DETAIL COMMERCIAL SOLICITORS

NIGERIA INFRASTRUCTURE GUIDE

2017 EDITION

PERISCOPING NIGERIA'S CORE TRANSPORTATION INFRASTRUCTURE

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1. EXECUTIVE SUMMARY

This edition of DETAIL's Infrastructure Guide is targeted at reviewing Nigeria's core transportation infrastructure, which for purposes of this publication, has been limited to the under listed sub-sectors:

a) Federal Roads

b) Rail networks

c) Airports

This edition gives our readers an informed periscopic view of key indices related to Nigeria's core transportation infrastructure and affords the reader a grasp of:

a) **BUDGETS**: Nigeria's budgetary allocation for core transportation infrastructure over the last 3 years;

b) **GDP**: The transport sector's contribution to GDP; the link between budgetary allocations and GDP growth;

c) **POLICIES**: A summary of recent government policies and likely impact on core transportation infrastructure if implemented;

d) **LEGISLATIONS**: Pending bills and recent legislations; likely changes on the horizon and how they may affect the climate for investment in core transportation infrastructure; and

e) **TRENDS**: A decant of information on new events that may be useful to private sector developers and project proponents.

A summary of some of the conclusions reached in this guide are as follows:

a) The road sector over the last 3 years received the highest budgetary allocation and remained the highest contributor to Nigeria's GDP from the transport sector.

b) The rail sector is a priority area for the Federal Government buttressed by the fact that the 2017 budget has ample allocation for railway feasibility studies, suggesting that more railway lines will be constructed over the next few years.

c) The "manufacture of railway locomotives, wagon and rolling stock" has recently been included in the list of activities eligible for Pioneer Status.[1]

d) One of the key targets of the Economic Recovery & Growth Plan is to "deliver Targeted High Priority Transportation Projects."

e) Several new bills have recently been passed (and a few bills pending) that may have far reaching effects on private sector investment in Nigeria's infrastructure.

f) The launch of InfraCredit in January 2017 is very timely. It is expected that InfraCredit will provide guarantees to unlock long term funding for infrastructure projects in Nigeria. It is noteworthy that "transportation" is eligible for InfraCredit guarantees.

g) The new Pension Commission's investment guidelines for Pension Fund Administrators has increased the wallets for permitted investment in infrastructure projects. Bankable and substantially de-risked infrastructure projects may become a favoured investment outlets for Fund Administrators in the months to come.

Source: http://www.railwaypro.com/wp/nigerian-train-begins-operation-in-march/

2. OVERVIEW OF BUDGETARY ALLOCATION FOR CORE TRANSPORTATION INFRASTRUCTURE

This section provides a comparative analysis of the Federal Government's budgetary allocations to the road, rail, and aviation sectors ("the Sectors") for the years 2015, 2016 and 2017 ("years in view") and draws some conclusions from these numbers.

Figures 1 and 2, below highlight the total budgetary allocation to the Sectors for the years in view; the budgetary allocations to the Sectors; the total amount appropriated; and the allocation to individual sectors as a percentage of the total appropriation for the years in view.

Figure 1 – Budgetary Allocation By Sector

YEAR	TOTAL BUDGET (₦)	ROAD SECTOR (₦)	RAIL SECTOR (₦)	AVIATION SECTOR (₦)	TOTAL FOR 3 SECTORS (₦)
2015	4.5tn	18.1bn	565.1mn	870mn	19.5bn
2016	6.06tn	260.08bn	149.25bn	15.42bn	424.75bn
2017	7.44tn	182.08bn	150.03bn	35.00bn	367.1bn
TOTAL	18tn	460.26bn	299.85bn	51.29bn	811.35bn

