WORKSHOP ON AID FOR TRADE AND INFRASTRUCTURE: BRIDGING THE FINANCING GAP

16 FEBRUARY 2015

PRESENTATION BY H.E. AMBASSADOR DAVID A. ADEJUWON

INFRASTRUCTURE AND CONNECTIVITY: A NATIONAL VIEW

I would like to first of all thank the WTO Secretariat for organizing this very important Workshop on Aid for Trade and for inviting me to participate in the Panel Discussion.

It would be recalled that Paragraph 57 of the Hong Kong Declaration of December, 2005, created a work programme on Aid for Trade that aims "to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade".

The concept of Aid for Trade is broad and not easy to define. This makes it difficult to measure its impact and effectiveness. There are six broad categories of Aid for Trade, proposed by the WTO Aid for trade Task Force in 2006. These include: Aid directed to trade policy and regulations; Aid directed to trade development, such as investment and trade promotion; ***Aid directed to trade-related infrastructure, including physical infrastructure to connect domestic and foreign markets***; Aid directed to building productive capacity; Aid directed to trade-related adjustment; and Aid directed to other trade-related needs.

The key issues under focus are Infrastructure and Connectivity.

Infrastructure as defined by Wikipedia is the basic physical and organizational structure needed for the operation of a society or enterprise, or the services and facilities necessary for an economy to function. Viewed functionally, infrastructure facilitates the production of goods and services, and also the distribution of finished products to markets, as well as basic social services such as schools and hospitals; for example, roads enable the transport of raw materials to a factory and also the distribution of finished products to markets or the services and facilities necessary for an economy to function.

The "Marsh Report" (1997) and the subsequent executive order EO-13010 (1998) defined **Infrastructure** as "a network of independent, mostly privately owned, man-made systems that **function collaboratively and synergetically to produce and distribute a continuous flow of goods and services**.

Two Types of Infrastructure

Hard and Soft Infrastructure

"Hard" infrastructure refers to the large physical networks necessary for the functioning of a modern industrial nation, whereas "soft" infrastructure refers to all the institutions which are required to maintain the economic, health, and cultural and social standards of a country, such as the financial system, the education system, the health care system, the system of government, and law enforcement, as well as emergency services.

Transportation infrastructure

- Road and highway networks
- Mass transit systems (Commuter rail systems, subways, tramways, trolleys, City bus transportation)
- Railways, including structures, terminal facilities (rail yards, railway stations), level crossings, signalling and communications systems
- Canals and navigable waterways requiring continuous maintenance (dredging, etc.)
- Seaports and lighthouses
- Airports, including air navigational systems
- Waterways Ferries

Energy infrastructure

- Electrical power network, including generation plants, electrical grid, substations, and local distribution.
- Natural gas pipelines, storage and distribution terminals, as well as the local distribution network. Some definitions may include the gas wells, as well as the fleets of ships and trucks transporting liquefied gas.
- Petroleum pipelines, including associated storage and distribution terminals. Some definitions may include the oil wells, refineries, as well as the fleets of tanker ships and trucks.
- Specialized coal handling facilities for washing, storing, and transporting coal.

Communications infrastructure

- Postal service
- Telephone networks (mobile/land lines)
- Television and radio transmission stations, including the regulations and standards governing broadcasting
- Cable television physical networks including receiving stations and cable distribution networks
- The Internet, including the internet backbone, core routers and server farms, local internet service providers as well as the protocols and other basic software required for the system to function
- Communications satellites
- Undersea cables

Types of soft infrastructure

"Soft" infrastructure includes both physical assets such as highly specialized buildings and equipment, as well as non-physical assets such as the body of rules and regulations governing the various systems, the financing of these systems, as well as the systems and organizations by which highly skilled and specialized professionals are trained, advance in their careers by acquiring experience, and are disciplined if required by professional associations (professional training, accreditation and discipline).

Unlike hard infrastructure, the essence of soft infrastructure is the delivery of specialized services to people.

Information infrastructure is a basic soft infrastructure, drawing upon Communications infrastructure, especially the Internet and Telecommunication, and supporting the subsequent soft infrastructures.

i. Governance infrastructure

- The system of government and law enforcement, including the political, legislative, law enforcement, justice and penal systems, civil registration, business and company registries, land registration, and maintenance of other government databases.
- Emergency services, such as police, fire protection, and ambulances

ii. Economic infrastructure

- The financial system, including the banking system, financial institutions, the payment system, exchanges, the money supply, financial regulations, as well as accounting standards and regulations
- Major business logistics facilities and systems, including warehouses as well as warehousing and shipping management systems
- Manufacturing infrastructures, including industrial parks and special economic zones, mines and processing plants for basic materials used as inputs in industry, specialized energy, transportation and water infrastructure used by industry, plus the public safety, zoning and environmental laws and regulations that govern and limit industrial activity, and standards organizations

iii. Social infrastructure

- The health care system, including hospitals, the financing of health care, including health insurance, public health educational and research system, including elementary and secondary schools, universities, specialised colleges, research institutions.
- Social welfare systems, including both government support and private charity for the poor, for people in distress or victims of abuse.

iv. Cultural, sports and recreational infrastructure

You will agree with me that the second definition of infrastructure as "a network of independent, mostly privately owned, man-made systems that **function collaboratively and synergetically to produce and distribute a continuous flow of goods and services"** with the catch words "collaboratively" and "synergetically" is more relevant within the context of this Workshop underscoring the interdependence of infrastructure.

