

# THE ROLE OF PRIVATE SECTOR IN FCT DEVELOPMENT



By

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## 1. Introduction

Distinguished guests, ladies and gentlemen. Good morning!

It is with profound gratitude that I thank the Just Friends Club of Nigeria for inviting me to share these unforgettable moments with you this morning. It is both a privilege and an honour to be in your midst and to give this year's Annual Lecture which is another dimension that Just Friends club uses to foster and encourage the spirit of oneness, companionship and comradeship amongst members and between the club and other friendly associations.

I choose the topic: **"The Role of the Private Sector in FCT Development,"** because, as you may know, the Abuja Chamber of Commerce and Industry (ACCI) is the voice of the private sector, especially in the Federal Capital Territory (FCT). And the ACCI was established with the principal objective of promoting economic and industrial development within the FCT in particular and Nigeria in general. Therefore, I would like to focus on a number of issues that I feel are central to the development of the capital city: The Federal Capital Territory (FCT), why private sector? the role of the private sector and the contribution of ACCI – a private sector organization, in the development of the FCT.

## 2. The Federal Capital Territory (FCT)

The Federal Capital Territory, commonly known as FCT, is a federal territory in central Nigeria. Abuja, the capital city of Nigeria, is located in this territory. FCT was formed in 1976 from parts of the states of Nasarawa, Niger and Kogi. It is within the Middle Belt region of the country. Unlike the States of Nigeria, which are headed by elected Governors, it is administered by the Federal Capital Territory Administration, headed by a minister appointed by the President.

The territory is located just north of the confluence of the River Niger and River Benue. It is bordered by the states of Niger to the West and North, Kaduna to the northeast, Nasarawa to the east and south and Kogi to the southwest. Lying between latitude 8.25 and 9.20 north of the equator and longitude 6.45 and 7.39 east of Greenwich Meridian, Abuja is geographically located in the center of the country.

The Federal Capital Territory has a landmass of approximately 7,315 square kilometres and it is situated within the Savana region with moderate climatic conditions. The territory is currently made up of six local councils, comprising the City of Abuja and five Local Government Councils, namely: Abaji, Abuja Municipal, Gwagwalada, Kuje, Bwari, and Kwali. Some of the natural resources in the FCT include: Marble, Tin, Clay, Mica, Tantalite, and Lead / Zinc.

Abuja which is within the FCT is a planned city which replaced the country's most populous city of Lagos as the capital of Nigeria on 12 December 1991. The city which at the 2006 census, had a population of 776,298 persons, according to the United Nations, grew by 139.7 percent between 2000 and 2010, making it the fastest growing city in the world. Since 2015, the city is still experiencing an annual growth of at least 35 percent, still retaining its position as the fastest-growing city on the African continent and one of the fastest-growing in the world. Abuja has witnessed a huge influx of people into the city; the growth has led to the emergence of satellite towns, such as Karu Urban Area, Suleja, Gwagwalada, Lugbe, Kuje and smaller settlements towards which the planned city is sprawling. The unofficial metropolitan area of Abuja has a population of well over three million, making it the fourth largest metropolitan area in Nigeria, surpassed only by Lagos, Kano and Ibadan. As at 2016, the metropolitan area of Abuja is estimated at 6 million persons, placing it behind only Lagos, as the most populous metropolitan area.

Apart from being the centre of executive power/governance, Abuja inhabits the federal legislative chambers, all federal ministries as well as the Supreme Court. Also, foreign embassies, consulate offices, diplomatic institutions as well as private enterprises operate in the city.

Over the past two decades, billions of Naira have been invested in physical infrastructure, basic amenities, security as well as other public goods across the city. In fact, the annual budget allocation to FCT leapfrogged from N11 billion in year 2000 to over N220 billion in 2017, with capital expenditure taking about 70 percent of total votes. Against the backdrop of increased public spending, a lot have been achieved in the areas of provision of quality road network, sprawling urban housing, street lights in strategic places, and the Abuja-Kaduna railway network which is the only standard gauge rail network in Nigeria in operation; However, there is still a huge infrastructure deficit in the FCT. Many abandoned development projects with huge commercial viability in the nation's capital abound, such as the Millennium Tower, National Cultural Centre, Centenary project, uncompleted bridges, poor access roads, the 220-bed Utako District Hospital; many public-school projects, water and electricity projects.

The dimension and nature of development challenges in FCT is so worrisome that in some communities, residents still sleep on open places and drink from the streams. Thus, with the fast-increasing rate of the population in the territory, there is an urgent need for adequate infrastructure as well as the need for increased production, processing and commerce in the territory to match demand.