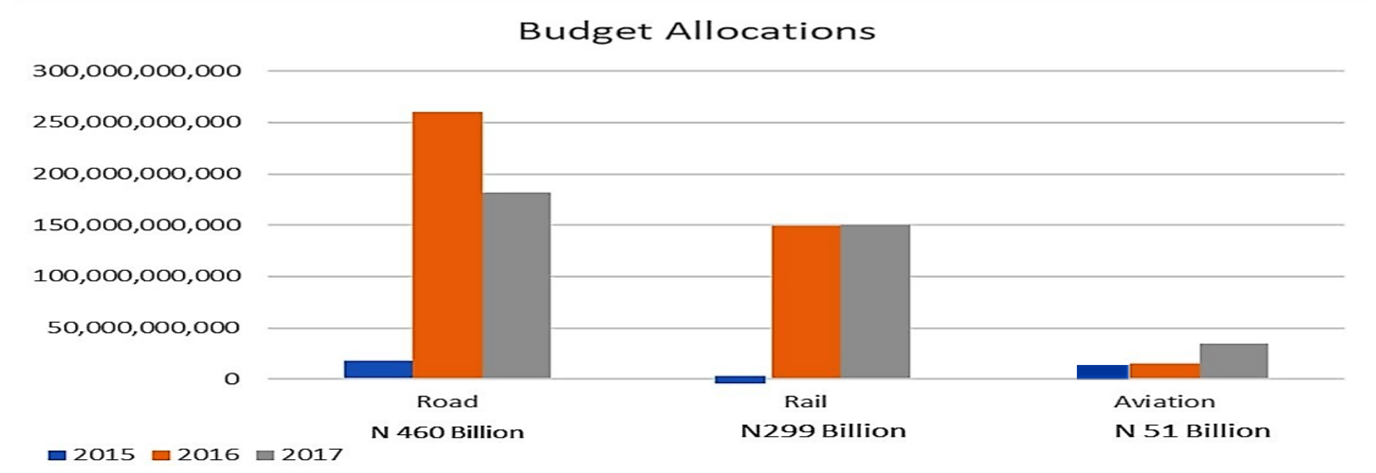
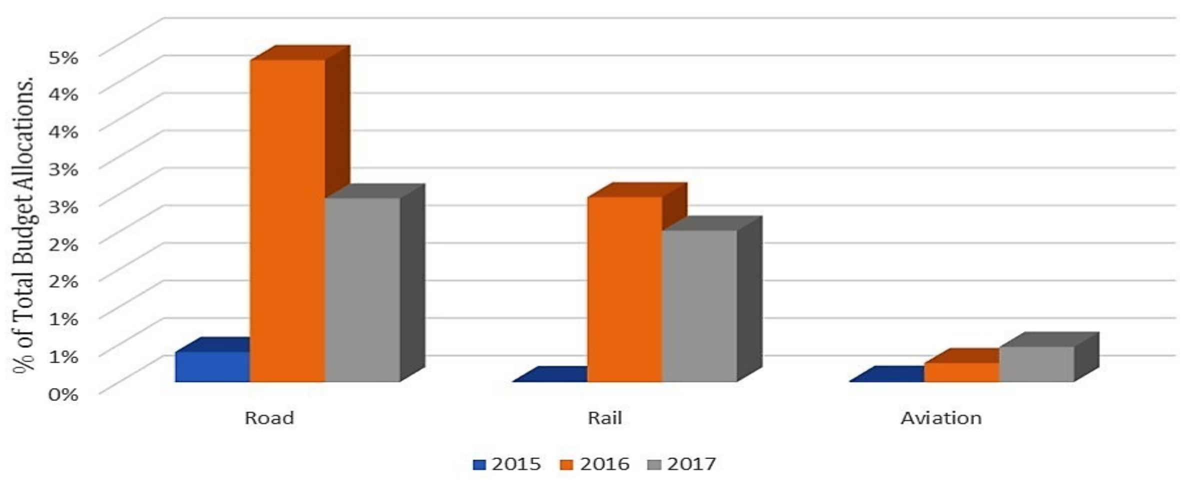


Figure 2 – Budgetary Allocations by %.

YEAR	TOTAL BUDGET (₦) Tn	ROAD SECTOR (% OF TOTAL BUBGET)	RAIL SECTOR (% OF TOTAL BUDGET)	AVIATION SECTOR (% OF TOTAL BUDGET)
2015	4.5	0.40	0.0125	0.02
2016	6.06	4.29	2.46	0.25
2017	7.44	2.45	2.02	0.47



2.1. HIGHPOINTS FROM THE BUDGET REVIEW

The budgets depict clearly certain pointers that are noteworthy:

a) Highest budgetary allocation over 3 years: Road sector.

b) Lowest budgetary allocation over 3 years: Aviation sector[2] .

c) Priority area for the Federal Government: Although the Road sector recorded the highest budgetary allocation, a closer analysis reveals that the rail sector is the key focus for the Federal Government for the following reasons:

- Majority of the road sector projects involve the rehabilitation and upgrade of existing roads unlike the rail sector that largely consists of the construction of new railway lines (such as the Lagos-Kano Standard Gauge rail line and the Calabar-Lagos Standard Gauge railway line);
- On a project by project basis, the Rail sector has the highest monetary allocation to singular projects (in 2016, ₦60 billion each was allocated to the Lagos-Kano railway and the Calabar-Lagos railway);
- In 2017, about ₦148 billion was budgeted for all railway projects, which includes (Lagos-Kano, Calabar-Lagos, Kano-Kaduna, Ajaokuta-Itakpe-Warri, Kaduna-Idu);
- The 2017 budget for feasibility studies to be conducted over the next 1 to 2 years is evidence that a number of railway lines are in the pipeline.

2.2. CONCLUSIONS

a) The reduction in budgetary allocations to the aviation sector lends credence to the fact that government is committed to the implementation of the Bureau of Public Enterprise (BPE) led concession of the 4 International Airports.[3]

b) The funding priority given to the rail projects shows a commitment to deliver an efficient intermodal transportation system across the country – there is a concerted effort to link the ports in Lagos, Calabar, and Warri with the rest of the country.

c) Although, the aviation sector has received the least funding amongst the 3 sub- sectors, government's spending increased by 100% in 2017 from the preceding year. Opportunities for private sector investment in the aviation sector remain largely in these areas: construction, rehabilitation, and upgrade of existing terminal buildings within the international airports.

d) Given the Federal Government's focus on rail transport; increased private sector participation is expected in the construction of railway infrastructure with the advent of private rail owners and concessionaires on the back of the recently passed Nigerian Railway Authority Bill 2015.

"Although the Road sector recorded the highest budgetary allocation, a closer analysis reveals that the rail sector is the key focus for the Federal Government."

Lekki-Epe Expressway

3. CONTRIBUTION OF TRANSPORTATION TO GROSS DOMESTIC PRODUCT

This section seeks to review the contribution of the road, rail and aviation sectors to Nigeria's Gross Domestic Product (GDP) over the years 2015-2017: to analyze the connection between budgetary allocations and GDP and use verifiable trends to make certain assumptions about the Nigerian transport sector in the near future.