Infrastructure is one of the 12 pillars (Ranked 2) of the Global Competitiveness Index identified by the World Economic Forum in its latest report. According to the World Economic Forum, a well-developed transport and communications infrastructure network is a prerequisite for the access of less-developed communities to core economic activities and services. Effective modes of transport- including quality roads, railroads, ports, and air transport, enable entrepreneurs to get their goods and services to market in a secure and timely manner and facilitate the movement of workers to the most suitable jobs.

Economies also depend on electricity supplies that are free from interruptions and shortages so that businesses and factories can work unimpeded. Finally, according to the World Economic Forum, a solid and extensive telecommunications network allows for a rapid and free flow of information, which increases overall economic efficiency by helping to ensure that businesses can communicate and decisions are made by economic actors taking into account all available information. Therefore, extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy, as it is important factor in determining the location of economic activity and the kind of activities or sectors that can develop within a country.

The Nigerian Government, in its effort to promote national, regional and international trade, introduced in the recent past several socio-economic reforms aimed at promoting efficiency in service delivery, reducing the complexity and cost of transaction process as well as enhancing the efficiency, transparency and predictability of International trade.

Presently, we have different Ministries saddled with the responsibility of formulating and implementing national policies on hard and soft infrastructure. Federal Ministry of Transport is responsible for Sea Ports, Waterways; Railway, Federal Ministry of Works (Roads); Federal Ministry of Aviation (Airports). Most of the airports in Nigeria are owned by Federal government and operated by the Federal Airports Authority of Nigeria, a parastatal under the Ministry of Aviation. For now multi-modal connection in Nigeria is not adequate. The International Airports and Sea ports are without functional railway trunk routes for seamless connection. This has affected our rating in doing business and competitiveness.

Intermodal connectivity still remains a major challenge that is being addressed by Government. While lot of resources are being mobilized by Government for the construction of roads, Contracts have also been awarded by Governments for rehabilitation and construction of light rails in Lagos and Abuja, rehabilitation/re-modelling of the international Airports.

The major sea ports have been concessioned to private sector Terminal operators for greater efficiency and effectiveness in cargo handling while new ones are being constructed by private investors. Even though 48 hours cargo clearance target was set by Government, about 40% of cargo are being cleared within 72 hours. One of the reasons for delay in cargo clearance is that of infrastructure and connectivity gap. None of the Sea Ports in Nigeria as of now has functional railway system to transport the cargoes.

The Nigerian Government's Transformation Agenda and the Vision 20.20.20 aim to promote sustained and inclusive economic growth, and elevate Nigeria's economy to be among the top 20

economies in the world. The Transformation agenda focuses on four critical areas: physical infrastructure, human capital development, governance and the real sector.

The backbone of any national economy is its stock of infrastructure. According to international benchmarks, more developed countries typically have a “core infrastructure” stock (roads, rail, ports, airport, power, water ICT), equal in value to about 70% of GDP, with power and transportation infrastructure usually accounting for at least half of the total volume.

In contrast to international benchmarks of 70%, Nigeria core of infrastructure is estimated at only 20-25% of GDP- the equivalent of less than USD 100 billion in 2012. This low percentage is occasioned by low public and private spending on infrastructure. Major spending on Infrastructure is by Nigeria Government in spite of the various policies introduced by Government to promote Public Private Sector Partnership and road construction under BOT arrangement. In order to close its current infrastructure gap and reach the desired total stock required, Nigeria must aggressively increase its infrastructure spending.

At the national level, Nigeria’s National Integrated Infrastructure Master Plan (NIIMP) provides the capital allocation framework which identifies the required investments to bridge the infrastructure gap in Nigeria, in line with the country’s growth aspirations.

Nigeria requires a significant increase in infrastructure to meet its development needs. Implementation of the master plan will require a total of USD 3.0 trillion over the next 30 years, including the investments needed for maintenance. This comprises investments in core infrastructure (Transport, Energy, ICT and Water), as well as non-core infrastructure (Agriculture, Mining, Social Infrastructure, Housing, Vital Registration and Security). The private sector is currently estimated to account for 46% of the infrastructure investments in Nigeria.

To achieve an adequate, safe, environmentally friendly, efficient, affordable and sustainable integrated transport system, substantial additional investments in infrastructure by Government, Private Sector, Development partners are required.

Nigerian Government recognizes the fact that sound transport networks and modern ports facilitate movement of goods and people, reduce transportation costs as well as ensure competitiveness.

