

Findings

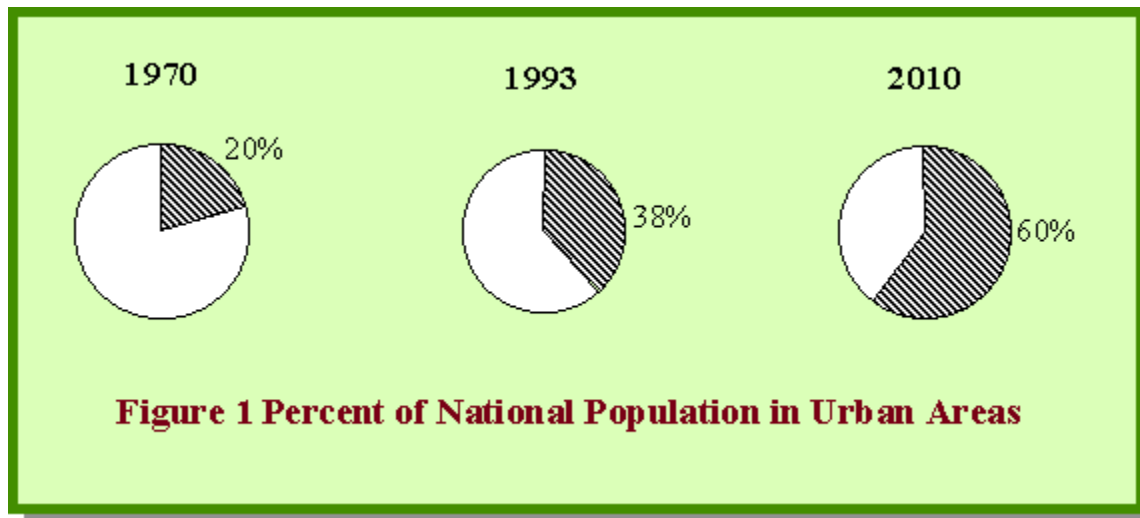


Africa Region . Number 62 . May 1996

Findings reports on ongoing operational, economic and sector work carried out by the World Bank and its member governments in the Africa Region. It is published periodically by the Africa Technical Department on behalf of the Region.

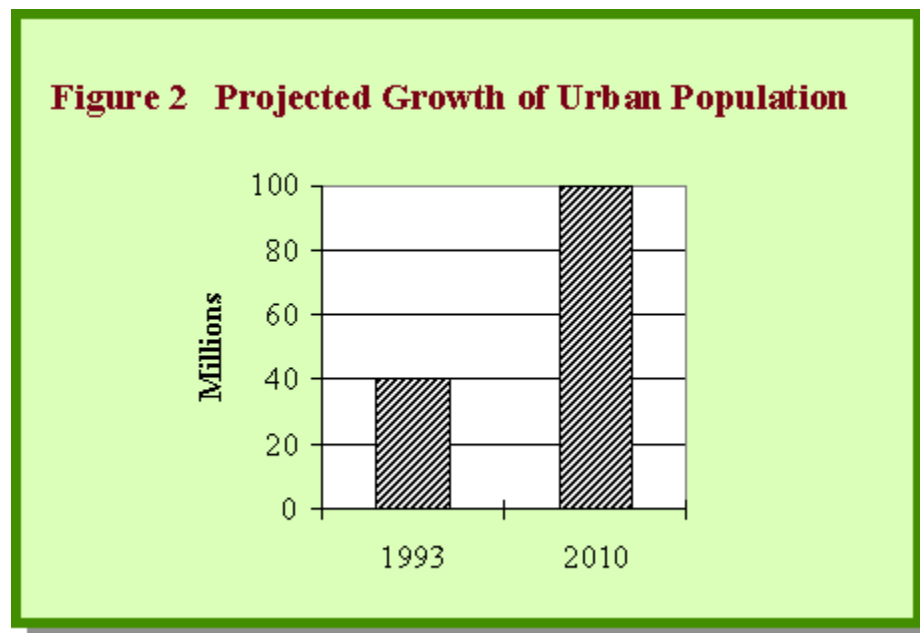
Restoring Urban Infrastructure and Services in Nigeria

Nigeria's urban infrastructure is crumbling. Water supply, sewerage, sanitation, drainage, roads, electricity, waste disposal--all suffer from years of serious neglect. Periodic and routine maintenance, by far the most cost-effective infrastructure spending, is almost zero.



It has become the norm in Nigeria to wait for a capital infusion to rehabilitate, replacing instead of maintaining the infrastructure. But declining financial resources are making this less feasible,

and the deterioration is accelerating. Compounding the situation is the rapid urbanization, mostly migration from rural areas. The number of people living in Nigeria's towns and cities is expected to double to 80 million in the next 13 years and reach 100 million by 2010.



