Vol. 2

TRANSPORTATION REFORMS

NIGERIA: A 12 STEPS RECOVERY PROGRAMME FROM OIL ADDICTION

Turning Africa’s Sleeping Giant into a Roaring African Economy

January 2009 | Dr. Obi Igbokwe
# Nigeria: A 12 Steps Recovery Programme From Oil Addiction

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1. A 12 Steps Recovery Programme from Oil Addiction

A recent downward turn in the price of oil has sparked fears of the beginnings of a slow down in the recent growth experienced by the Nigerian economy and as a result the government announced that it would be cutting back spending in the 2009 budget.

The Nigerian economy has been undergoing reforms introduced by the Federal Government to diversify the economy from its dependence on oil receipts. Former president, Olusegun Obasanjo attempted to implement an economic reform program called the National Economic Empowerment Development Strategy (NEEDS) during the last 4 years of his tenure and the current president, Umaru Yar’ Adua has promised reforms of his own called the Seven Point Agenda.

However Nigeria has seen past leaders promise reforms, only to implement them with little or no success. An example will be the Structural Adjustment Programme (SAP), rolled out by past military leader, General Babaginda, in 1986 where some benefits were achieved at the initial stage, but such benefits could not trickle down to the poor. Rather, the incidence of poverty kept on increasing.

A number of reasons have been given for why past reforms have failed to have significant positive impacts in the Nigerian economy, from hasty implementations through a failure of political will to see the reforms through to a lack of understanding of how far reaching the reforms need to be to have an impact.

For Nigeria to make significant economic progress it would have to relief itself for its dependence on oil and give its private sector more room to taking an active role in driving the economy. We believe that the government will far to implement far reaching socioeconomic reforms, especially in twelve areas, which we believe will be critical to achieving long lasting economic success.

While we have called our suggestions “12 Steps” we do not believe that should be implemented in any particular order.

This paper takes a look at Nigeria’s transportation system and makes recommendations of its own to modernise it. The paper is part of a series which looks at a broad range of reforms that the Federal Government of Nigeria can make to reduce the African economy’s dependence on oil and turn itself into a global economic power.
2. Reforming the Transportation System in Nigeria

Transportation is a requirement for every nation, regardless of its industrial capacity, population size, or technological development. Moving goods and people from one place to another is critical to fostering economic growth. A country’s transportation system is comparable to the blood circulatory system in humans.

“The journey of a thousand miles begins with one step.” – Chinese Proverb

The blood circulatory system is essential for carrying oxygen, glucose and other essential nutrients to the all the cells in the body. If something were to happen to blood circulation as in the case of anaemia, it might lead to a host of symptoms, including low energy, sluggish memory and lack of stamina. In children it might cause failure to grow and thrive as compared to children their age.

All these symptoms are also exhibited by an economy with a poorly developed and maintained transportation system, with a failure to thrive being one of the chief symptoms exhibited. For an economy to thrive, it would need an efficient transportation system to move goods and people within every corner of its borders.

An efficient transportation system facilities the movement of goods and people cheaply and quickly which is vital in producing in a vibrant economy. The more efficient the transport system is, the lower the cost of transport, and invariably the lower the cost of goods and services.

The bulk of Nigeria’s transportation infrastructure is publicly owned and maintained. However the years of neglect and poor management have contributed to the poor state of the Nigerian transportation system and the inefficiency has brought about a high cost of transport, which is then passed on to consumers.

The National Bureau of Statistics estimates that in 2006, the share of transport in Nigeria’s Gross Domestic Product (GDP) is in the neighbourhood of 3%. Compare that to the 11-16% experienced by developed countries in the same period.

Maintenance and updating of a country’s transportation system can be very capital intensive, especially in a country with a population of close to 150 million people. In view of this the Nigeria government is usually called upon to provide such facilities and has had a go-it-alone approach in maintaining its transportation system.

Transportation in the People’s Republic of China has experienced major growth and expansion since 1949 and especially since the early 1980s.

A government-led effort — that began in the 1990s — to connect the country by expressways via the "National Trunk Highway System" has expanded the network to more than 53,000 km by the end of 2007, making China’s the second longest expressway network in the world (after the United States).
A more pragmatic approach will be through public ownership with private sector management and operations, public ownership and operation through public enterprises or government departments, private ownership/operation and community provisioning.

The active participation of the private sector in the development of the transportation system in Nigeria is something the government is particularly keen to implement though its National Economic Empowerment and Development Strategy (NEEDS).

3. Railways
Rail transport is usually the most suitable mode of transportation for heavy traffic flows when speed is also an advantage because of the lower cost per person per load as the train load increases.

