

# CONSTRUCTION INDUSTRY AS A CATALYST FOR NATIONAL ECONOMIC GROWTH

Engr (Mrs) Aramide Adeyoye (FNSE)



# OUTLINE

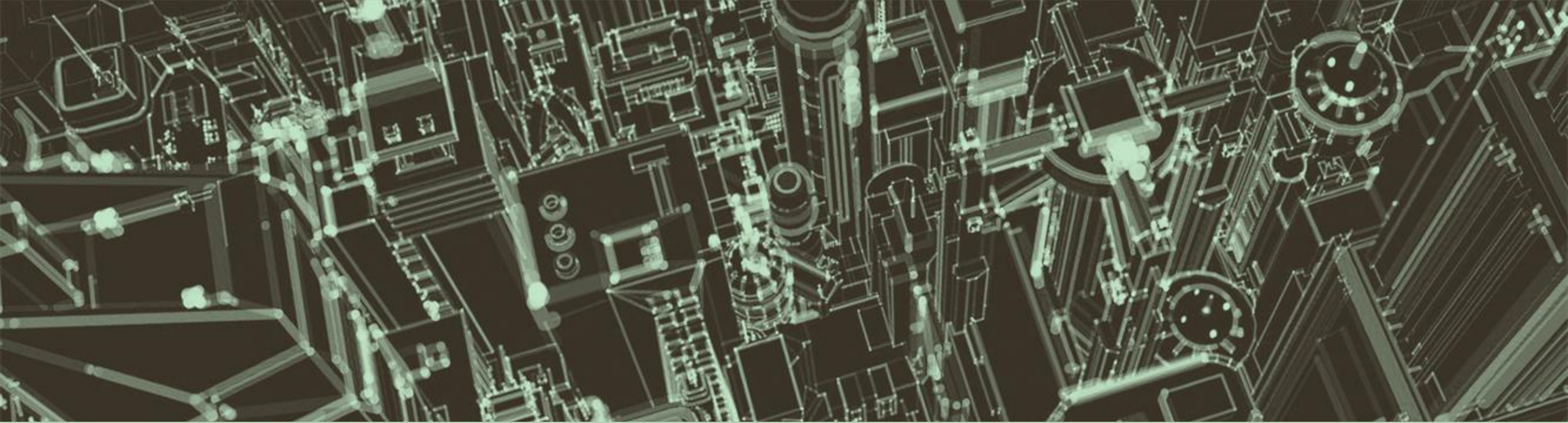
1. Introduction
2. Nigerian Construction Industry
3. Present opportunities & Threats to growth and development
4. Conclusions & Recommendations

# Introduction

There is no gainsaying that Nigeria's Economy is presently going through challenging times. The government on the other hand is poised and also determined to address frontally the issues confronting us most of which are cumulative over the years.

Towards this end, the Federal Government Renewed Hope agenda and Economic Restructuring with the Fiscal and Monetary Policy Initiatives have been rolled out in the last one year. They all aim to drive an economic turnaround focusing on infrastructural development in Roads, rail, Energy, Health, Education, and food sufficiency.

This presentation will therefore take a dive into the past contribution of the construction industry to national development, our current infrastructure indices, the limiting factors, new policy initiatives and suggestions on what we can tweak to drive desired growth.