Urban Growth

Trying to control or limit rural migration is unrealistic. Urbanization is a positive force in development. Cities and towns are home to most industry, commerce, and services, all of which can be highly productive. Over the decade 1984-1994, non-oil firms in urban areas accounted for half of Nigeria's Gross Domestic Product. Per capita incomes in towns and cities are roughly a third higher than in rural areas.

Nigeria's urban population, over the period 1980-1993, grew at an astonishing 5.5 percent a year, compared with 2.9 percent nationwide. Many urban Nigerians, however, do not earn enough to cover even basic needs. An estimated 21 percent or so (8.5 million people) were below the poverty line in 1992-93. They, more than anybody, suffer from the breakdown in urban infrastructure, especially through poor health. Most of the burden falls on women and children.

Urban pollution and poor management of municipal waste (sewage and refuse) add to the health hazards. Numerous industries, from pulp to petroleum, dump untreated and often toxic liquids in open gutters, streams, rivers, and lagoons. And, as elsewhere, motor vehicles contaminate the air, land, and water.

How did the urban infrastructure of oil-rich Nigeria reach such a state, and what should (and can) Nigerians do?

Need for Realistic Planning

In recent years, Nigeria's leadership, institutions, and policies have been subject to abrupt and unpredictable change, making any planning difficult. A starting point for action, can be found in the National Urban Development Policy, prepared in 1992. This, however, has not been adopted officially.

Other government policies have harmed urban productivity and welfare. Fiscal deficits have fueled inflation. Big subsidies for fertilizer, petrol, and loss-making state enterprises drain revenues away from more productive use. Inadequate controls on public spending, massive extra budgetary allocations, and lack of accountability and transparency hinder allocation of resources for infrastructure and social services.

The same situation obtains with urban real estate. The state owns much of the land that could be used for housing, factories, offices, or as collateral for credit. But bureaucratic procedures make it difficult, time-consuming, and expensive to acquire real estate. Moreover, the private sector is excluded from aspects of infrastructure and services (electricity, water, and telecommunications, for instance).

With scarce financial resources and too few trained people, local governments (593 of them) are unable to carry out their assigned functions. As usual, the poor suffer most.

Relieving and reducing poverty must be the main aim of urban development. Even modest investment can make a big improvement in the lives of the urban poor. Better basic services in low-income urban areas can have a major impact on the welfare and productivity of the poor. But such investments must be part of broader programs for primary healthcare, education, and employment.