Figure 3 - Contribution of the Core Transportation sectors to the GDP

YEAR		ROAD TRANSPORT (₦) Million	RAIL TRANSPORT (₦) Million	AIR TRANSPORT (₦) Million
2015		1,156,293.33	282.10	95,735.98
2016		1,358,682.97	309.73	94,500.59
2017	Q1	396,619.77	37.87	25,492.71
	Q2	330,356.64	105.50	21,909.99

Figure 3 above depicts the following:

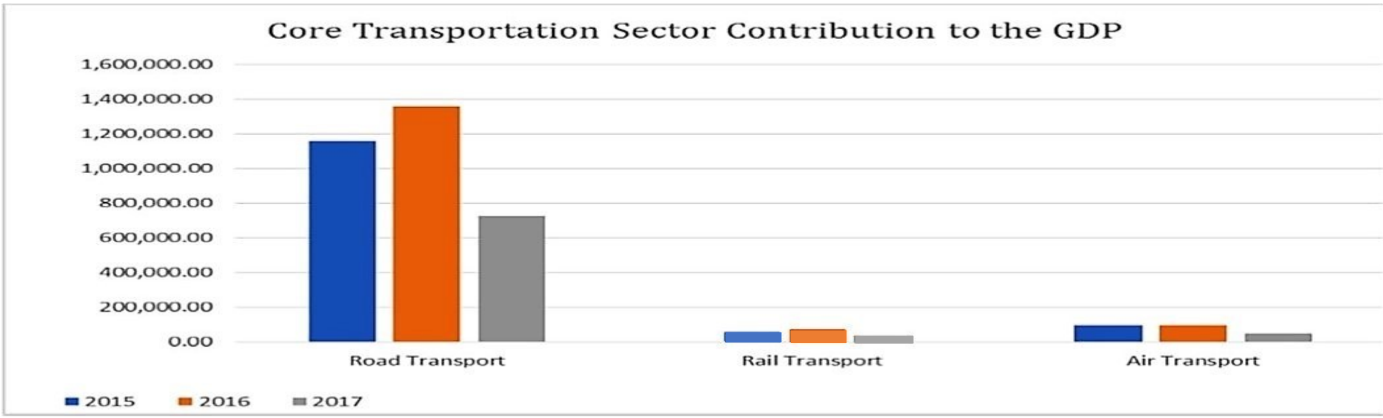
A. Over the years in view, the highest contributor to the GDP was road transport and the lowest was rail transport.

B. There seems to be a congruence between the budgetary allocations for roads (the highest amongst the sectors) and road transport being the highest contributor to the GDP.

C. The slight drop in GDP contribution of air transport in 2016 shows the sector largely remained viable during the foreign exchange crisis. It further shows the unresponsiveness of the sector to upward review in prices of airline tickets.

Figure 4 below shows the road, rail and air transport sectors contribution to the GDP over the last 3 years. To put this in context, it should be noted that the road, rail, and air transport sectors are categorized under the "Service Sector" by the Nigerian Bureau of Statistics and these 3 sectors jointly contributed ₦3.5 trillion to the GDP- about 3.5% of the ₦98 trillion contributed to the GDP by the entire service sector in the period[5].

Figure 4. - Graph Highlighting Core Transportation Sector Contribution to GDP



3.1. EXPECTATIONS

"The contribution of the rail sector to the GDP is expected to increase significantly over the next 5 to 10 years."

The following are our expectations for GDP growth or decline in these 3 sectors:

RAIL:

The contribution of the rail sector to the GDP is expected to increase significantly over the next 5 to 10 years on the back of increased budgetary allocation[6]; the passing of the Nigerian Railway Law 2015;[7] the inclusion of the manufacturing of locomotives and wagons in the new pioneer status tax incentives list[8]; the ongoing feasibility studies;[9] and the existing pipeline of new rail projects.[10]

ROAD:

Road transport will continue to be the transport sector leader in terms of contribution to the GDP for the next 10 years in view of the significant investments earmarked for roads; the recent unreliability of domestic airlines; and the paucity of passenger and cargo trains.

AIR:

Air transportation may increase its contribution to the GDP if the capacity of airport facilities such as terminal buildings are upgraded. However, another major dependency is the reliability of the domestic airlines - the volume of air traffic will only increase if the domestic airlines provide better services.

4. GOVERNMENT POLICIES & CORE TRANSPORTATION

4.1. ECONOMIC RECOVERY AND GROWTH PLAN (ERGP)

On 5th April, 2017, the Federal Government launched the Economic Recovery & Growth Plan (ERGP) for years 2017 to 2020. This is basically a plan that seeks to restore economic growth; build a globally competitive economy; invest in the Nigerian people by investing in infrastructure; improve the business environment and drive industrialization focusing on Small and Medium Enterprises (SMEs).

