9.

Table 8: 2013 PPP Pipeline Project List

2013 PPP Pipeline Project List			
	Project	Status	Implementing Agency
1	2nd Niger Bridge: A Greenfield bridge and associated approach access road over the River Niger connecting Asaba and Onitsha.	Implementation Phase-Build Operate Transfer	Fed. Min. of Works
2	Rehabilitation and Upgrade of the Murtala Mohammed International Airport (MMIA) Road to Apakun Junction, Lagos: Expansion of MMIA access road from a 4-lane dual carriageway to an 8-lane road with vehicular and pedestrian bridges at appropriate locations	Procurement Phase: Selection of preferred bidder concluded-Build Operate Transfer basis	Fed. Min. of Works
3	Rehabilitation and Upgrade of Lagos – Iseyin – Kishi – Kaiama Road: The Lagos – Iseyin – Kishi – Kaiama Road, Lot IA – will provide direct connectivity between Lagos and the North-West Zone. The road passes through Kaiama in Kwara state to link a new alignment (Lot IB) at Bahana, in Niger State. Road is approximately 450 km long.	Development Phase: Outline Business Case Preparation.-Build Operate Transfer basis	Fed. Min. of Works
4	Rehabilitation and Upgrade of Kaiama-Bahana-Kaoje-Gwanbe- Fokku-Sokoto Road: The Kaiama-Bahana-Kaoje-Gwanbe- Fokku-Sokoto Road (New Alignment) completes the connection between Lagos and the North West Geo Political Zone. The road passes through Kaiama in Kwara state to link Bahana a border town in Niger State	Development Phase: Outline Business Case Preparation-Build Operate Transfer Basis	Fed. Min. of Works

	and Kaoje in Kebbi State and terminates in Sokoto town. This new alignment road (Lot 1b) is approximately 650km long.		
5	River Benue Bridge at Ibi, Taraba State: This proposed bridge across River Benue at Ibi town is about 2.4km long and lies on the Jos – Shendam – Ibi – Wukari – Katsina Ala road. This bridge would replace current movement of goods and services across the river by motorized ferry.	Development Phase: Outline Business Case preparation- Build Operate Transfer basis	Fed. Min. of Works
6	Dualization of Enugu (9th Mile) –Obollo Afor –Otukpo-Makurdi Road: The 9th Mile-Otukpa-Otukpo Road is a 119km long single carriageway road from the Enugu – Onitsha Dual Carriageway at 9th Mile Junction connecting Obollo Afor to Otukpa Junction in Benue State and intersecting the Lokoja – Otukpo Road.	Development Phase:Outline Business Case preparation- Build Operate Transfer basis	Fed. Min. of Works
7	Rehabilitation and Dualization of_Ilorin-Jebba-Mokwa-Tegina-Birnin-Gwari Road: Rehabilitation and dualization of the existing 233km single carriageway trunk road (National Route No. R20) from Ilorin in Kwara State to Birnin-Gwari, Kaduna state.	-Procurement Phase: Outline Business Case preparation- Build Operate Transfer Basis	Fed. Min. of Works

Source: http://avantview.com/icrc2015/projects/projects-under-conceptualization-development-and-procurement/

The 2014 projects are as shown in Table 9

Table 9: 2014 PPP Pipeline Project List

2014 PPP Pipeline Project List		
Projects	Status	Implementing Agency
Reconstruction, Rehabilitation and Expansion Of Lagos-Ibadan Dual Carriageway Expansion and	Procurement Phase -Reconstruction, Rehabilitation and Expansion is in progress via Traditional Procurement. Additional private sector finance required for completion and to operations & maintain	Ministry of Works