In Nigeria, rail transport accounts less than a half per cent to the GDP of the country. Although rail has always contributed a tiny proportion of value-added in transportation, its share of value-added continues to decline because road transport (freight and passenger) has virtually taken over all the traffic previously conveyed by rail.

The railways in Nigeria are regulated and operated by the Nigerian Railway Corporation, which was established by the government in 1955. It inherited a rail network, from British Colonial masters, which was designed in a north to south fashion to facilitate the flow of goods, such as groundnuts, cocoa and cotton, from the inlands to the coast, where they were shipped to Britain.

During this period, Nigeria’s single-narrow-gauge railway line was constructed and for many years was the only mode of freight movement between the northern and southern parts of the country. The current rail network consists of 3,505km of narrow gauge tracks and 276km of standard gauge tracks which connect Ajaokuta, when the country’s steel mill is located to Warri, a major oil city and transit point for goods through its port (Delta Ports).

The narrow gauge tracks cover two major rail lines: one connects Lagos on the Bight of Benin and Nguru in the northern state of Yobe; the other connects Port Harcourt in the Niger Delta and Maiduguri in the north eastern state of Borno.
Years of neglect and lack of investments have severely hampered the capacity of the rail network to act as a mass transit vehicle. As part of its plans to revitalise the nation’s railways, the government is seeking to privatisate the Nigerian Railway Corporation (NRC). Under the privatisation plan, the government will grant concession to private sector companies, who would be expected to provide train service and maintain the infrastructure. Three separate concessions of 25–30 years are expected to be given out for the western, central, and eastern regions.

Under the plans, the NRC through its subsidiary, Railway Property Company Limited, will also sell it nearly 200 million square meters of lands, landed property and other fixed assets.

However the government could go a lot further by separating the railway operations in to two broad categories – railway infrastructure and train operations, and form a railways regulatory body which regulate activities in the railways sector. Also proceeds from the privatisation process should be put into a National Railway Fund which will be used to finance railway projects.

### 3.1 Railway Infrastructure Company (RIC)

The ownership and maintenance of the national railway infrastructure will be transferred to a newly established special purpose vehicle (SPV) which will be partially owned by the Federal Government and private investors. The initial lifespan of the SPV will be for thirty years with the purpose of updating and maintaining the national rail network.

The RIC will also be responsible expanding the network around the country and building new rail links as air-rail links which connect the countries airports to the centre of cities they serve.
similar to the Paddington Heathrow Express in the UK. It will also be responsible for traffic control and signalling, and the construction of new train stations on the railway network.

The RIC will also take ownership of all the existing train stations and warehouses owned by the NRC in the country, which it could operate itself or lease out to train operating companies, who will also provide passenger and freight train services out of the any of the train stations in their command.

The newly formed RIC will have the following streams of revenue:

- **Track Services Fees**: These are fees that the company will charge train operators who make use of its tracks for passenger and freight services.
- **Station and Warehouse Leases**: This includes the revenue accrued by leasing out train stations and warehouses to train operators.
- **Government Subsidies**: Because of the capital intensive nature of rail track maintenance and new line creations, the Federal Government, through the National Railway Fund, will subsidise some of its operations. The amount of subsidies given will be based on the performance of the company in the previous year. The review of subsidies would be done on a yearly basis until the company is at the stage where it does not require government subsidies to run its operations.

The RIC will be subject to regulation from a newly created railway board, which monitor its performance and will pass down fines in areas in which the company has failed to meet standards or agreed milestones.

For the time being, it would be more economical to keep and update Nigeria’s narrow gauge tracks, rather than convert them to the standard gauge tracks. Narrow gauge tracks tend to be slower, carry less load and far less adaptable than the standard gauge tracks.

However narrow gauge tracks involve significantly less civil engineering costs and countries like Japan, Australia, New Zealand and South Africa have shown that with the right calibration and design, it is possible to get almost the same performance of standard gauge tracks out of narrow tracks. 200-car trains operate on the Sishen-Saldanha railroad in South Africa, and Queensland Rail's tilt train is presently the fastest train in Australia, despite running on narrow gauge tracks.

### 3.2 Train Operating Companies (TOCs)

These will be private sector companies which will operate passenger and/or freight train services on the national rail network. In order to offer train services, potential companies will have to bid for a franchise license from the railways regulatory body, which will grant them a government backed monopoly to operate services on certain routes for a specified duration.
The TOCs will responsible for providing their own rolling stock (locomotives, railroad cars, coaches and wagons). The rolling stock will be have of an agreed standard and quality to avoid train companies from using old and unsafe equipment to ferry passengers.