Bridging our infrastructure gap and ensuring intermodal connectivity as a means of overcoming our numerous developmental challenges cannot be over-emphasized. Better roads and rails networks will boost intra-continental trade and investment; increased power generation, enhance the productivity of businesses and manufacturing; better communication services can facilitate financial transactions. Nigeria requires over US$10 billion annually over the next ten years to bridge its infrastructure gap.

According to AfDB, the net flows of ODA to Nigeria averaged about US$1.8 billion a year during the five-year period 2007-2011; donor support for infrastructure accounted for about 15 percent of the total. Assuming that total inflows increase from US$2.64 billion by 2020 and that infrastructure sectors will account for about 24 percent of the net ODA inflows, the total amount of ODA allocated to the infrastructure sectors during 2011-2020 would amount to about US$5.6 billion. This total allocation would account for only 1.6 percent of the required total funding for the proposed Infrastructure Action Plan.

Aid for Trade has emerged as an important vehicle for assisting developing countries to improve their trade capacity and to benefit from expansion of global markets.

The effectiveness of Aid for Trade is subject to the choice of instruments, the sectors targeted and the country context, among other factors. Evidence through studies and impact assessment have shown that Aid for Trade works best when it is targeted at reducing the cost of trading, for example through investment in infrastructure, improving trade facilitation and strengthening value chains. Experience has also shown that investment in infrastructure, trade facilitation and the strengthening of value chains is most effective when it is integrated into a country’s broader trade policy and strategy.

There is no doubt that Aid for Trade works best when there is effective coordination in the design of project which should be demand- driven, not on perceptions, based on the recipient country's prioritized need, implementation and monitoring.

Given the limited resources vis-a vis responsibility, it is obvious that Government alone cannot provide the resources required for development of hard and soft infrastructure in Nigeria; we therefore call for continued support and assistance of development partners and donor agencies;
Investment in infrastructure is critical for the trade and development of African countries. At the regional level, the Federal Government of Nigeria through the Nigeria Export-Import Bank has initiated a maritime project that will link seaports on the West & Central African coasts in order to facilitate trade and ensure smooth transportation of cargo and passengers within and between the two regions. This is primarily aimed at realizing the objectives of the founding fathers of ECOWAS for free movement of persons, goods and services within the sub-region. We request that additional resources be provided by Development Banks, Multilateral and Bilateral Donors for infrastructure development in Nigeria and ECOWAS sub region where there are many LDCs and not just on studies and training as is often witnessed. We need to strike a reasonable balance by ensuring that whatever aid being provided impacts positively on common man in terms of what he can see, feel and get; training is good but there is no point training and retraining pilots when there are no aircrafts to fly and no Airport where the planes can land. It is equally important to map out strategies towards the implementation of the recommendations in the studies conducted so far, especially on infrastructure development which has remained the major hindrance to trade and development in Africa.

Before concluding, Mr. Chair, permit me to briefly introduce a Pilot border crossing/border corridor development project being proposed for Okerete in Oyo State, Nigeria that has been on the drawing board for over one and a half decades now. The DFID of UK graciously financed the feasibility study that was prepared by Crown Agent of UK in 2012 which we highly appreciate as a country. The feasibility report confirmed the viability of the project. The project if executed will provide an alternative transit corridor to Lagos/Seme Boarder, facilitate trade between Nigeria and many ECOWAS member countries and movement of transit goods from Cotonou, Togo, Accra to and fro some of the land-locked countries. Okerete is about 22 kilometers away from the Trans-Benin highway and 15 kilometers from the railway line that links Cotonou Port with Parakou. It, therefore, has excellent linkages to Northern parts of some ECOWAS countries, such as Burkina Faso, Mali, Niger and Chad.

The Study clearly highlighted the benefits and economic viability of constructing about 100 meters international bridge over River Okpara which serves as natural boundary between Nigeria and Republic of Benin at Okerete, construction of a Joint Border Post with the necessary facilities for speedy clearance of goods and the fixing of less than 85 kilometer of the international access road in both Nigeria and Benin as an alternative to the only conventional and over-congested Lagos/Seme Border Transit corridor. The estimated cost of constructing the road and the bridge as contained in the feasibility study prepared by Crown Agent of UK is US$51.319. Providing this critical infrastructure will substantially boost ECOWAS intra-regional trade as well as facilitate movement of goods and people in the region. We call on the Development Banks and Partners to help in providing this very important road infrastructure.

The benefits of the project as listed in the feasibility report include: mainstreaming the informal trade into the national economy; reduction of the incidence of smuggling across the borders; promotion of clusters of trade and services; enhancing the role of trade in regional integration; poverty alleviation, wealth creation and generation of employment in the rural areas ; Revenue generation to the Government; Enhancing security along the border towns; and Capturing of data on trade between Nigeria and her neighbours.

Since the implementation of Okerete border crossing and border corridor project as a pilot project is capable of assisting Nigeria in the implementation of TFA as well as offer immense benefits in terms of provision infrastructure and connectivity to many ECOWAS Members States, including Nigeria, I call on Multilateral and other Bilateral Donors for support in the implementation of this very important project, taking a cue from the DFID.

We are ready to discuss and share the copy of the feasibility report with any interested development partners/donors.
Thank you.