### **3. Why Private Sector?**

The private sector is the part of a country's economic system that is run by individuals and companies, rather than the government. Most private sector organizations are run with the intention of making profit. But, private sector for development is about the various forms of engagement through contractual partnerships between a public party on the one hand and a private party on the other for the purpose of achieving specified development objectives.

A growing choir of voices within multilateral institutions and donor aid agencies started championing the role of the private sector in development at a time, very probably not coincidental, when Official Development Assistance (ODA) budgets started declining and the private sector is seen as a key partner in the broader development finance arena.

Perhaps the most powerful 'push' factor explaining the increased interest in the role of the private sector in development circles is the opportunity for creating tied aid. Some donors are in fact very explicit about the link between efforts around the private sector and aid tying, despite the latter running directly contrary to the principles and commitments agreed to under the Aid and Development Effectiveness agenda.

Another important driver is the perception that the public purse has run dry, government allocations not enough to cater for public goods and ODA flows are declining. In other words, as public budgets are squeezed, there is a need to look to alternative forms of development financing. Key to this line of thinking are the notions of "value for money" and of "leveraging" private finance through public support. Yet these concepts are poorly defined and problematic. Importantly, tied aid appears to be a strong underlying motive for development initiatives targeting the private sector. Finally, it may be grounded in the economic underpinnings of some governments and policy makers, which upholds the common belief that the market and hence the private sector simply "does it better".

On the business side, the agenda creates opportunities for multinational enterprises to enhance access to markets, but also to access policymakers. The rise of an “inclusive business” agenda, which is actively supported by the World Bank is testimony to that trend. In essence, inclusive business is about unlocking the business opportunities of the poor living at the “bottom of the pyramid” to transform these people into a “financially profitable business model”.

#### **4. Requirements for Private Sector Participation**

Interactive planning and decision-making processes are needed to support private sector participation in urban governance, and to co-ordinate this participation with municipalities. Municipalities can strengthen urban governance in co-operation with the private sector by fostering partnerships and local economic development strategies that combine local skills, resources and ideas to stimulate the local economy, enabling it to respond innovatively to national and global economic changes. For example, effective local economic development strategies detail how the municipality will:

- develop and maintain infrastructure and services;
- promote and expand existing businesses;
- address inefficiencies in the local economy;
- promote human capital development, to help vulnerable groups especially, to participate in the labour market;
- encourage community development by promoting community business and co-operatives, local exchange systems and informal credit etc.;
- promote micro, small, and medium enterprises (MSME) through supply-side measures (training, provision of space and facilities for commercial activity etc.) and demand-side measures (reforms to procurement policy to ensure access for MSMEs to contracts); and
- attract investment in the city.

An explicit local economic development strategy links long-term economic growth issues with short-term concerns about joblessness, inequality and the role of the private sector in a sustainable development strategy. In fostering partnerships, municipalities need to build relations with local and foreign private sector interests by involving associations and companies in city-wide strategic planning processes. This can build commitment to a broader vision for the city that goes beyond short-term interests. This might involve a formalized partnership with organized business (e.g. Public Private Partnerships -PPPs) based on the municipality’s strategic vision. Other innovative collaborations include private sector provision of managerial and technical training and support to help municipalities improve the strategic management of urban areas.

In many countries the informal sector is the main provider of goods and services to the poor. City-wide development initiatives need to assist businesses with potential to mature by eliminating punitive regulations that discourage the informal sector. But programmes need to balance two objectives: maximising the potential of informal enterprises to create jobs and alleviate poverty, while ensuring that necessary social protections and regulations are in place.

As earlier noted, a common approach to engaging with the formal private sector is through PPPs. They can be defined as contracts between a private enterprise and government, providing a public asset or service in which the private enterprise bears the risk and management responsibility and remuneration is linked to performance. Involving the private sector in the design, construction and maintenance of infrastructure and the provision of services has been highlighted as an area where PPPs can be particularly

influential. The rationale for PPPs is that they provide a mechanism for governments to procure and implement public infrastructure including services, using the resources and expertise of the private sector.

The requirements for successful partnerships include a buoyant private sector alongside a capable and authoritative local government motivated by a common economic interest. Policymakers need a clear vision of PPP objectives and a sound understanding of the local context to appreciate advantages and limitations.

## **5. The Role of Private Sector in Development**

The private sector clearly is an important engine of economic growth and wealth creation. But to be effective and benefit the people, it needs to be framed within a normative approach to development – one that guarantees rights – and a vision of governments that maintain its developmental leadership role

An active engagement of the private sector is critical for the much-needed acceleration in the progress for the achievement of the Sustainable Development Goals (SDGs) and other internationally agreed development commitments. Through its core business activities, inclusive market practices and above all on-going corporate social responsibility activities, the private sector has proved its pivotal role in ensuring sustainable development and contributing to job creation, growth and expanded access to products and services.