The TOCs will also agree to lease a number of train stations from the RIC for passenger services and warehouses for freight services. These facilities will be located along the route in which they operate. Under the lease agreement the TOCs will be responsible for the following:

- Maintenance and upgrade of the buildings and land on which the facility is located.
- Security at the facilities.
- Train ticket payment collections.
- Commercial activities at passenger stations, such as the renting of shop spaces.
- Parking fee collection from other TOCs who might decide to park their own trains at the station overnight.

### 3.3 Railway Services Companies (RSCs)

The services units of the NRC which provide direct services to the railway industry will be sold to private companies. The benefit of selling the units is to aid them focus on their core business and improve the efficiency of the services they provide.

The services units include:

- The workshop services unit: The unit mainly provides maintenance of rolling stocks.
- Printing press: This unit is responsible for the printing of all the tickets currently used on the national rail network.
- Catering services: This unit presently provides catering services on the long distance train services.

The proceeds from the sales of these business units will be paid directly into the National Railway Fund.

### 3.4 Railways Regulatory Board

The Federal Government will establish a new railway regulatory body which will oversee all activities in the Nigerian railways sector.

The major responsibilities of the body will be to

- Carry out economic, environmental and safety regulation of the railways sector.
- Work across the borders with Nigeria’s neighbours to ensure harmonisation with the country’s rail network.
- Monitor performance of the RIC and its agreed milestone attainments.
- Negotiate franchise agreements with TOCs and monitor their performances.
- Assist state governments in establishing intra cities mass transit rail networks.
- Investigate major incidents and accidents that occur on the railways.
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- Monitor observance of public service obligations
- Conflict resolutions within the rail network system

3.5 Intra City Light Rail Systems
While state governments will be responsible for the development and deployment of a light rail system within their states, they would however be able to apply for financial assistance from the National Railway Fund.

Interested state government will submit their proposals to the Fund which will make a determination into the amount of money it plans to contribute towards the project. Every submission will be treated on a case by case basis as to determine the economic viability of the project and its likely social and environmental impact.

The following cities have already started work on their own light rail system or announced plans to do so:
- Lagos
- Abuja
- Calabar
- Port Harcourt

3.6 Winding up the National Railway Corporation
Once the national rail infrastructure, the train operation and support services have been be taken up by the companies as described earlier, the National Railway Corporation will be wound up as a legal entity and the remaining operational and non–operational assets sold off. The proceeds of the sale will be added to the National Railway Fund.

The rolling stock could be sold to the TOCs or other companies and individuals express an interest in those assets.

The Federal Government should transfer all the assets held by the Railway Property Company Limited, a subsidiary of the NRC, which manages nearly 200 square metres of non-operational lands and landed properties held by the NRC, to the National Railway Fund, which will either sell or grow these assets.

While it would be desirable to ensure that all members of staff of the NRC be retained or reassigned by the new companies taking over, it is more practical to expect that a only a certain percentage would be rehired as a means of making these companies more efficient.
3.7 National Railway Fund (NRF)

The National Railway Fund will be established primarily to provide financial assistance to the railway sector. NRF will be registered as a company limited by guarantee and operate independently of the Railways Regulatory Board and Railways Infrastructure Company.

The Fund will be administered and managed by a Board of Trustees representing various interests in the public and private sector and will be completely isolated from the management of the Railways Regulatory Board and Railways Infrastructure Company.

The Fund will be required to release quarterly reports on the how much of its funds are being spent and how is being spent on any of the operations is it financing.

The NRF will be responsible for:

- Providing subsidies to the RIC to assist it in the maintenance and upgrade of the national railway network.
- Provide financial assistance to state governments looking to develop their own light rail networks.

NRF will be financed by:

- Proceeds from the privatisation process of the NRC.
- A railway tax passed on to passengers and companies who make use of the national railways. The tax will be 5% of the cost of a train ticket or freighting goods by rail.
- Returns on investments made by the management board in the global capital and money market.
- Grants from governments, organised private sector and international donors.

4. Highways

Road transport is the most commonly used mode of transportation in Nigeria and accounts for more than 90% of the sub-sector’s 3% contribution to the Gross Domestic Product (GDP).

Road transport activities involve the conveyance of passengers en-masse or in small numbers, the transportation of animals, farm produce and merchandise and the rendering of mobile services (clinics, libraries and banks).

The optional use of motor cars for pleasure also contributes tremendously to the importance of road transport in Nigeria given the poor state of alternative means of transportation and also due to the psychological satisfaction offered by the possession of a car.

Nigeria has the largest road network in West Africa and the second largest south of the Sahara, with the national network is currently estimated to be 194,200km of which 34,120km (17.6%)
are federal roads, 30,500km (15.7%) state roads and 129,580km (66.7%) local and rural roads. However, the federal roads network carries 70% of freight in the country.