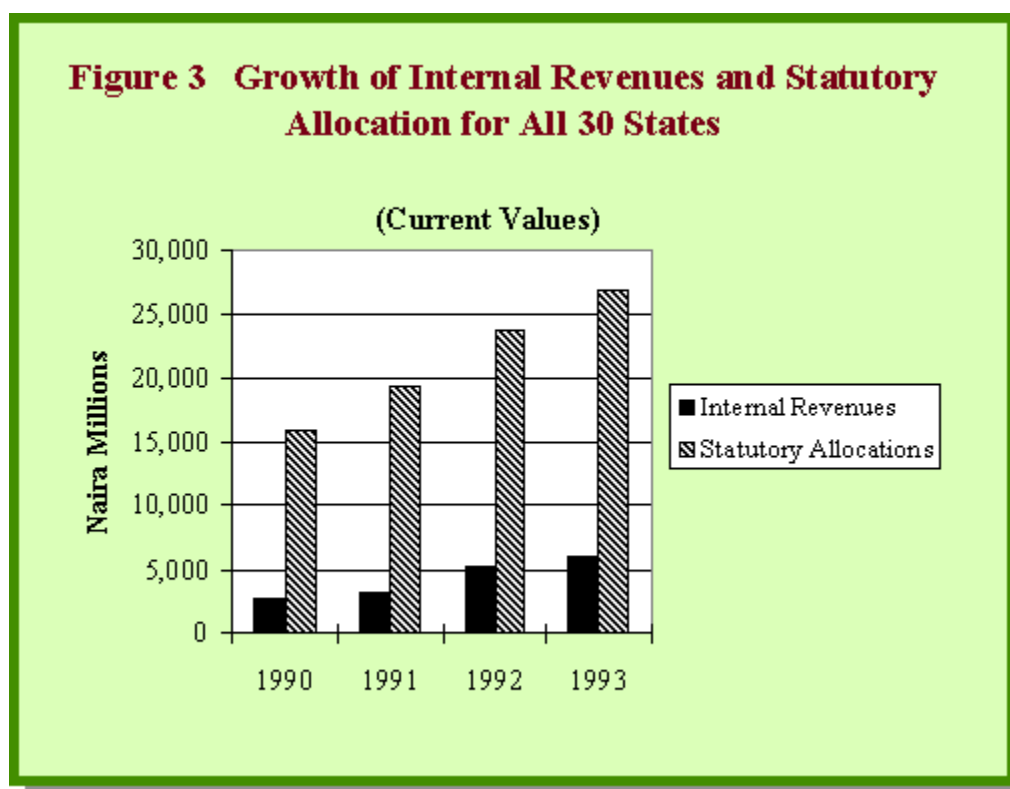
Funding Strategy

Given Nigeria's difficult financial situation, where could it find the money for new and rehabilitated urban infrastructure and services? Cutting bureaucratic waste and many publicly-funded capital projects would help almost immediately. So, too, would tighter controls on extra budgetary spending. Encouraging privatization of state-owned enterprises, and policies that promote private funding of some ventures, such as urban water and electricity supply, garbage removal, and housing would be critical to change.

Government funds should be used only for infrastructure that is purely public or not usually profitable, e.g., drains, urban roads. Such services need not be free of charge. Indeed, obtaining more income from user fees, including intensifying bill collection, is essential to improving services. And state and local governments must be allowed to retain those revenues. Much can be done, also, to realize the untapped revenue potential of income and value-added taxes of Nigeria's 31 states and the property taxes of local governments.

To be an effective intermediary for federal government investment in infrastructure, the Urban Development Bank of Nigeria needs overhauling. In particular, it needs an independent and professional board and sound financial management, including coherent lending policies to maintain the value of its capital.

Infrastructure financing would be helped enormously if the flow of federal statutory allocations to states was more predictable. This should be part of the rationalization of the budgeting process. Annual budget surpluses and federal grants, however, will not pay for many large infrastructure investments. Debt financing by states (and, eventually, local governments) will be needed. In the long term, the domestic capital market for infrastructure needs to be developed. That requires fiscal and monetary discipline to lower inflation and bring down interest rates to affordable levels. The Nigerian government also needs to deal effectively with the banking crisis, and restore credible and effective regulation.



Involving Communities and the Private Sector

Nigeria's political situation puts great strain on the public sector's capacity for policymaking and management at all levels. To insulate World Bank and other donor-funded projects from political interference and frequent changes in government, special project implementation units need to be set up. The use of private contractors to staff key posts has worked well and should continue. Assistance should go only to states showing commitment to projects. Implementation arrangements for specially-funded projects in a state need to be simple and include only essential components. If two or more bodies are involved, coordination arrangements must be workable. Otherwise, there could be delays and accountability for good or bad performance could be obscured.

Small, local infrastructure projects could be implemented by community organizations. Where projects have been executed at higher levels but with local governments or other entities being responsible for operation and maintenance, it is crucial that they be involved in planning and

implementation. More use should be made of domestic consultants and non-profit organizations for technical services.

In the short term, much can also be done to involve the private sector in urban infrastructure and services. It would be advantageous, for instance, to contract out water billing, tariff collection, and maintenance. In waste management, too, there is plenty of scope, indeed a need, for private-sector involvement. Witness the problems and shortcomings of the Lagos Waste Management Authority---underfunding, broken-down equipment, uncollected trash, low salaries, and high management turnover.

Institutional Changes

Over the medium term, the Nigerian government needs to make other institutional changes.

Reform Public Utilities. These must be autonomous and operate along commercial lines, staffed by professionals, and have the power to set adequate tariffs.

Strengthen Local Governments. More precisely, clearly define their responsibility, make revenue transfers to them more predictable, provide incentives and technical assistance to increase their internal revenues, and give them real involvement in planning and implementation.

Privatize Land Development. Housebuilding and the provision of serviced plots should be left to the private sector, with government responsible for laws and regulations that encourage the availability of land and financing and for trunk infrastructure.

Set up joint boards for big cities. Local governments that are part of large cities need joint boards to manage services that require efficiencies of scale and cover a wide area.

The improvement of urban infrastructure and services is critical to national economic development. Lack of attention to these issues will have a considerable negative impact on the lives and hopes of Nigerians, both in the rural and urban areas.

*This article has been sourced from a booklet **A Strategy for Restoring Urban Infrastructure and Services in Nigeria** prepared by the World Bank with Nigerian collaboration. For more information on the subject or copies of the booklet, please contact Ms. Elizabeth Novatny, Room J6-262, The World Bank, 1818 H Street NW, Washington, D.C. 20043. Tel. no. (202) 4734492.*