Redevelopment of the 127km Lagos to Ibadan Expressway:		
Construction of a Bridge over River Niger at Nupeko, Niger State	Development Phase	Ministry of Works
Bodo Bonny road with a bridge across Opobo channel to the Island of Bonny in Rivers state	Development Phase	Ministry of Works
Keffi-Akwanga-Lafia-Makurdi Road (Nassarrawa and Benue States)	Development Phase	Ministry of Works
Lokoja- Ajakuta-Ogbulafo- 9th Mile Road	Development Phase	Ministry of Works
Akwanga-Jos Road	Development Phase	Ministry of Works
Dualisation of Enugu(9th Mile)-OtukpaLokoja	Development Phase	Ministry of Works
Phase 1: 2nd Lagos outer ring Road; Tin Can Island-Igando-Lagos/Otta road interchange-Lagos/Ibadan expressway	Development Phase	Ministry of Works
Phase 2: 2nd Lagos outer ring Road; Lekki-Ikorodu Shagamu/Benin Expressway.	Development Phase	Ministry of Works
Abuja-Kaduna- Kano Dual Carriage way	Development Phase	Ministry of Works
Lagos-Badagry-Seme Border Expressway	Development Phase	Ministry of Works
Shagamu-Benin-Asaba Expressway	Development Phase	Ministry of Works
River Benue Bridge @ Ibi, Taraba state This proposed bridge across River Benue at Ibi town is about 2.4km long and lies on the Jos – Shendam - Ibi – Wukari – Katsina Ala	Development Phase	Ministry of Works

road. This bridge would replace current movement of goods and services across the river by motorized ferry		

Source: http://avantview.com/icrc2015/projects/projects-under-conceptualization-development-and-procurement/

One common feature of all these projects is that they have been in the pipeline for an unreasonably long period of time without appreciable progress. The PPP model has hardly contributed to improving the road infrastructure in Nigeria as there are no successes to serve as good and fit practices which can be replicated. The concession of the Lagos - Ibadan expressway to Bi-Courtney was cancelled by FGN and the second Niger Bridge is still in the early phases. But this is a model that should be explored if we are to record sustained improvements in road infrastructure.

4.7 The Economic Efficiency in the use of Cement Concrete Roads in Nigeria

With the dearth of infrastructural facilities and roads in Nigeria, it has been widely recommended to adopt cost efficient methods in the provision of road infrastructure. The abundance of limestone in Nigeria makes it easier for Nigeria to utilize cement for road construction. At the moment, Nigeria produces more cement than any other country in Africa, over 40 million metric tonnes of cement per annum, representing a massive potential to improve the nation's infrastructure, taking advantage of the abundant availability of the essential building material. In addition, concrete generally has a useful life, twice that of asphalt. Concrete roads commonly serve 20 to 30 years without needing major repair, while asphalt typically lasts only eight to 12 years before resurfacing or significant repair is required.

It has been reported that Dangote Industries Limited has commenced the construction of the first cement and concrete road in Nigeria; starting from Itori-Ibese Concrete road which is a 24 kilometer road in Ogun state. Other locations where concrete roads are billed to commence are in Lagos, Bauchi, Kogi and Kaduna states. Dangote noted that concrete had always made the most sense in the long run as no other paving materials approaches concrete strength and durability in standing up to heavy usage and truck traffic. The company had been awarded a contract to reconstruct the 42km Obajana-Kabba Road in Kogi State at a cost of N11.5 billion. The company was given a tax waiver of N5.6 billion in tax credit.[22]

[22] http://www.thisdaylive.com/index.php

5. MATTERS ARISING FROM THE BUDGET AND OTHER ISSUES

5.1 Plans, Policies and Laws Are Not Fully Implemented

The NIIMP and ICRC look good on paper and have articulated the steps and strategies for the improvement of the road and other infrastructure sectors. What is lacking is the requisite follow up and implementation strategy for the realisation of the goals of the Plan. The Federal Roads Maintenance Agency (Establishment, etc) Act has not been fully implemented to the extent that the deduction and surcharge of 5% user charge on the pump price of petrol and diesel has not commenced and this has deprived FERMA of a major source of income. Again, the demobilization of the tolls on the roads on the orders of former President Obasanjo has further deprived FERMA of a source of revenue.

5.2 Nigeria Lags Behind its Peers

In terms of paved roads, road quality and available funding to the road sector, Nigeria lags behind its African peers and needs to take urgent steps to improve its road network.

5.3 High Cost of Road Construction

Without an empirical justification, the cost per kilometre of road construction in Nigeria is higher than in most African countries. It exceeds the upper bound limits of international road construction benchmarks. There is no benchmarking of road construction costs with the best in class especially in neighbouring African countries. This has worked against full value for money in the roads construction sector. This may be linked to the prevalent corruption in Nigeria.