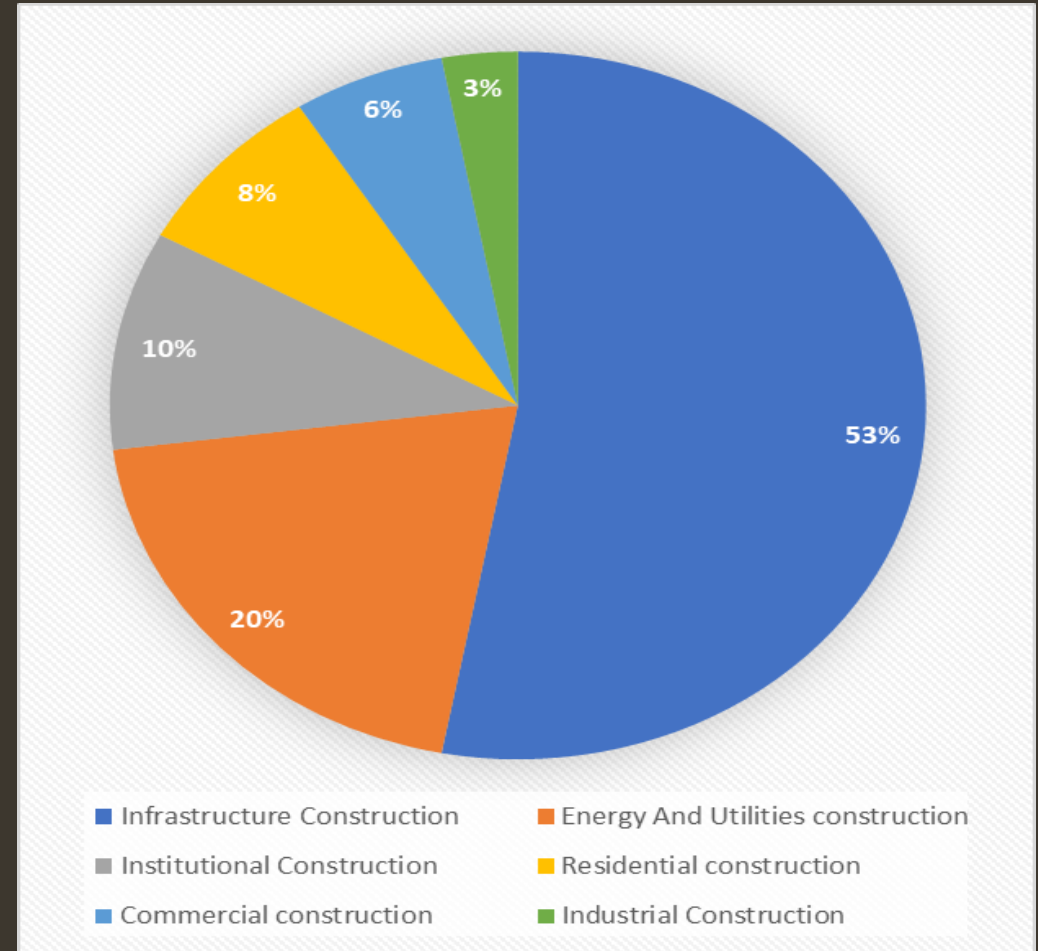


# Nigerian Construction Industry

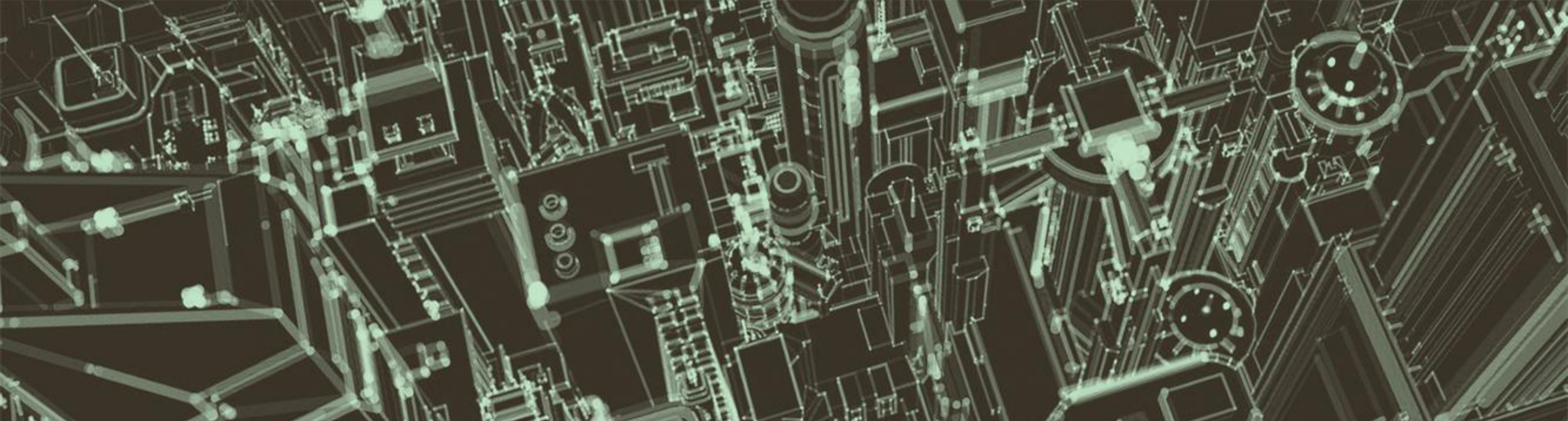


# Segmentation of Nigerian Construction industry

The key sectors in the Nigerian construction market are infrastructure, energy and utilities, institutional, residential, commercial, and industrial construction. Infrastructure takes a large portion of the market's segment which is to be expected given that the government remains the greatest spender. A rising trend of late, however is in energy & utilities (particularly data centre), and residential construction.



In examining the contribution of the construction industry to national development. The scorecards of the primary agencies in the federal and state that drive construction, i.e., FMOW at the federal and MOWI at the state, would be analysed.



# 2015 – 2022 FMWH Scorecard

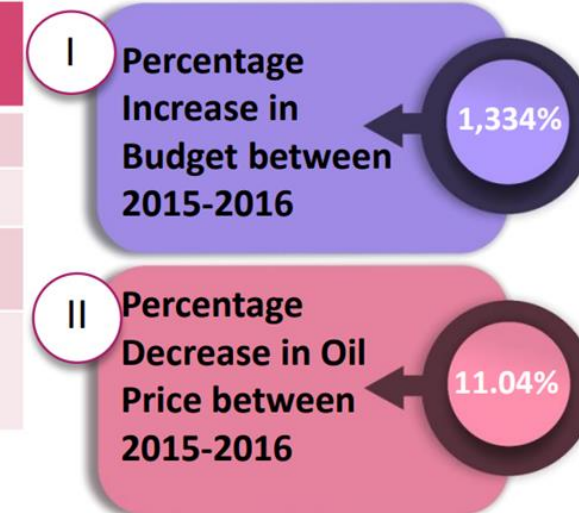


# Seven Years Budget Allocations And Releases

## SUMMARY OF BUDGET AND RELEASES FROM 2015 - 2021

S/N	YEAR	BUDGET (N)	TOTAL RELEASED 1ST - 4TH QUARTER (N)	OUTSTANDING BALANCE FROM BUDGET(N)	% OF BUDGET RELEASES
1	2015	18,132,000,000.00	18,132,000,000.00	0	100.00%
2	2016	260,082,997,390.84	198,300,000,000.00	61,782,997,390.84	76.20%
3	2017	274,252,699,006.00	177,000,000,000.00	97,252,699,006.00	64.50%
4	2018	356,773,613,875.00	100,759,729,365.59	256,013,884,509.41	28.20%
5	2019	223,255,487,297.29	145,012,875,961.28	78,242,611,336.01	64.95%
6	2020	227,963,943,467.67	227,963,943,467.67	NILL	100%
7	2021	241,864,245,450.44	115,803,512,137.58	126,060,733,312.86	47%
<b>TOTAL BUDGET AND RELEASES FROM 2016 - 2021</b>		<b>1,584,192,986,487.24</b>	<b>964,840,060,932.12</b>	<b>619,352,925,555.12</b>	<b>63.48%</b>

YEAR	BUDGET (N)	AVERAGE OIL CLOSING PRICE
2015	18,132,000,000.00	\$48.66
2016	260,082,997,390.84	\$43.29
Difference	241,950,997,390.84	\$5.37
	Percentage Increase in Budget=1,334%	Percentage Decrease in Oil Price=11.04%