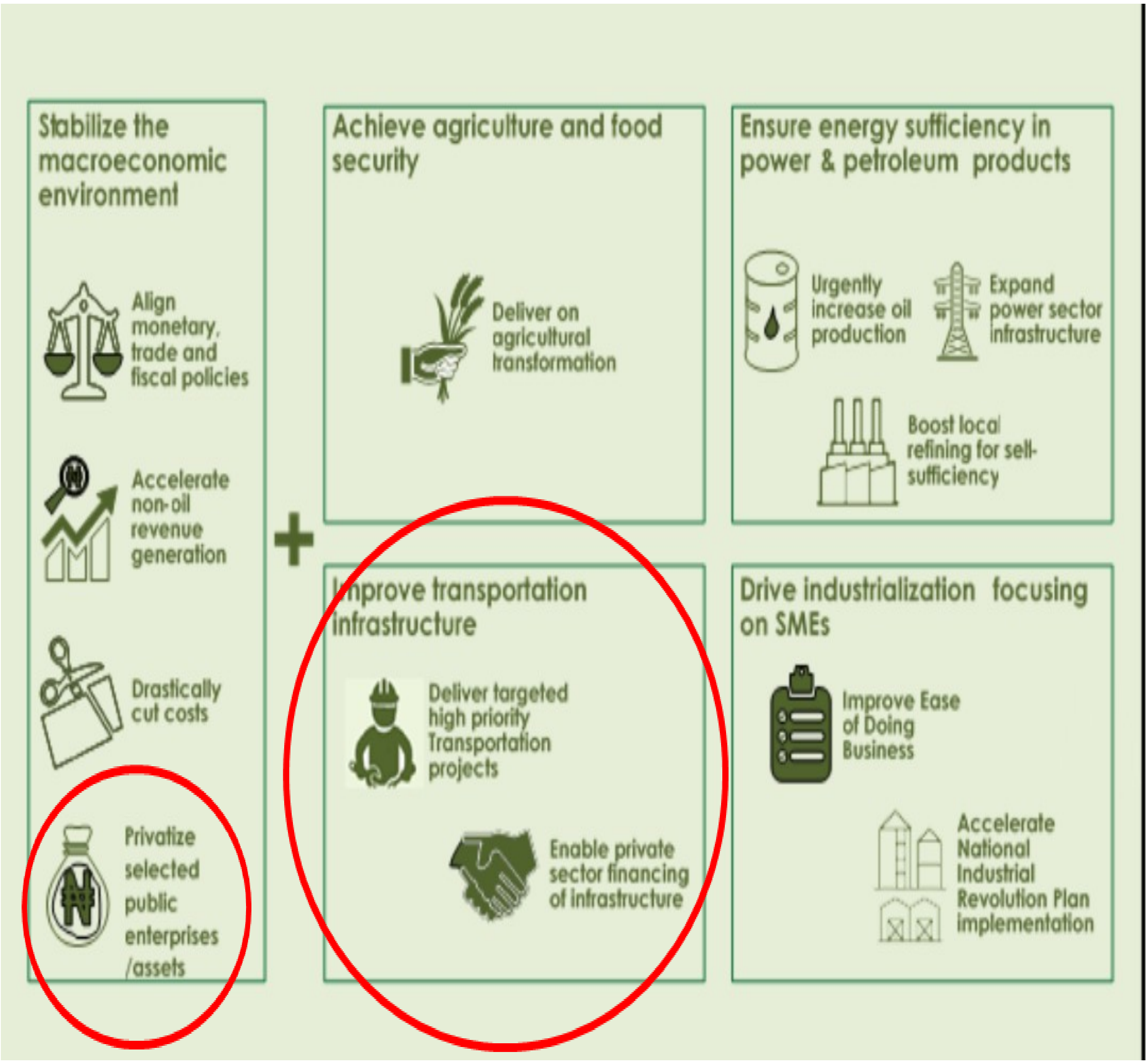
A quick look at Figure 5 below culled from the ERGP, particularly the information circled in red, shows the major planks of the ERGP as it relates to core transportation infrastructure are as follows:

(a) Privatize selected public enterprises/assets;

(b) Deliver targeted High Priority Transportation Projects; and

(c) Enable private sector financing of infrastructure.

Figure 5 - ERGP Priorities



4.2. ERGP TARGETS

The ERGP has set some key targets listed in Figure 6 below. It is noteworthy that numbers 2,3,4,6,10,11 and 12 are directly related to enhancing Core Transportation Infrastructure.

Figure 6 - Key ERGP Targets Relating to Core Transportation Infrastructure

S/N	Key ERGP Targets Relating to Core Transportation Infrastructure
	TARGETS
1.	Extend the maturity profile of the public debt portfolio and deploy long-term debt instruments, including infrastructure and retail bonds.
2.	Restore degraded sections of the Federal highway network to improve connectivity over a distance of 4,000 km.
3.	Construct strategic rail projects to connect major economic centres across the country. The target is to complete construction of the Lagos - Kano and Lagos - Calabar rail projects.
4.	Offer concessions on the four major airports to improve infrastructure maintenance and boost operational efficiency.
5.	Dredge 1,000km of inland waterways and reinforce riverbanks to increase the capacity of inland waterways.
6.	Establish a robust capital project development framework to encourage and increase PPPs to deliver critical projects, such as roads, rail, seaports, and airports.
7.	Review the Infrastructure Concession Regulatory Commission Act. Strengthen the Commission's regulatory mandate to facilitate private investment.
8.	Harness the existing pool of sustainable development funds to assess the viability and bankability of critical infrastructure projects.
9.	Leverage a sustainable and alternative mix of funding for critical infrastructure projects, including project financing initiatives, infrastructure bonds, diaspora bonds, and value-capture financing.
10	Fast-track the completion of airport cargo and passenger handling terminals to increase capacity from 208,424 to 276,848 tons and 15 million to 45 million passengers, respectively, by 2020.
11	Complete the road sector reforms to establish a Road Authority and a Road Fund to enhance best world practice in the administration of road network development and management in the country.
12	Ensure the approval of the Tolling Policy so that some of the major dual carriageways can be granted under a concession for maintenance and tolling.

Source: https://www.informationng.com/tag/port-harcourt-international-airport

4.3 PIONEER STATUS TAX INCENTIVE FOR THE RAIL SECTOR

Manufacture of Railway Locomotives, Wagons, and Rolling Stock has recently been included in the new list of eligible businesses qualified for Pioneer Status. The effect of this on the rail sector is that companies manufacturing any of these items in Nigeria would be entitled to Pioneer Status. Such companies will be exempted from paying company income tax for an initial period of three years and can be extended for a further period of two years.