5.4 Perennial Road Projects and Spreading Resources Too Thin

Some road projects have been under construction or rehabilitation for over ten years in Nigeria. This has led to cost overruns that cannot be reconciled with the inflation rate or any empirical increase in the price of construction materials and personnel. Augmentation and cost variation were not done within the context of prevailing macroeconomic fundamentals like inflation. There are too many road and bridge construction projects in the budget and this is more than 100 in the 2016 budget. With very limited resources, this spreads the available resources too thin in a way that it becomes difficult to make meaningful impact in road construction. This presents the challenge of poor prioritization of projects based on available funds.

5.5 Inadequate Funding of the Sector

The sector is not adequately funded to fill the gap projected in the NIIMP. A federal funding gap of N3.795 trillion has crystallized over the last four years with 2016 contributing its quota of N1.344 trillion. It seems that there is no connection between the financing components of the NIIMP and the budget.

5.6 Perennial Capital Budget Under-Release and Utilisation

The paltry capital allocation is hardly fully released and utilized and this has led to an average utilisation rate of 62.64% over the last three years. This further reinforces the culture of underfunding and thereby starves the sector of required funds. This experience is not limited to works but it is the practice across the sectors. The FGN needs to take steps to secure capital votes across the sectors.

5.7 Failure to Explore Alternative Funding Sources

Various ideas have been articulated in the NIIMP and other plans on alternative sources of financing road and infrastructure projects including the use of public pension funds, infrastructure or road bonds. Up to 20 per cent of the Nigerian public pension fund which is in excess of N5.729 trillion can be allocated to infrastructure under the Investment Rules but no such investments have yet been made. The implication is that about N1.15 trillion is available for investment into infrastructure including roads. This can be unlocked by collaboration between the Pension Commission, Debt Management Office, Central Bank of Nigeria, Ministry of Finance and the Presidency.

PPPs have remained in the pipeline for years without moving to the next phase of implementation and the few that were supposed to have moved to the implementation phase were cancelled in a way and manner that fails to build investor confidence. Also, the Goodluck Jonathan administration had come up with the idea of Viability Gap Fund for infrastructure which was not followed through.

5.8 No MTSS for the Sector

In accordance with the Fiscal Responsibility Act (FRA), the appropriation process should properly start with the preparation of Medium Term Expenditure Framework and its underlying Medium Term Sector Strategies. Both the MTEF and the MTSS are three year medium rolling frameworks in which the provisions of the first year of the framework determine the budget of the next financial year. Section 18 of the FRA is unequivocal in making the MTEF the basis for the preparation of the annual budget, including the need for the budget to be consistent with its sectoral and compositional distribution and its medium term developmental priorities. The MTSS reviews high level national policies in the sector, ongoing and new projects and seeks to determine the ones that will best facilitate the realisation of government's objectives in view of limited available resources.

5.9 Need to Enact Relevant New Laws

The failure to enact the Federal Road Fund Bill into law is negatively affecting the sector. This would have provided more resources and new incentives for the development of the road sector.

5.10 Merger of Works, Power and Housing Not Ideal

The merger of the Ministries of Works, Power and Housing into one super Ministry masks the depth of the challenges in each of the sectors. Each of the sectors is so vital to Nigeria's economic and social life that they should have been run alone and a Minister will have adequate time to focus sufficiently on each of them. If the 2016 budget of the three parts of the ministry is shared per sector, it will not amount to much. But putting them together creates a false impression on the resources available to the sectors. Also, power seems to be the odd sector in this amalgamation. Works and housing can even go together but power is a very distant cousin of these two sectors.

5.11 Cement and Concrete Roads

It has been claimed that cement and concrete roads are cheaper and last longer than bitumen roads. Nigeria has cement making materials in abundance and now has a good measure of export capacity in the cement sector. On the other hand, bitumen is imported and will invariably be more expensive. If these set of facts are true, FGN should explore the option of this cheaper and more durable road construction materials.

5.12 Late Passage of the Budget

The late presentation of the budget by the President to the National Assembly and the late approval of the budget by NASS did not augur well for road construction. The budget was presented on December 22 and got assent in May when the rainy season was in full swing. Road construction being an outdoor event will have to wait until the rains cease sometime between late September and early October. The financial year ends in December and money may have to be returned to treasury because the process did not start on time. Although the 2016 budget is appropriated to run for a period of 12 months from the date of assent, this is not ideal nor a practice worthy of replication.