Nigeria’s road networks are poorly maintained and overused as alternative modes of transport are poorly developed. After various failed interventions to address the need for the maintenance of the federal roads network, the Federal Roads Maintenance Agency (FERMA) was created in November 2002 (Establishment Act 2002) to monitor and maintain the federal roads network.

FERMA, along with the Highways Department of the Federal Ministry of Transport are responsible for looking after the federal roads network. The Highways Department is charged with the construction of new highways, and the reconstruction and rehabilitation of badly damaged highways, while FERMA is charged with maintaining the highways at acceptable levels of usability.

FERMA began patching the federal roads network in 2004, and has outlined a short, medium and long term strategy to carry out its work.

- **Short Term Road Maintenance Strategy (STRMS):** This focused on making the roads accessible for the movement of people and goods. Under this strategy, the agency adopted the direct labour, retainership contract and regular contract type of methods to carry out its activities.

- **Medium Term Road Sector Maintenance Management Strategy (MTRSMMS):** The MTRSMMS is a form of Output and Performance-Based Road Contracts (OPRC). Under the scheme, contractors who are responsible for the maintenance of the roads will be paid for their based on agreed service levels at which the contractor has to maintain the road over a long period of time.

- **Systematic Road Strengthening and Enhancement (SRSE) Programme:** This approach is the same with MTRSMMS with the scope of works expanded to include periodic maintenance. The strategy will be used to recover the 30% of the network that required overlay and strengthening over a period of 8 to 10 years.

The importance of a good road network has not been lost to many of the emerging economies, especially in China, which did not have an inch of expressway in 1998 and now has the second largest network of expressways only after the US.

Nigeria can learn from China, India and Malaysia about developing a network of expressways which provide a real boost for the economy. This can be done by Federal Government merging the Department of Highways and FERMA to form a singular agency which will be responsible for the growth and maintenance of the federal roads network.
4.1 Nigerian Highways Authority (NHA)

The Nigerian Highways Authority (NHA) will be formed by the merger of the Department of Highways of the Federal Ministry of Transport and FERMA. The newly formed agency will be responsible for the creation of new highways and the maintenance of existing ones.

The new agency will be an autonomous body whose board members will include professionals and administrators from both the public and private sector.

The agency would achieve its agenda using the following strategies:

- Concessioning of the existing high volume traffic highways.
- Using Output and Performance-Based Road Contracts (OPRC) for maintenance of existing low volume traffic highways.
- Build, Operate and Transfer (BOT) projects for the building of new highways.

NHA will also apply recommendations by Central Bank of Nigeria (CBN) in a research paper looking at the maintenance of federal roads, to establish similar agencies to FERMA, then known as the Nigerian Road Maintenance Agency, at state and local government levels. It also recommended that half of the revenue accrued by the national agency be shared with the state and local government agencies to assist them as both levels of government account for 83% of the total road network.

To help achieve its agenda, the agency will be aided with funding from a newly formed National Highways Fund.

4.1.1 High Traffic Highway Concessions

Existing highways with high traffic, such as the Lagos-Ibadan Expressway should be concessioned to private companies that will be responsible for the maintenance and upgrade of the highway.

Under the concession agreement, the concessionee will:

- Upgrade the highways where appropriate to dual carriageways of at least eight lanes, four in one direction and four in the other.
- Operate a closed toll system where users collect toll tickets before entering the highway at respective toll plazas and pay an amount of toll at the exit toll plaza. The toll rate in this system will be based on the distance travelled.
- Install and maintain solar-powered street lights along the whole stretch of highway.
- Ensure road usability and comfort by getting rid of all potholes, cracks and deformities.
- Ensure that the strength and structural integrity of the road and any bridges along the route of the highway is of a high standard.
- Be responsible for the management of traffic along the highway, ensuring that there are as few possible disruptions to journey times for the road users.
- Fence the route of the highway to prevent people, animals and other moving objects from getting into the path of moving traffic.
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- Be responsible for putting up and maintain road signage to guide road users on speed limits, exits intersections, toll gates and service/refreshment areas.
- Responsible for the development of service and refreshment areas along the route of the highways. The service areas will have facilities such as restaurants, public toilets and bathrooms, car parks and petrol stations.
- Provide emergency phones along the highway can be used to report breakdowns and attendants from the nearest toll plaza will tow the broken cars.
- Liaise with the authorities to provide highway patrol units to ensure the safety of road users.

4.1.2 Output and Performance-Based Road Contracts (OPRC)
The approach will be similar to FERMA’s MTRSMMS and SRSE Programme but will be used for low-volume highways where user fees will not be enough to make them attractive enough for concession. This practice is currently being used by the Argentine government for its nonconcessioned road network and pilot initiatives with similar contracts are already under way in Brazil, Chile, Colombia, Guatemala, Paraguay, and Uruguay.