Whilst these tax incentives are laudable and intended to jump start a manufacturing class for the rail sector, it is posited that Nigeria has a tiny market for rail products at this time. There should, therefore, be other policies and frameworks in place in addition to the tax incentives. These could include:

a) A Federal government offtake agreement to purchase locomotives, wagons and/or rolling stock for its upcoming Nigerian manufacturers;

"Manufacture of Railway Locomotives, Wagons, and Rolling Stock has recently been included in the new list of eligible businesses qualified for Pioneer Status."

b) A rail sector export incentive scheme to increase the business case and make rail product exports from Nigeria compete favourably internationally;

c) Import duty regimes over a period of years that encourage local substitutes; and

d) Policies that ensure that international concessionaires for upcoming rail projects have robust transfer of technology obligations to ensure adequate training; a given percentage of fabrication and integration to be carried out within Nigeria.

Source: http://dailypost.ng/2016/01/16/nrc-deploys-93-refurbished-coaches-to-lagos-kano-route/

5. LEGISLATIVE TRENDS

The current legislative framework for core transportation infrastructure is in a bit of a flux because: (a) some new bills have recently been passed; (b) several of the new bills would require authorities and boards to be constituted; (c) several related bills are still pending resulting in an incomplete framework.

This section summarizes the bills that have been passed and those pending. It gives high pointers of some of the vagaries that may unfold in the months to come. (See Figure 7 below):

Figure 7 – Summary of Recently Passed and Pending Bills

SECTORS/LAWS		
S/N	**ROADS**	**POINTERS**
1.	**Federal Roads Authority Bill 2016** ⇒ Passed by the Senate in June 2017.[11] ⇒ Repeals the Federal Roads Maintenance Agency Act 2002. ⇒ Establishes the Federal Roads Authority (FRA) to: • manage Federal Roads; • promote environment for private investment; • grant road concessions; • issue regulations and policies; and • collect monies from Concessionaires.	• Likely delays in constituting the board of the FRA. • The board may be bloated and subject to political interference.[12] • Potential for conflict with Infrastructure Concession Regulatory Commission) Act as the Act seems to make the FRA a self-regulated entity.[13] • Refers to “allocations from National Road Fund” but the National Road Funds Bill has been withdrawn by the sponsor of the bill.[14]
2.	**Federal Road Fund Bill 2015** ⇒ Currently at the first reading in the Senate. ⇒ Establishes the Federal Road Fund to: • finance the rehabilitation of federal roads; • finance repairs and maintenance of Federal roads; and • promote development and operation of Federal roads. ⇒ Establishes the Federal Road Fund Board to: • administer and manage the Road Fund; and • collect monies payable to the Fund.	• Fuel Levies and Vehicle Import Tax as one of its major sources of funding would require administrative processes to commence. • Ideally the Road Fund should have been structured as a fund of the Federal Roads Authority because the funds are to be used for the same purposes as under the Federal Roads Authority Bill. • The establishment of a Federal Road Fund Board is potentially bureaucratic tiering.
	RAIL	**POINTERS**
3.	**National Railway Corporation Bill 2015** ⇒ Passed by the Senate in July 2016.[15] ⇒Repeals the Nigerian Railway Corporation Act 2004. ⇒ Establishes the Nigerian Railway Authority to: • develop railway infrastructure; • own and manage railway infrastructure of the Federal Government; • grant and monitor concessions; • issue guidelines; and • procure funding for investments in the sector.	• Seeks to open up the rail sector to private sector investment through the grant of concessions. • Permits the construction of private railways subject to approval of the Authority. • Grant of concessions is subject to the provisions of the Infrastructure Concession Regulatory Commission Act and the Public Procurement Act. • Expands the powers of the Inspector of Railways who is now required to issue a Safety Certificate prior to commissioning or operation of any railway in Nigeria.

<table>
<tr><th colspan="3">SECTORS/LAWS</th></tr>
<tr><th>S/N</th><th>MARITIME</th><th>POINTERS</th></tr>
<tr><td>4.</td><td>Nigerian Ports and Harbours Authority Bill 2016
⇒ Passed by the Senate in April 2017.[16]
⇒ Repeals the Nigerian Ports Authority Act 2004.
⇒ Establishes the Nigerian Ports and Harbours Authority (NPHA) to:
• own and control ports;
• issue regulations and policies;
• facilitate private sector participation;
• enter into contracts or arrangements; and
• grant concessions on terminal operations.</td><td>• Vests the Minister with wide powers in relation to declaration and variation of ports.
• Vests NPHA with reserved operational powers to provide port services (notwithstanding an existing concession).[17]
• Presidential approval is required for concessions over 5 years. This will likely be subject to political interference and bureaucratic hurdles.
• Provisions of the bill permitting payments received by the Authority into the fund maintained by the Authority, potentially conflicts with the Federal Government's policy on Treasury Single Account.</td></tr>
<tr><td>5.</td><td>National Inland Waterways Authority Bill 2016
⇒ Passed by the Senate in May 2017.[18]
⇒ Repeals the National Inland Waterways Authority Act 2004.
⇒ Establishes the National Inland Waterways Authority (NIWA) to:
• develop and operate National Inland Waterways;
• develop infrastructural facilities for National Inland waterways;
• make the waterways efficient for transport;
• issue permits and regulate inland navigation; and
• register all vessels.</td><td>• Vests the NIWA with the power to grant concessions to or lease its land or property to private parties for the provision of waterways services or facilities.
• Presidential approval is required for concessions over 5 years. This will likely be subject to political interference and bureaucratic hurdles.
• Provisions of the bill permitting payments received by the NIWA into the fund maintained by the NIWA, potentially conflicts with Federal Government's policy on Treasury Single Account.</td></tr>
<tr><th></th><th>GENERAL INFRASTRUCTURE</th><th>POINTERS</th></tr>
<tr><td>6.</td><td>Infrastructure Development Bill 2016
⇒ This bill is awaiting report of the Senate Committee on Works.
⇒ Establishes the National Integrated Infrastructure Coordinating Commission (NIICC) to:
• coordinate infrastructure development;
• designate strategic integrated projects;
• ensure priority is given to infrastructure development;
• advise government on laws that impede infrastructure growth; and
• identify financial matters that impact on infrastructure.</td><td>• Possible clash of functions with the NPHA, Federal Roads Authority, etc.[19]
• The proposed functions of NIICC is currently being undertaken by the Infrastructure Concession Regulatory Commission and other sector regulatory agencies.[20]
• The NIICC is vested with the responsibility to identify strategic international partners with which to conclude agreements bordering on infrastructure.</td></tr>
</table>