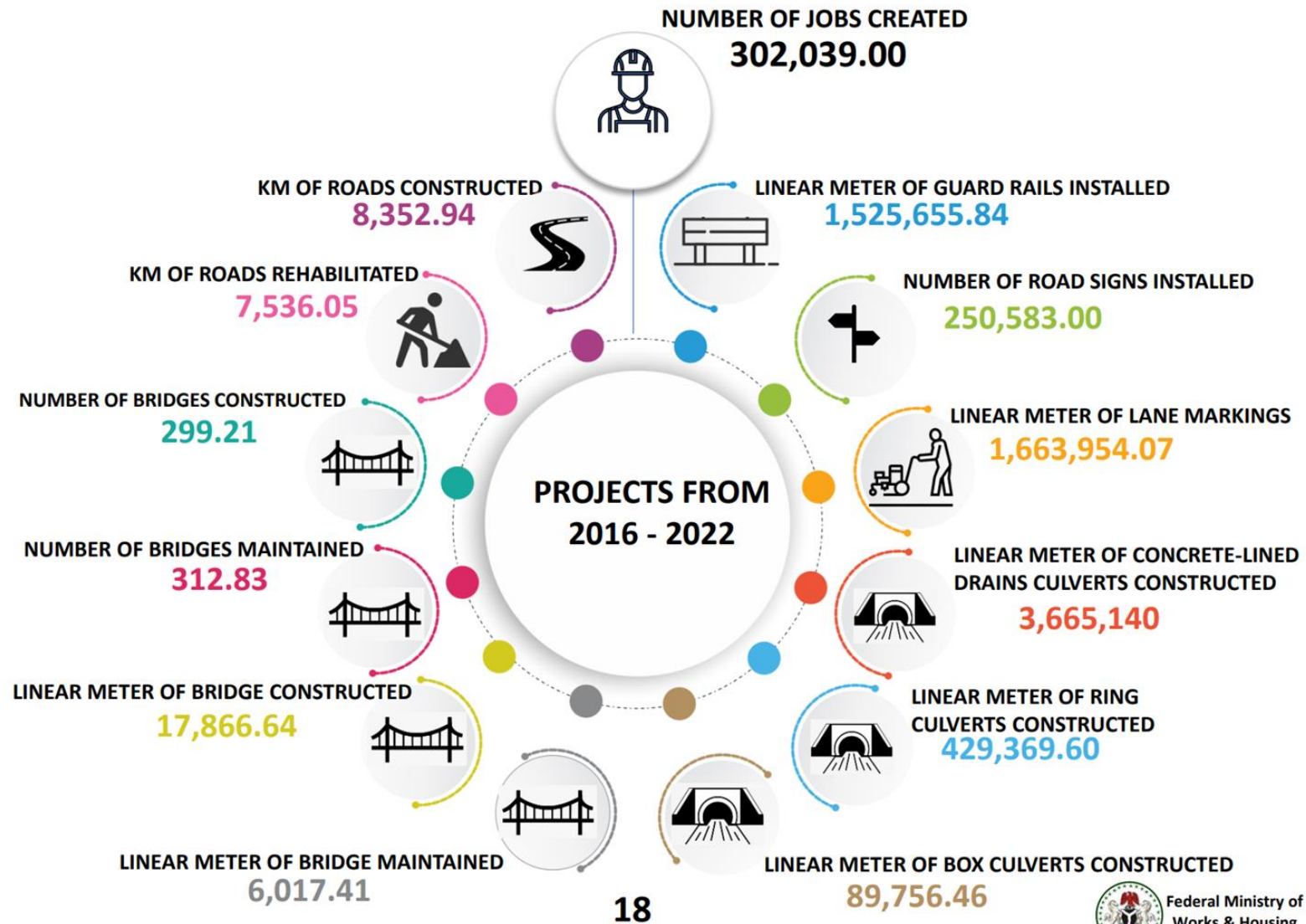
# Alternative Sources of Funding

Result was achieved through enhanced Resources:

- I. FMWH Budgetary Expansion
- II. Alternative Sources of funding which include:
  - a) Presidential Infrastructure Development Fund
  - b) SUKUK fund
  - c) Road Infrastructure Tax Credit Scheme (RITCS)
  - d) Multi-lateral loans/grants
  - e) Collaboration with other Government Agencies e.g The North East-Development Commission