Highways subject to OPRC will:
- Be upgraded by contractors where appropriate to dual carriageways of at least four lanes, two lanes opposite directions of each other.
- Meet or exceed the minimum thickness of overlay.
- Not exceed the maximum level of roughness, rut depth, cracking, or ravelling
- Operate an open toll system where users only have to pay at a fixed amount at certain toll plazas along the route of the highway.
- Have guardrails, along with vertical horizontal signs installed.

4.1.3 New Highways
BOT (Build, Operate and Transfer) contracts will be used to build new highways in the country. The contractors will have the same responsibilities to develop and maintain highways to the same standards and to have the features those already highways given concessionees but will be given a longer contract length.

The new highways will be only be built after it has been show that it would have a positive socioeconomic impact on the communities the highways targets with limited environmental disruptions.

4.2 National Highways Fund
The National Highway Fund will be established with the primary purpose of providing financing for the maintenance, rehabilitation and construction of highways in Nigeria. The Fund will be registered as a company limited by guarantee and operate independently of the Nigerian Highways Authority.
The Fund will be administered and managed by a Board of Trustees representing various interests in the public and private sector and will be completely isolated from the management of the Nigerian Highways Authority.

The Fund will be required to release quarterly reports on the how much of its funds are being spent and how is being spent on any of the operations it is financing.

The Fund will be financed by
- Grants from governments, organised private sector and international donors.
- Toll gate collections.
- Fees or services rendered by the Agency and monies accruing from road concession.
- Capital market investments

5. Waterways

Nigeria has the second longest length of waterways in Africa. It has 8,600 kilometres of inland waterways and an extensive coastland of about 852 kilometres.

Nigeria’s waterways centre on its longest rivers, Rivers Niger and Benue, which dissect the country into east, west, and north sections. The two rivers run into each other at Lokoja and flow into the Atlantic Ocean. The coastal waterways extend from Badagry through Warri to Calabar.

Most of the activity on the country’s waterways, especially by larger powered boats and for commerce, is in the Niger Delta and all along the coast from Lagos Lagoon to Cross River.

However water transport scores a distant second to road transport, with an average share of about 1.6 per cent of Nigeria’s gross domestic product. Water transport is slow and while unsuitable for passenger movement, an efficient coastal and inland waterway system can relieve pressure on a country’s rail and road transport infrastructure.

Inland water transport is advantageous in terms of costs of moving heavy traffic, especially where speed is less important than cost. A single 15-barge tow is equivalent to about 225 railroad cars or 870 tractor-trailer trucks.

This would be advantageous in the transportation of tonnes of agricultural products from the middle belt areas to the delta areas through the waterways and verse versa, and hopefully bring about a fall in food prices in the regions.
This mode of transport will equally play an important role in the importation of raw materials through the ports in the delta areas for use at the Ajaokuta Steel Complex, which is a major industrial centre on the Niger, will benefit from the importation and use the same route to export its products.

The Nigerian inland waterways despite its great potentials are underutilised and underdeveloped. The Federal Government hopes to reverse this and has recently signed N34.8bn contract for the dredging of the Lower Niger. The project covers about 572 kilometres of waterway that stretches from Warri in Delta State to Baro in Niger State. The project is expected to be concluded by 2010.

To maximise the potential of the inland waterways, the Federal Government also plans to restructure the Inland Waterways Authority so it can focus on regulatory duties and concession its other activities.

Under the current plans, the Inland Waterways Authority will be responsible for:

- Issuance and control of licenses for inland navigation, piers, jetties and dockyards;
- Granting of licenses to private inland water crafts;
- Approval of designs and construction of inland river crafts.

The restructured Inland Waterways Authority will look to the private sector to assist it in revitalising the inland waterways. One way this can be achieved is through the formation of a Nigerian Inlands Waterways Fund.

5.1 Nigerian Inlands Waterways Fund

The fund will be similar to the US’s Inland Waterways Trust Fund, which funds half the cost of new construction and major rehabilitation of the inland waterways infrastructure. The Fund will be registered as a company limited by guarantee and operate independently of the Nigerian Inland Waterways Authority.

The Fund will be administered and managed by a Board of Trustees representing various interests in the private and public sector and will be completely isolated from the management of the Nigerian Inland Waterways Authority.

- Waterways have the potential of being a more cost efficient and sustainable transport system, reducing road congestion and promoting a cleaner environment.

The Fund will be required to release quarterly reports on the how much of its funds are being spent and how is being spent on any of the operations is it financing.