6. RECOMMENDATIONS

6.1 Increase Resources Available to the Sector

This should be done as follows:

- Budgetary funding for the sector should be progressively improved starting from the 2017 federal budget.
- Toll gates should be returned to key federal roads to raise funds for the sector.
- The Federal Roads Maintenance Agency (Establishment, etc) Act should be fully implemented to the extent that the deduction and surcharge of 5% user charge on the pump price of petrol and diesel commences.

- Set up clear economic and fiduciary frameworks to ensure good returns on investment and use public pension funds to grow the sector.

- Roads bonds should be floated and tied to specific roads after good feasibility studies, proper costing and approval by the legislature.

- FGN should expedite action and move projects being considered for implementation under PPPs from the planning to the implementation stage. There should be a specific time frame for each project being packaged under a PPP arrangement. In this regard, confidence building measures should be mainstreamed in the engagement with investors.

- PPP arrangements should be devoid of politics and government must develop the political will to stick to agreements and contracts freely signed with private sector operatives. However, at the stage of negotiations and signing, the details and facts of the transaction should be available to the public to enable contributions and possible interventions in the public interest.

- The Infrastructure Concession and Regulatory Commission and FMoWPH should be more proactive in the discharge of their duties in facilitating the packaging of road infrastructure projects.

6.2 Reduce the Cost of Road Construction

This should be done as follows:

- The cost of road projects should be reduced through benchmarking with African and international prices. Taking into cognizance the cost of building roads in other countries like Ghana, which has nearly the same soil environment like Nigeria, also with the Volta Region which is swampy, will put extant costs in their proper perspective and context.

- It is imperative that the Bureau of Public Procurement devises a standard database of prices of road construction materials and road construction across different soil textures in Nigeria to guide procurement in the sector.

- Augmentation and contract variations should be done within the context of prevailing macroeconomic fundamentals such as inflation and the value of the national currency. The National Assembly should demand and review relevant documentation before approving any upward review. The review should not be left to the executive alone.

6.3 Halt Perennial Road Projects and Spreading Resources Too Thin

This should be achieved as follows:

- FGN should consider a moratorium on new projects in the road sector pending the completion of ongoing projects.

- Among the ongoing ones, there should be prioritization to guarantee the completion of more vital national roads on schedule.

- Ongoing road projects could also be packaged for PPPs and other private sector funding arrangements. The sector needs a good dose of discipline and careful planning.

6.4 Ring-fence Capital Budgets for the Sector

FGN needs to consider devising strategies to ring-fence the capital budget of the parent Ministry to ensure that allocated funds are released and utilized. The perennial under release and under-utilisation of approved funds will not lead to major improvements in the sector. This experience is not limited to works but is cross sectoral. The FGN therefore needs to enforce fiscal discipline to guarantee that recurrent expenses do not over shoot whilst the capital vote bears the brunt. Also, revenue forecasting should be more empirical and less overtly optimistic which leads to perennial shortfalls that impede capital budget implementation.

6.5 Prepare MTSS for the Sector

In accordance with the Fiscal Responsibility Act (FRA), the appropriation process should properly start with the preparation of Medium Term Expenditure Framework and its underlying Medium Term Sector Strategies. The MTSS should be prepared by a properly composed sectoral team where all major stakeholders including civil society are represented.

6.6 Need to Enact the Federal Road Fund Bill into Law

The executive and NASS should work together to review the Federal Road Fund Bill and ensure its enactment into law to provide new incentives for the development of the road sector. This should be done before the end of the first quarter of 2017.

6.7 De-Merge the Ministries of Works, Power and Housing

The Ministries of Works, Power and Housing need to be separated into three different Ministries to ensure efficient supervision of each of them by a Minister focused on their activities. The extant configuration is too unwieldy considering the intense demands of each of the merged sectors.

6.8 Cement and Concrete Roads

It has been claimed that cement and concrete roads are cheaper and last longer than bitumen roads. Nigeria has cement making materials in abundance and now has a good measure of export capacity in the cement sector. On the other hand, bitumen is imported and will invariably be more expensive. If these set of facts are true, FGN should explore the option of this cheaper and more durable road construction material.

6.9 Early Passage of the Budget

The budget should be prepared and presented by the executive to the National Assembly early enough and NASS should approve of same on or before the commencement of the New Year.