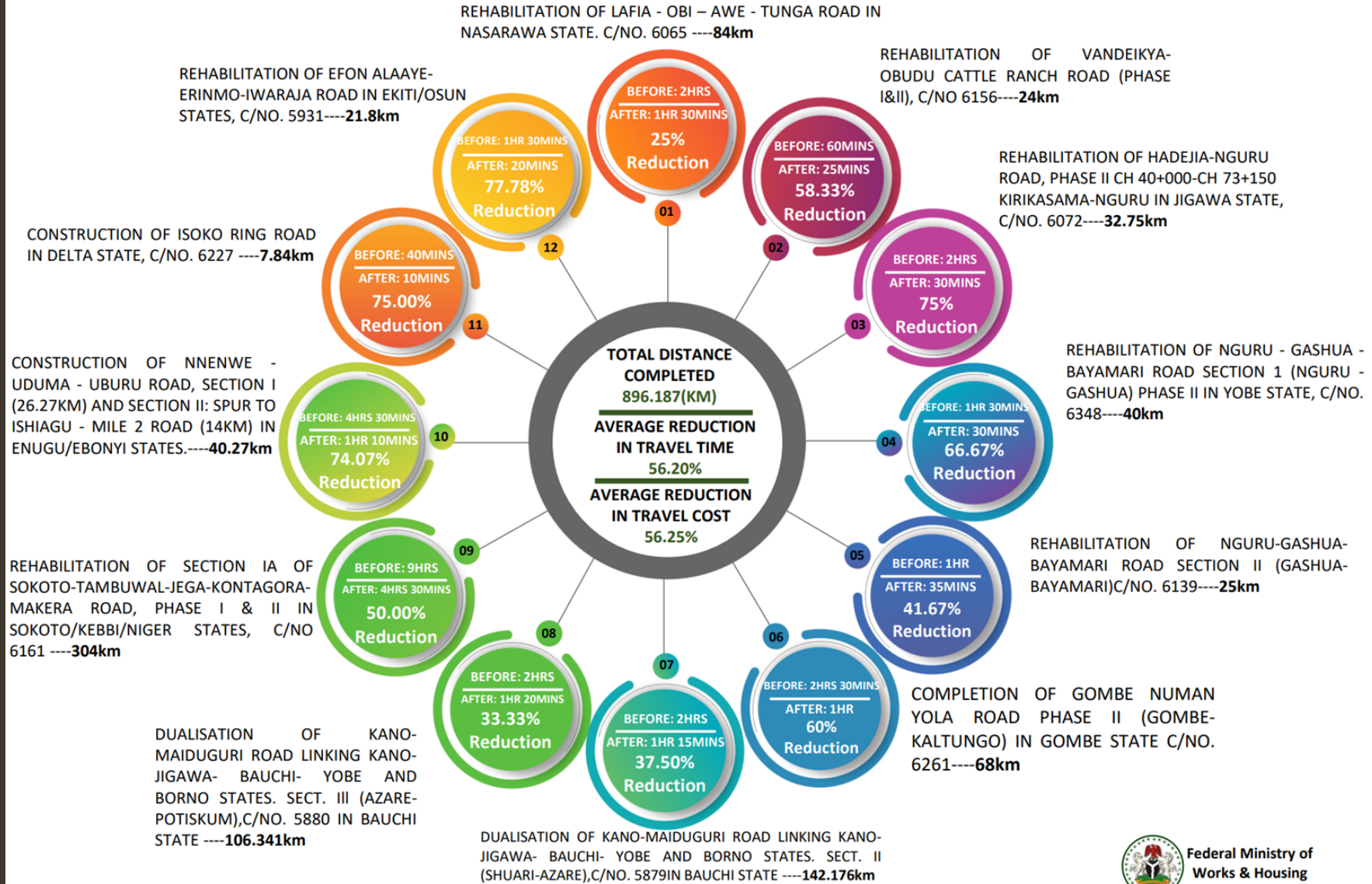
# Analysis Of Works Done

## ROAD TRANSPORT INFRASTRUCTURE



# Impact on Travel Time

## IMPACT ON TRAVEL TIME

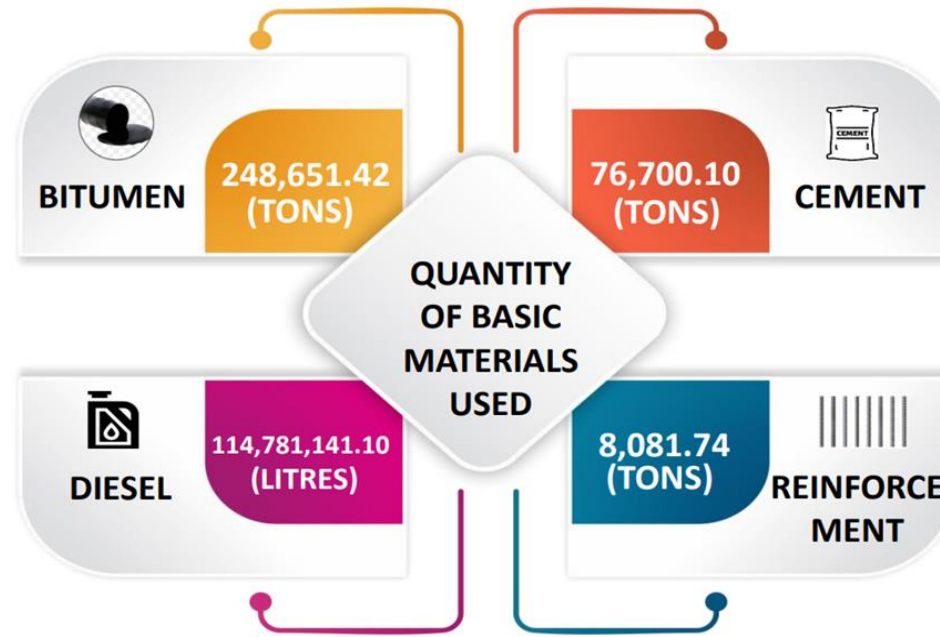


# Impact on Job Creation

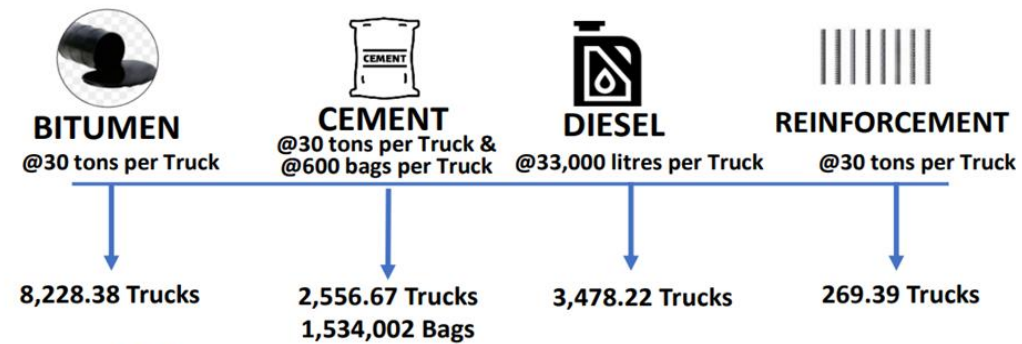
## IMPACT ON JOB CREATION



## MATERIALS USED



## FURTHER ANALYSIS

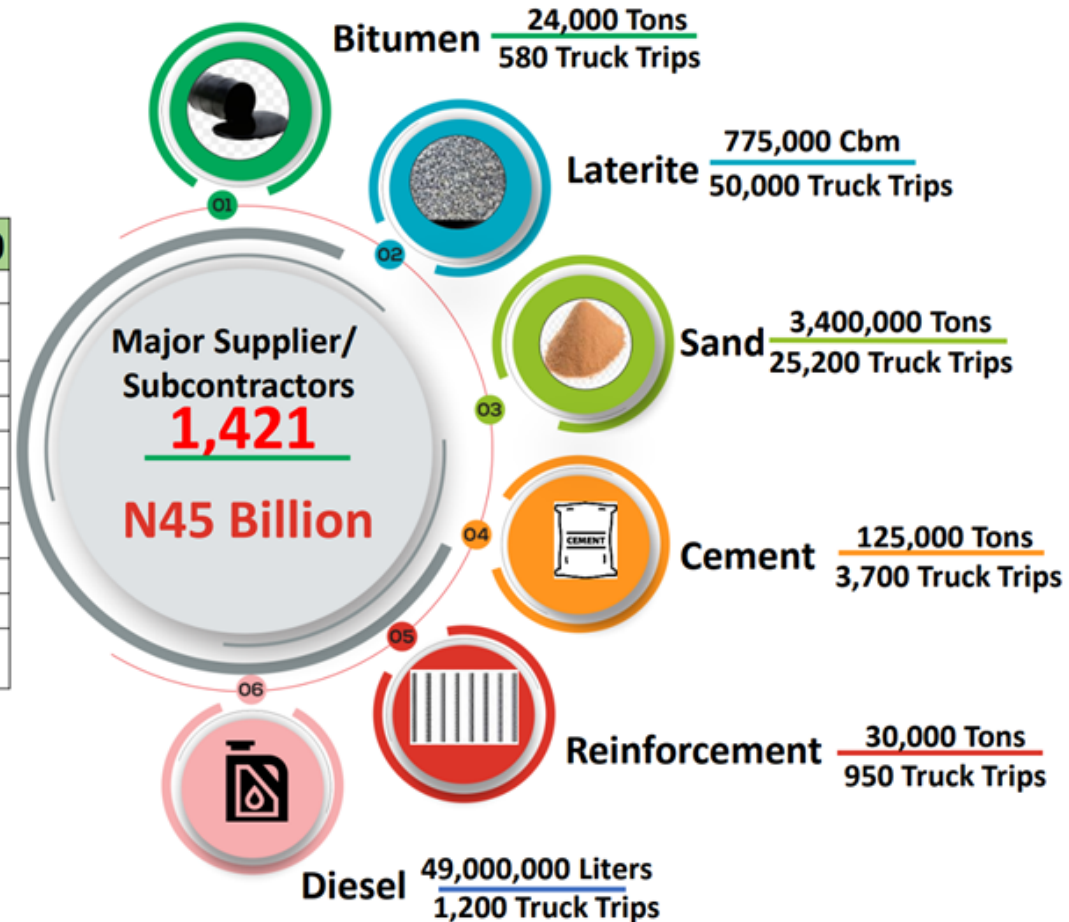


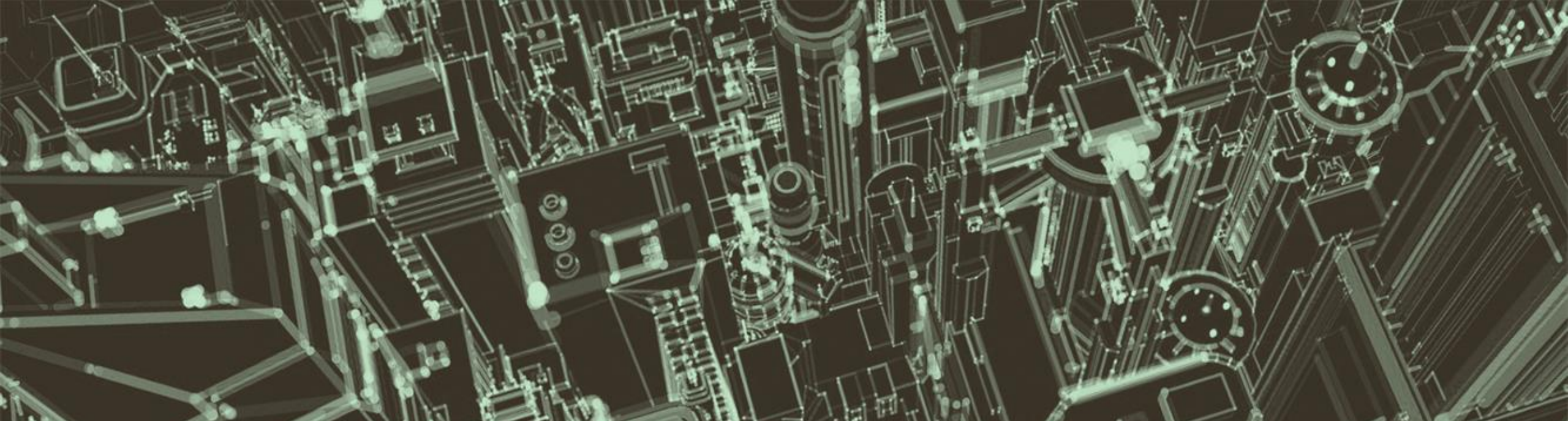
# Impact on Job Creation and Economic Growth

## IMPACT ON JOB CREATION AND ECONOMIC GROWTH : A PRACTICAL EXAMPLE

**Total Sum Major Supplies JBN Year 2020**

Material	Quantity	Unit	No. of Truck Trips	Comments
Bitumen	24,000	Tons	580	
Laterite	775,000	Cbm	50,000	
Sand	3,400,000	Tons	25,200	partly dredged
Cement	125,000	Tons	3,700	
Reinforcement	30,000	Tons	950	
Diesel	49,000,000	Liters	1,200	
			81,630	
<b>Major Supplier/ Subcontractors</b>	<b>1,421</b>	<b>No</b>		<b>NGN 45bn</b>