The Fund will be financed by
- Grants from governments, organised private sector and international donors.
- Concessions of jetties and dockyards owned by

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the Nigerian Inland Waterways Authority.

- Sale of vessels and other non-operational assets of the Inland Waterways Authority.
- A fuel tax paid directly to the Fund by commercial operators along designated inland waterways.
- Returns on investments made in the capital and money markets.

The Fund will be used to finance:

- Developing and maintaining the inland waterway infrastructure.
- Property development in riverside towns and construction of road and rail links to existing and new river ports and inland depots in conjunction with the Nigerian Highways Authority and the Railways Infrastructure Company.
- A Vessel Tracking System for the inland waterways.
- Provision of communication and navigational aids along the various routes of the inland waterways.

5.1.1 Developing and Maintaining Inland Waterway Infrastructure

The contract signed by the Federal Government to dredge the River Niger, included a clause for the construction companies for maintain the dredged waterway for two years. After that, financing from the Nigerian Inland Waterways Fund will be used to maintain the waterway. Any contract awarded in this respect will be of the output based performance variety, where contractors are paid on the performance on reaching set goals rather than given a lump sum to complete the job.

Navigation improvement feasibility studies financed by the Nigerian Inland Waterways Fund will be carried out throughout the inland waterway system. These studies will be used to identify the navigation and natural environmental actions needed to support the inland waterway system.

The Fund will then finance the dredging of other major rivers, the constructions of canals and other essential infrastructure such as locks and dams which have been identified by the studies as necessary to open up new water transportation channels and make the Nigerian waterways infrastructure as valuable to the economy as the roads network.

5.1.2 Property Development and Regeneration

Working closely with the Nigerian Highways Authority and the Railways Infrastructure Company, the Inland Waterways Authority will carry out feasibility studies on the construction of highways and rail tracks to the towns which play host to major river ports if these infrastructures do not already exist. The Nigerian Inland Waterways Fund will then finance possible road and rail track constructions alongside the National Highways Fund and the National Railway Fund respectively.

This would help to speed the development of such towns and cities which will play a vital role in the Nigerian transportation system. The Nigerian Inland Waterways Fund, working alongside
private financiers and developers will also aid community regeneration in these riverside towns and cities by financing property development projects which will include a range of homes, offices, shops and community facilities set in the stunning background that Nigerian rivers have to offer.

![Image](image_url)

**Figure 3: Gloucester Quays is one of the largest mixed use waterside regeneration developments in the UK.**

### 5.1.3 Inland Waterways Vessel Tracking System

A vessel tracking system that automatically and accurately monitors vessel movements along the Nigerian inland waterways will be deployed with financing from the Nigerian Inland Waterways Fund.

The system would be deployed to:
- Increase safety along the waterways by reducing the search time in search and rescue operations.
- Increase security as the positions of most vessels in the inland waterways will be accurately tracked and monitored by the system.
- Help in identifying a vessel and pinpoint its location accurately.
- Guiding river pilots through navigable channels and avoiding probable collisions.
- Organising shore service facilities more efficiently by collating different shore control points through computers to maximise efficiency and profitability.
- Introduce night navigation facilities in the waterways by installing virtual buoys in the vessels' monitors and thus to improve the average turnaround time of the vessels.

### 6. Airports

As of 2006, the National Bureau of Statistics stated that the contribution of air travel to the Nigeria economy was negligible. This is probably due to the poor state of all the major airports in the country. Stories of animals strolling on the runway during the landing and takeoff of aircrafts, along with the breakdown of essential operational equipment are known to occur.
Many observers have noted that good airport service enhances economic development—and that poor airport service discourages it. A study by the Aviation Policy Program at George Mason University in the United States, found that the number of high-technology jobs in Cincinnati region had jumped from about 65,000 in 1989 to almost 80,000 in 1996. The study pegged the region’s strong hub airport as an important factor in growth.

The Federal Government under former president Olusegun Obansanjo announced a plan to reform the aviation sector in the country by proposing to privatise all the airports managed the Federal Airport Authority of Nigeria (FAAN).

FAAN manages 21 airports across the country including Nigeria’s four main internal airports at Lagos, Abuja, Kano and Port Harcourt. Under the plans the government mode of privatisation is concessioning beginning with the Nnamdi Azikwe International Airport (NAIA) Abuja on a pilot basis before the others, including:

- MMA Plc comprising Murtala Muhammed international airport Ikeja, Lagos, Akure, Ibadan, Ilorin and Benin airports
- MAKIA Plc comprising Kano, Maiduguri, Sokoto, Yola and Katsina Airports.
- PHC International Airport Plc comprising Port Harcourt, Calabar, Owerri, Enugu Airports. and
- Abuja Plc comprising Abuja, Kaduna, Jos, and Minna Airports.