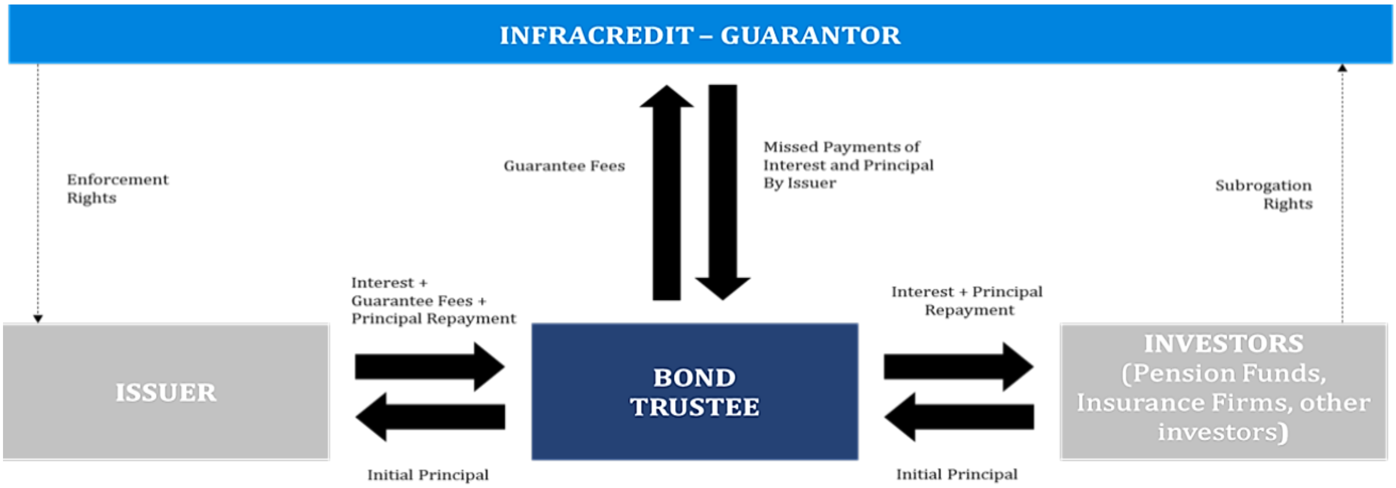
SECTORS/LAWS		
S/N	GENERAL INFRASTRUCTURE	POINTERS
7.	**National Transport Commission Bill 2016** ⇒ This Bill is awaiting report of the Senate committee on Land transport, Marine and Aviation. ⇒ Establishes the National Transport Commission to: • create economic and regulatory framework on transportation; • facilitate competition; • promote private sector participation; • register all transport service providers; and • monitor performance of the sector.	• Possible clash of functions and duplication of regulatory policies between the National Transport commission and other regulatory bodies in the road, railway, and maritime transportation sectors.[21]
8.	**Nigeria Infrastructure Fund Bill 2015** ⇒ This bill is at the first reading in the Senate. ⇒ Establishes the Nigeria Infrastructure Investment Fund to mobilise and provide financial resources for infrastructure development. ⇒ Constitutes the Governing Board to: • supervise and manage the affairs of the Fund; • ensure accountability of the Fund; and • make policies which affect the Fund. ⇒ Establishes an Advisory Council to advise the board on infrastructure development.	• The sources of money for the Fund include 2.5% of the existing Value Added Tax, proceeds of divestment of Government's equity investments and other government revenue sources. • The success and accessibility of the fund will depend on its investment policy guidelines which will be published by the Fund's Governing Board.
9.	**Companies Income Tax Amendment Bill 2015** ⇒ Awaiting report of Senate Committee on Finance.[22] ⇒ Seeks to amend the Companies Income Tax Act 2004 (CITA) to: • expand the scope of incentives for companies that invest in public infrastructure such as electricity, water, and tarred roads; and • increase the investment tax relief which may be claimed by companies for provision of tarred roads from 15% to 20%.	• Companies that incur capital expenditure on electricity, water, and tarred roads will be entitled to Rural Investment Allowance where no government infrastructure is available within 10km (previously 20km). • Seeks to introduce a ten-year tax holiday for companies carrying on business in places with government provided infrastructure. • Proposed incentives may be insufficient to encourage investments in infrastructure.