The private sector is a key stakeholder in both urban and economic development, being a major contributor to national income and the principal job creator and employer. The private sector provides about 90 percent of employment in the developing world (including formal and informal jobs), delivers critical goods and services and contributes to tax revenues and the efficient flow of capital. Furthermore, it undertakes the majority of future development in urban areas. It is increasingly being encouraged to help leverage the opportunities, and mitigate the challenges, of rapid urbanization. Private sector actors are perceived as playing a role in urban governance: they influence whether urban areas develop in inclusive and sustainable ways, and they affect poverty reduction and drivers of fragility and conflict such as unemployment, exclusion and instability.

Building more and better infrastructure is an important goal for many economies with limited public revenues because, the quality of urban infrastructure determines the growth-enhancing benefits of urban concentration. Countries with good urban infrastructure can accommodate rapid population increases in urban areas and sustain high economic growth. The quality of a city's infrastructure (housing, electricity, roads, airports, public transport, water, sanitation, waste management, telecommunications, hospitals, schools, etc.) also influences social inclusion, economic opportunity and quality of life. Therefore, partnering with the private sector could extend services into poorer or informal communities, provide safer work places, promote adoption of non-discriminatory employment policies, help the poor access credit, and boost investment in low-cost housing.

From the fore-going, Abuja which is the fourth largest city in Nigeria today with a population estimated at the current growth rate to rise to about 16 million by 2025, provides huge attraction for private sector participation. Similarly, the huge infrastructure deficit creates a significant opportunity with strong commercial attraction and compelling business case for the private sector. It is therefore imperative for the private sector to take active part in developing the FCT. It is in this regard that the FCT Minister, Malam Muhammad Musa Bello affirmed, at Katampe District Public-Private-Partnership (PPP) engineering infrastructure project, that his administration is designing a strategic plan that will stimulate private

investment in the creation of public goods. He specifically noted that the Administration was considering the fact that the past system of developing the FCT based on budgetary allocation is no longer sustainable, simply because the funds are not sufficient; and this position is in tandem with modern realities. Government no longer monopolizes development initiatives, the idea of lone ranging by conceiving, designing, delivering as well as managing public goods, is no longer the norm.

Research has shown that Investing in and developing infrastructure helps countries to generate jobs, improve the quality of life for their population and boost economic growth. All industrially advanced economies and cities adopt this template of development to unlock the economic potentials of their people; and the only sustainable way to achieve this aspiration in the FCT is perhaps through Public Private Partnership, because, the National Integrated Infrastructure Masterplan (NIIMP) proposed a US\$3.05 trillion annual spend on infrastructure over the next 30 years to close Nigeria's infrastructure gap but currently spending a paltry US\$3.3 billion annually amongst the 36 states and FCT.

Development theories and empirical evidences have proven that adequate infrastructure is an enabler of economic development. In the same vein, it emphasizes effective cooperation between the state and private sector, the underlying philosophy of Public Private Partnership (PPP). The key idea of efficient PPP projects is to attract private capital and their expertise to build and improve public infrastructure and to provide high quality public services. PPP arrangement is working world over as governments leverage on the private sector expertise, financial wherewithal in building an efficient infrastructure network and creating an environment conducive to industrial development.

Through active private sector participation in state development, the governments of India, Philippines, South Africa, Malaysia, Turkey, Singapore and many developed and emerging economies have accelerated their infrastructure provisioning. In Turkey, for example, collaboration between government and private sector delivered significant infrastructure projects like the third Istanbul bridge over the Bosphorus; The Eurasia Tunnel linking Europe and Asia under the Bosphorus; The Izmir to Istanbul highway and Sea Bridge all costing over US\$ 8 billion. Also, the largest airport in the world at over 7000 hectares (the 3rd Istanbul Airport) costing over USD 4 Billion is also being built through PPP. The South Korean government gave large role to the private sector to develop its wastewater - Between 1998 and 2008, investments of more than US\$800 million were financed by the private sector to construct 100 wastewater treatment plants.

Today, Istanbul is not only a thriving industrial and commercial city, it is equally a melting pot of culture with huge tourism attraction that generate substantial foreign exchange to the state. Seoul, the South Korea capital is a major global manufacturing hub, notable for commerce as well as hospitality grandeur. If the private sector investment could be mobilized to develop these cities which are in more disadvantaged terrains, it can be replicated in the FCT.