# 2019 – 2023 LSMOWI Scorecard



# LAGOS STATE MINISTRY OF WORKS AND INFRASTRUCTURE FOR Y2019 - Y2023

S/N	Year	Personnel	Overhead	Capital Development	Capital Expenditure (N)	Total Approved MDA Budget (N)	CAPEX Budget Performance (%)
1	Y2018	711,912,111.00	351,002,508.00		127,804,063,909.00	128,866,978,528.00	63%
2	Y2019	949,998,303.00	351,002,508.00		72,942,270,309.00	74,243,271,120.00	79%
3	Y2020	788,293,385.00	289,260,287.46		100,196,181,215.00	101,273,734,887.46	79%
4	Y2021	1,470,318,633.00	358,716,408.00	6,694,130,955.00	136,120,589,564.00	144,643,755,560.00	97%
5	Y2022	1,027,719,042.18	301,932,805.44	54,707,393,529.00	120,283,635,215.75	176,320,680,592.37	86%

# Key Success Factors

1. Selection and prioritization of projects in alignment with the inter-modal transport needs of the state and in tandem with the state's strategic transport and national infrastructure plans.
2. Institutionalized Standard Operating Procedures on projects from Concept – Design – Execution to Maintenance phase. Ditto for Quality assurance and Quality control.
3. Pre and Post execution assessment surveys are consistently administered by the office of budget to measure project impact.
4. Creatively expanded funding base for capital projects beyond budgetary provisions by way of PPPs, SUKUK, JOINT VENTURES, and BOND-REPRICING.