6. INFRASTRUCTURE CREDIT ENHANCEMENT FACILITY ("INFRACREDIT")

InfraCredit was established in January 2017 by the Nigerian Sovereign Investment Authority in collaboration with GuarantCo (part of the Private Infrastructure Development Group) to provide guarantees to enhance the credit quality of eligible local currency debt instruments issued to finance eligible infrastructure related assets in Nigeria. The guarantees provided by InfraCredit are designed to enhance the bankability of infrastructure backed projects by guaranteeing the investors repayment. It is expected that these guarantees will increase the number of project specific bonds issued by project sponsors and address the dearth of long term financing options for infrastructure projects.

"The guarantees provided by InfraCredit are designed to enhance the bankability of infrastructure backed projects by guaranteeing the investors repayment."

Figure 8 - InfraCredit Process Flow



Source: http://infracredit.ng/our-guarantee/

Figure 9 - Eligibility requirements to obtain InfraCredit Guarantees

ELIGIBLE TRANSACTIONS	ELIGIBLE INFRASTRUCTURE ACTIVITY	ELIGIBLE ENTITIES
• Naira denominated • Debt Instrument (including Sukuk) • Must be an eligible Infrastructure Activity • Acceptable Credit Profile based on InfraCredit's internal credit assessment • Asset value is not directly linked to oil Minimum "BBB" investment grade rating • Adequate Security Package • Debt Tenor of up to 20 years • Satisfies InfraCredit's Environmental and Social Safeguards Standard	• Agricultural Infrastructure • Energy • Electricity Generation, Transmission, and Distribution • Gas transportation, distribution, and storage • ICT/Telecoms • Inputs to Infrastructure • Power • Transportation • Urban infrastructure including social & economic infrastructure e.g. housing, hospitals • Waste Management Services	• Special Purpose Vehicles/ Companies • Operating Infrastructure Companies • Privatized Companies. • Parastatals or Public Corporations • State and Local Governments

7. NEW PENCOM REGULATIONS & INFRASTRUCTURE INVESTMENT

7.1. SUMMARY OF REGULATIONS

In April 2017, the Pensions Commission (PenCom) published revised regulations governing the Investment of Pension Fund Assets by Pension Fund Administrators (PFAs). The revised regulation has increased the amount of money PFAs can invest in infrastructure projects. The regulation also recategorized funds based on the ages of contributors and levels of permitted risk exposure. This multi-tiered structure aims to match younger contributors who have a longer wait to retirement with long term investments like infrastructure projects. Figure 10 below is a snapshot of different categories of contributors and the available investment types and thresholds. Figure 10 basically sets out the following:

a) Categories of Funds

Fund 1 – Active contributors in Fund 2 who have long-term appetite for risk can apply to be in this category.

Fund 2 - Contributors under 49 years old and active contributors in Fund 3 that apply to be in this category.

Fund 3 – Active Contributors above 50 years.

Fund 4 – Retirees.

b) Investment Instruments

Infrastructure Bonds and Infrastructure Funds.

c) Thresholds

Minimum Thresholds and Maximum Investments are set for each fund type and each investment instrument.

Figure 10 - Fund Types & Allowable Investments

FUND CATEGORY	MINIMUM INVESTMENT (Minimum % of Portfolio)	INFRASTRUCTURE BOND (Maximum % of Portfolio)	INFRASTRUCTURE FUND (Maximum % of Portfolio)
FUND 1: Contributors apply to be in this category	2.5%	15%	10%
FUND 2: Contributors under 49 years	2.5%	20%	5%
FUND 3: Active Contributors above 50 years	Discretionary	20%	Nil
FUND 4: Retirees	Nil	10%	Nil

Source : https://newstage.com.ng/2017/07/24/fg-releases-%E2%82%A6470bn-outstanding-pension/

7.2. PFA INFRASTRUCTURE WALLET

If the 2017 PenCom regulation is implemented, our estimation of the amount of money that is available for infrastructure investment from Retirement Savings Accounts (RSA) Funds[23] is discussed in this section.

A. Assumptions

The total value of pension funds' assets was estimated as N7.09 Trillion (as at August 2017), out of which N5.35 Trillion represents the total value of RSA Funds. Given the Regulations, the thresholds and limits shown in the table above, it is clear that PFAs are mandated to allocate only a small percentage of the N5.35 Trillion of the total RSA funds in the portfolio to Infrastructure.

We seek to drill this further with a view to arrive at an approximate amount of money that could potentially be available for investment in infrastructure. **(The Wallet)**

The basic assumptions are as follows:

a) Total funds in PFAs' RSA portfolio amounts to N5.35 Trillion which is divided into RSA Active Fund (N4.79 Trillion) and RSA Retiree Fund (N559 Billion);

b) There is a proportional share of funds in RSAs between the different age groups;

c) Fund I accounts for 0% due to the fact that contributors will have to actively switch to this fund and the higher risks associated with this fund.

"As such, the minimum amount which will be available for investment through infrastructure bonds or infrastructure funds can be estimated at N 91 Billion."

d) Fund II currently accounts for 76% of the RSA Active Fund = N3.64 Trillion;

e) Fund III currently accounts for 24% of the RSA Active Fund = N1.15 Trillion; and

f) Fund IV accounts for 100% of the RSA Retiree Fund = N559 Billion.

B. Minimum Wallet

The 2017 Regulations require that PFAs invest a minimum of 2.5% of the available funds in Funds I and II in infrastructure bonds or infrastructure funds. Therefore, the minimum mandated wallet is:

FUND I - Nil

FUND II - 2.5% of N3.64 Trillion = (N91 Billion)

As such, the minimum amount which will be available for investment through infrastructure bonds or infrastructure funds can be estimated at N 91 Billion.