A winning bid for the concession of the Nnamdi Azikwe International Airport (NAIA) Abuja was awarded in 2006 by the past government. However the deal was reversed by the present government of Yar’Adua and renegotiations have been stalled by warring government parties over who should oversee the sale of the airport.

However some success has been recorded in the Nigerian aviation sector with the concession of Murtala Muhammed Airport Terminal 2 (MMA 2). After fire gutted the domestic terminal of the Murtala Muhammed International Airport international in Lagos, the Federal Government made a decision to redevelop the airport using private sector investments under a Public - Private Partnership Scheme.

In 2003, a private company, Bi - Courtney Limited, was awarded the concession by the Federal Government of Nigeria to design, build and operate the Murtala Muhammed Airport, Lagos Domestic Terminal and ancillary facilities. Despite early teething problems, passengers at MMA 2 have expressed satisfaction with their experiences at the terminal.
The operator of MMA 2 currently employs about 1,000 people and plans to employ some more as expansion of both the apron and fingers of the terminal continues. The success of the MMA 2 should spur the government to increase the speed of the much needed reforms in the aviation sector.

Apart from the privatisation of the airports, which will be regulated by the Nigerian Civil Aviation Authority (NCAA), it would be recommended that an Aviation Maintenance Fund be created to replace the controversial Aviation Intervention Fund.

Following recommendations by a panel investigating the spate of air traffic accidents in the Nigeria, the government of Obasanjo set up the Aviation Intervention Fund. The Fund which was partly financed by loans from the private sector was to assist with the replacement of the crumbling infrastructure of the aviation industry.

However an investigation has been started by the Senate into the N19.5 billion naira (US$ 162.5 million) Fund, amid fears that the money might have been misappropriated and the revelations that the Nigerian Airspace Management Agency (NAMA) is struggling with making repayments on the loan and unable to continue with its plans to upgrade and maintain the aviation infrastructure.

### 6.1 Nigerian Aviation Maintenance Fund

The Nigerian Aviation Maintenance Fund will be registered as a company limited by guarantee and operate independently of the NAMA and FAAN.

The Fund will be administered and managed by a Board of Trustees representing various interests in the private and public sector and will be completely isolated from the management of the NAMA and FAAN.

The Fund will be required to release quarterly reports on the how much of its funds are being spent and how is being spent on any of the operations is it financing.

The Fund will be used finance:

- NAMA’s capital projects such as the installation and maintain adequate Communication, Navigation Surveillance and Air Traffic Management (CNS/ATM) facilities at all airports in Nigeria, plus the provision of facilities for effective security of navigational aids outside the airport parameters.
- The construction of an aviation training school for pilots, air traffic control officers, etc. The school will be built under the guidance provided by the IATA’s Training and Qualification Initiative.
- Upgrade and maintenance of the training facilities at Zaria airport.
- Airport improvement and expansion programmes, such as the building of a new runway or terminal.
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- Providing financial assistance to state governments for the construction of new airports.

The Fund will be financed by:
- Grants from governments, organised private sector and international donors.
- Proceeds from the concession of the airports.
- A fuel tax paid directly to the Fund by commercial airlines.
- Airport tax by paid by every air travel passenger departing from Nigerian airports.
- Returns on investments made in the capital and money markets.

7. Ports

Spanning a two-year period which begun in late 2004, the Nigerian Federal Government implemented one of the most ambitious port concessioning programs ever attempted. The success of this program resulted from the government’s determination, as well as the need to remedy massive shortcomings in the sector, which were sharply inhibiting economic development.

However the seaports in Nigeria are constrained by congestion with ships waiting on the high sea to discharge their consignments and the country losing billions of naira as demurrage increases on both the containers at the ports and on the ships waiting to berth.

Various reasons have been given for the congestion at the ports and include an increase in the container traffic; tendency of some importers to use the stacking areas of the port for storage of their consignment; technical hitches experienced in some of the ports which resulted in loss of some operational man hour; and the lack of sufficient capacity to handle the number of cargo traffic, especially container, in the nation's seaports.

However some have suggested that the single most damning cause of congestion is the number and activities of government agencies at the sea ports. As many as twenty agencies operate at the sea ports with some of them being accused of extorting illegal fees from freight forwarders before they are allowed to leave the port with their cargo.

To help ease the congestion at the seaports the Federal Government has embarked on a private public partnership (PPP) to establish Inland Container Depots at six locations over the country - Aba (Isiala Ngwa), Bauchi, Ibadan, Jos, Kano, Katsina, Gombe and Maiduguri.