# Lagos: Case Study For Result Validation

## INFRASTRUCTURE DEVELOPMENT

2019 - 2023

### FACTS & FIGURES AT A GLANCE

**970** Roads Upgraded

**650** Inner Roads Rehabilitated

**15** Bridges constructed

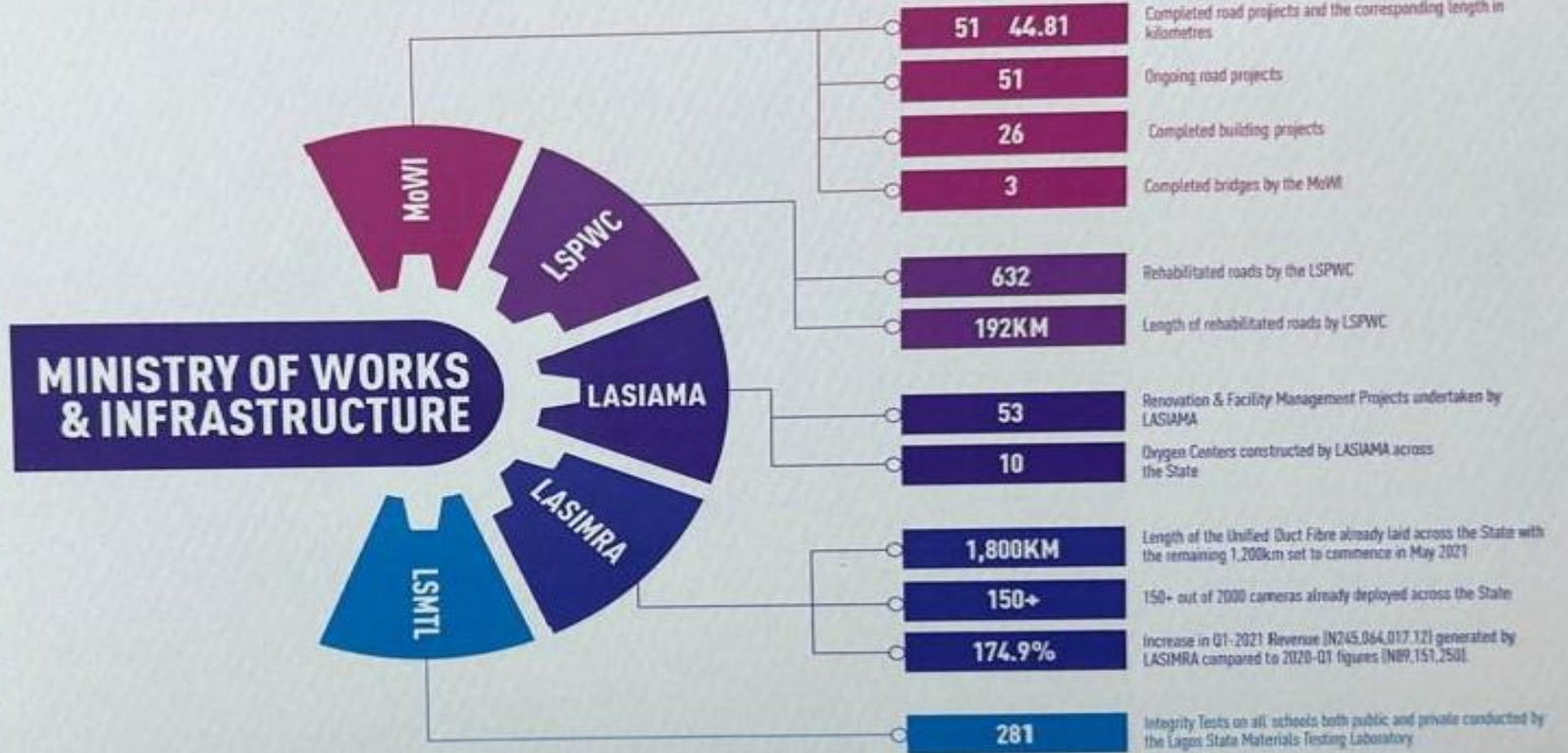
**9** Roads delivered in Alimosho LGA

**34** Roads delivered at Ikoyi, Victoria Island, Kosofe & Somolu

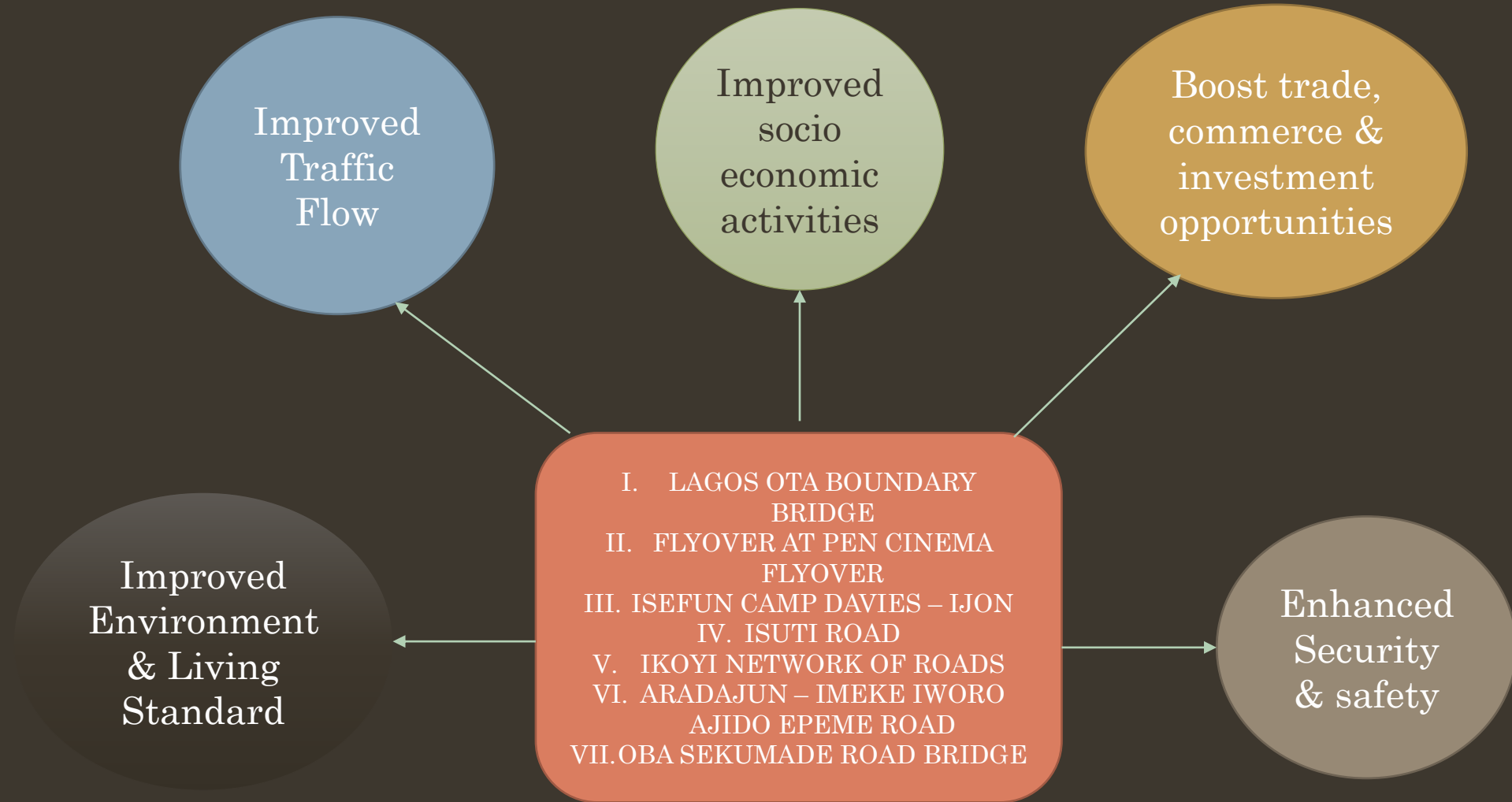