## **6. Why Should FCT Development Revolve Around Building Infrastructure?**

Infrastructure as capital stock propels the provision of public goods and services in an economy. It unlocks innovative approach to production and foster competitiveness, including those on production activities and quality of life for households which thus, permeate the entire society and economy of the nation at large. According to U.S. Rep. Steve LaTourette, every US\$1 billion spent on infrastructure create 42,000 jobs.

Thus, the Private sector can invest in or participate in developing the following sectors or thematic areas in FCT.

- i. Roads and rails network
- ii. Abuja international airport
- iii. Agriculture and agro-allied industries
- iv. Manufacturing and industry
- v. Science and technology
- vi. Urban housing
- vii. Electricity value chain
- viii. Public transportation
- ix. Waste management and recycling
- x. Social amenities

### **7. Government as the Aggregator**

To unleash private sector participation in FCT development, the federal government together with the Federal Capital Development Administration must create the right environment. Government can stimulate private sector involvement in this regard by:

- i. developing a steady pipeline of well-structured economic and social infrastructure projects;
- ii. Creating a framework of mutual trust between the public and private sectors to provoke and sustain the development of a diverse and competitive infrastructure supply ecosystem;
- iii. Implementing efficient, transparent and standardized PPP procurement processes, including consistent project agreements and payment mechanisms, evaluation methodologies, and financing requirements; including financing instruments that supports long term low interest lending like long term bond, road pricing (tolling) and uniformed pricing template for public goods; and
- iv. De-risking infrastructure projects to align profit-seeking and sustainability objectives.

### **8. The Contribution of ACCI – a private sector organization, in the development of the FCT.**

As you may know, the core mandate and activities of the Abuja Chamber of Commerce and Industry is encapsulated in the promotion of trade, agriculture and industrialization in the FCT and Nigeria. And these play a vital role in economic development. The prudent use of trade, agriculture and industrialization can boost a city or country's development and create absolute gains for that entity. Besides, the Abuja Chamber of Commerce as the city chamber has initiated investment projects that will support the FCT development objectives, the ACCI is embarking on the following projects:

#### **(i) Convention Centre**

The International Expo Centre is expected to host a wide variety of events, including fairs/carnivals, rodeos, concerts, banquets, Livestock shows, conventions, Booster Clubs and Home and Garden/Craft shows as well as motor shows and a tennis court. The plan is to do more than 50 exhibitions per year, and to strive to be one of the world's most successful exhibition venues.

With a planned capacity of about 150,000 square meters indoor and 100,000 square meters outdoor exhibition area. The Expo Centre facilities will include 10 exhibition halls, conference rooms, and a business centre.

- Conventions / Banquets

- Entertainment / Concerts
- Sporting events
- Animal / Equestrian / Livestock
- Trade / Consumer show

**(ii) Industrial Park**

The development of the Abuja Industrial Park will be on 100 hectares of land within the FCT. The Park would have provisions for: Vehicle Assembly Plant, Tyre, Plastic, Metal, Wood, and Biodegradable Recycling Plants. Other provisions will include - Captive Power Plant, Gas Bottling Plant, Packaging Plant, Agro-allied Processing Plants, Water/Steam/Gas/Power services, Electricity, and Fiber optic cable services

**(iii) Pegi Ultra-Modern Market**

in collaboration with the Kano Chamber of Commerce ACCI plans to build an ultra-modern market in Pegi, a sleepy village some ten minutes drives from Kuje in the Federal Capital Territory. The market will have a modern abattoir amongst other first-class facilities.

**(iv) Technology Mall**

This will make inclusive all facets of the Nigerian tech space from software to hardware modelling / robotics, and from telecommunications to augmented and virtual reality.

**(v) A 5-Star Hotel**

250 rooms on 10 floors building with large parking space and other infrastructure on 10 hectares land to the business travelers with appointments either in our established facilities, or in any part of the nation's capital.

**(vi) Integrated Agri-Park**

The ABUJA INTEGRATED MODEL AGRI PARK PROJECT will be developed on at least a 100 hectares land within the FCT. The Project will amongst others have provisions for: Grains Farm, Grains Storage, Grains Processing Plant, Poultry Farm, Poultry Processing and Packaging, Fish Farm, Fish Processing and Packaging, Staff Housing, Offices, and related facilities.

**9. Conclusion**

Distinguished audience, as you have seen, the private sector has a great role to play in the development of the FCT; and will remain the catalyst to FCT development. However, the vision of giving Nigeria a befitting capital territory may not be realized unless the private sector plays its role.

Thank you.



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