The current proposal saw successful concessionaires bid under Build, Own, Operate and Transfer (BOOT) model to put the onus of building the ICD facility. Under the BOOT agreement, they
will build the ICD, equip and operate it as their own. After operating the facility for 25 years, the firms will transfer ownership to the Federal Government.

The Federal Government has also mandated that containers should spend no more than two days being in the processed at the ports, however many believe that unless more reforms are brought about in the subsector, the Nigerian economy will continue to lose billions of naira due to the delays and these avoidable costs passed on to the Nigerian consumers.

Some of the ways that the government can maximise the contributions of the sea ports to the nation’s economy and fully establish itself as the shipping hub in the region include:

- Having clear cut laws and guides on the operations and role of the customs and other agencies at the port.
- Establishment of a Nigerian Ports Development Fund.
- Establish an expansion programme to increase the capacity and the number of ports along Nigerian coastline.
- Construct highways and railway tracks to the all the ports and inland depots.
- Create a regulatory body for port and inland depot operators.

### 7.1 Role of Agencies at Nigerian Ports

The number and activities of the government agencies, including the Nigerian Customs, at the Nigerian ports have come under a lot of criticism following the concessions of the operations at the ports.

The main agency for inspection of cargo at the ports should be restricted to the Nigerian Customs, who will act as an agent for the other agencies and bring them in if and when needed. For instance, if illegal drugs are found upon inspection of a container, the National Drug Law Enforcement Agency could be brought in to investigate the matter. This would help in getting rid of any bottleneck that might arise from having several agencies examine the same container.

Despite the introduction of the Destination Inspection Scheme, many importers have expressed dismay that all cargo is still subjected to 100% inspection by the Nigerian Customs, who still apply sections of the Customs and Excise Management Act (CEMA) to carry out the import inspection. The government should press on the Nigerian Customs on the need to stick with the faster and equally effective Destination Inspection Scheme, and possibly modify the sections of CEMA to accommodate the faster cargo processing guidelines.

The Nigerian Customs’ different inspection units should also be streamlined to ensure that there is no duplicity of effort and speed up the process of cargo inspection.
7.2 Nigerian Ports Development Fund

A Nigerian Ports Development Fund, which will be managed by professionals from both the private and public sector, will be established to assist the government in the expansion and maintenance of already existing ports and the construction of new ports.

The Fund will be registered as a company limited by guarantee and operate independently of the Nigerian Ports Authority.

The Fund will be administered and managed by a Board of Trustees representing various interests in the public and private sector and will be completely isolated from the management of the Nigerian Ports Authority.

The Fund will be required to release quarterly reports on the how much of its funds are being spent and how is being spent on any of the operations it is financing.

The Fund will be financed by:
- Grants from governments, organised private sector and international donors.
- Proceeds from the concession of the ports’ operations and inland depots.
- An ad valorem tax paid directly to the Fund by commercial users of the ports.
- Returns on investments made in the capital and money markets.

The Fund will be used to finance:
- The updating and maintenance of already existing ports through the construction of operational infrastructure such as jetties and terminals.
- The construction of new ports along the Nigerian coastline.
- The construction of inland depots in the hinterland.
- Construction of highways and railway tracks linking to all the ports and inland depots to the national transportation network.

7.3 Ports Expansion Programme

This will be an infrastructural development programme to increase the capacity of already existing ports facilities and construct new ports along the Nigerian coast and Inland Container Depots (ICDs) in the hinterland. The programme will be partially financed by the Nigerian Ports Development Fund and private public partnerships (PPP) schemes.

The expansion programme will provide the following benefits to the Nigerian economy:
- Ease congestion at the ports and decrease the container processing period to the mandated 48 hours.
- Improve the country’s ability to handle an increase in containerised traffic and position itself as a strategic player in shipping to and from the African continent.
The construction of ports and inland depots, with the consequent construction of highways and railway tracks, in the smaller towns and cities will act as economic boon, providing much needed economic development in these communities.

7.4 Nigerian Port Operations Board
Before 2004, the Nigerian Ports Authority (NPA), which is owned by the Federal Government, was the sole operator of all the ports in the country, and hence there was no need for a regulatory body to monitor activities in port operations.

However since the concessioning of the port operations and inland container depots, a need has arisen for a government agency to regulate the activities of all the private companies involved in the operation of these facilities. NPA only acts as a technical supervisor as regards the private public partnerships signed by the Federal Government and does not have the legislative authority to act as a regulator in this subsector of the Nigerian economy.

The new agency will provide some of the following services:

- Licensing and registration of all port operators in the country.
- Regulate the economic activities of the port operators to ensure fees are not exploitative.
- Ensure that port operators comply with international and national maritime rules and regulation.
- Act as mediatery party in conflicts between port operators and other parties.
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