C. Maximum Scenarios

Given the thresholds shown in Figure 10, Figure 11 below shows what is available in each Fund category for investment in either Infrastructure Bonds or Infrastructure Funds based on different scenarios. It starts with the assumption in Column 2 that Infrastructure projects may access the maximum (i.e. 100%) of the investment limit (see above) provided for in the Regulations, and then works its way down to 75%, 50% and 25%.

Figure 11 - 25%-100% SCENARIO

FUNDS		ASSUMING 100% (N' Billion)	ASSUMING 75% (N' Billion)	ASSUMING 50% (N' Billion)	ASSUMING 25% (N' Billion)
FUND II	Bonds	728.11	546.08	364.05	182.03
	Funds	182.03	136.52	91.01	45.51
FUND III	Bonds	229.93	172.45	114.96	57.48
	Funds	-	-	-	-
FUND IV	Bonds	55.90	41.93	27.95	13.98
	Funds	-	-	-	-
TOTAL ESTIMATED WALLET		**1,196**	**896.98**	**597.97**	**299**

It should be noted that the ability to unlock these funds for infrastructure development is subject to properly developed and bankable infrastructure projects that address the investment risks sufficiently.

APPENDIX 1- ONGOING RAILWAY FEASIBILITY STUDIES

1.	Feasibility Studies for Standard Gauge New Rail Line Kano-Dayi-Katsia-Jibiya
2.	Feasibility Studies/Consultancy for Illela-Sokoto-Jega-Yauri-Makera-Minna with a branch line to Kwantagora
3.	Feasibility studies/Consultancy for Aba-Ekot-Ekpenef-Ibiono-Itu-(Spur Uyo) Odukpani Calabar
4.	Feasibility Studies/Consultancy for Standard Gauge Line Port Harcourt-Aba-Umaahia-Enugu-Makurdi-Lafiya-Kuru-Bauchi-Gombe-Biu-Maiduguri
5.	Feasibility Studies/Consultancy for Standard Gauge Line Ikom-Obudu-Ogoja-Katsina-ala-Wukari-Jalingo-Yola-Maiduguri
6.	Feasibility Studies/Consultancy for Standard Gauge line Kano-Ngurugashua-Damaturu-Maiduguri-Gamboru Ngala
7.	Feasibility Studies/Consultancy for Standard Gauge line Ajaokuta (eganyi)- Obajana-Jakura-Baro-Abuja with additional line from Ajaokuta to Onitsha
8.	Feasibility Studies for 3no Hinterland Roads connecting Lekki Deep Sea Port with National Rail and Highways

APPENDIX 2- LIST OF RAILWAY PROJECTS CURRENTLY IN THE BUDGET

1.	Abuja (Idu) - Kaduna Rail Line
2.	Itakpe- Ajaokuta - Warri Rail Line
3.	Lagos - Calabar standard Gauge Rail Line project
4.	Lagos-Kano Standard Gauge Rail Line Project
5.	Track Rehabilitation (Lagos to Jebba)
6.	Track Rehabilitation (Port Harcourt to Makurdi)
7.	Track Rehabilitation (Karu to Maiduguri)
8.	Track Rehabilitation (Zaria to Kauran Namoda)

ENDNOTES

1. Tax holiday of 3 years renewable for 2 years.
2. This may take into cognizance the fact that a Chinese Exim Bank loan is funding the ongoing renovations of the major airports and there is an ongoing plan to concession the airports.
3. Lagos, Abuja, Port Harcourt, and Kano
4. This Sector is represented as the Rail & Pipeline transport sector in the National Bureau of Statistics data as a result of Railways being used to transport Petroleum products. For the avoidance of doubt, it was confirmed by the Bureau that the data provided on the Rail & pipeline transport represents a significant contribution of rail transport to the GDP. It is however unknown the specific proportion each sub-sector contributes to the overall Sector.
5. CBN Statistics Database
6. See Section 2 – Overview of Budgetary Allocation for Core Transportation Infrastructure.
7. See Section 5 – Legislative Trends
8. See Section 4.3 – Pioneer Status Tax Incentive for the Rail Sector
9. See Appendix 1: Ongoing Railway Feasibility Studies
10. See Appendix 2: List of Railway Projects currently in the Budget
11. http://placng.org/wp/2017/06/senate-passes-federal-roads-authority-bill/
12. Consists of 14 people: A non-executive Chairman, a Managing Director, 4 private citizens and 8 representatives from 8 government ministries.
13. The FRA seems to have some similar powers to regulate PPP's and collect monies from PPP transactions.
14. http://dailypost.ng/2017/09/26/full-text-senate-presidents-speech-resumed-plenary/
15. http://placng.org/wp/2016/07/senate-passes-nigerian-railway-corporation-bill-2015/
16. http://www.placbillstrack.org/view.php?getid=1887
17. The Authority may go ahead to provide services which has been contracted out in a concession where the concession agreement terminates for any reason.
18. http://www.placbillstrack.org/view.php?getid=1673
19. Coordination and development of Ports and Harbours, public roads, railways are among the functions of NICC. (schedule 1).
20. Regulatory agencies such as the Nigerian Ports Authority, Federal Roads Authority, Nigerian Railway Corporation already perform the functions as it relates to projects within their sector.
21. The Commission is empowered to make policies or regulatory frameworks that will affect the transportation sector. The policies may conflict or duplicate guidelines or policies made by NIWA, NPHA, Nigerian Railway Authority and Federal Roads Authority.
22. http://www.placbillstrack.org/view.php?getid=1923
23. The analysis is limited to RSA Funds as the Regulations are not mandatory for existing investments schemes approved by PenCom in respect Closed Pension Funds (CPFAs) and Approved Existing Schemes (AESs).

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