**31** Roads delivered at Ojokoro LCDA

**1.4km** flyover and dual carriage way delivered at Pen Cinema

# Results Continued



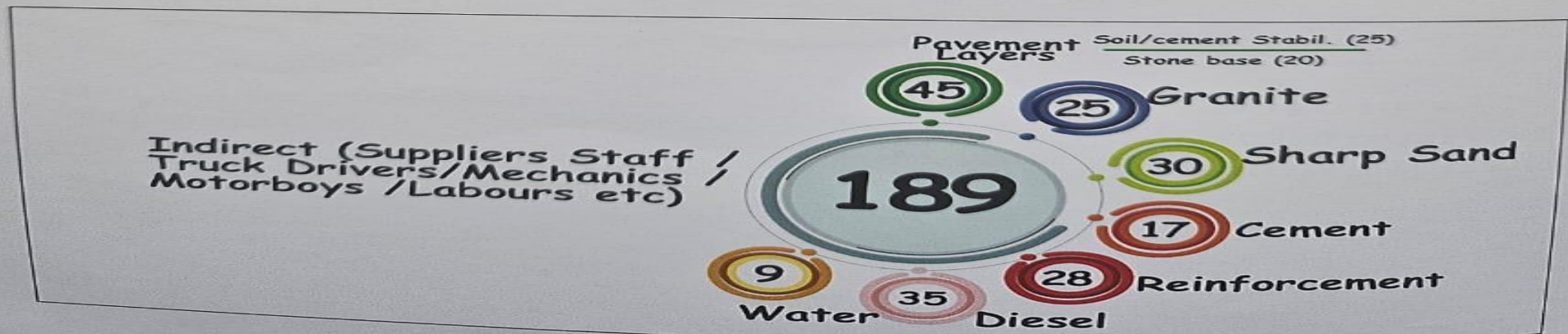
# General Project Benefits

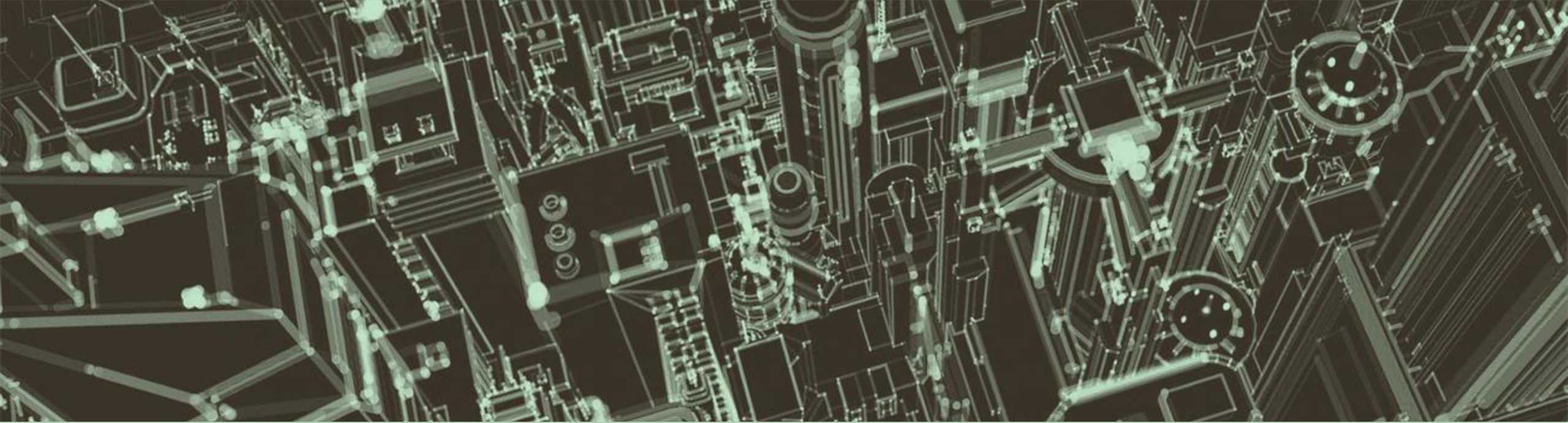


# Specific Project Impact on Job Creation and Economic Growth



## INDIRECT EMPLOYMENT

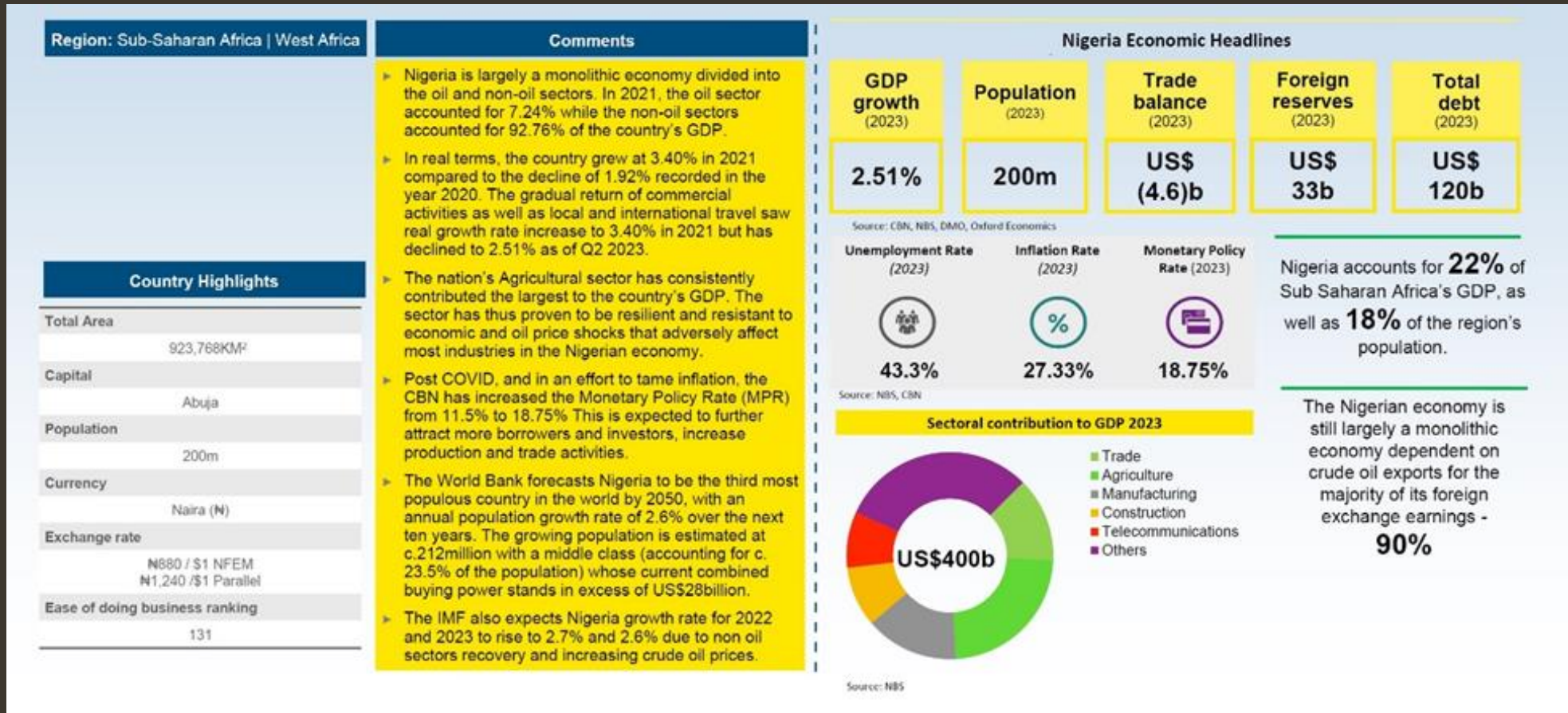




2023 & Beyond



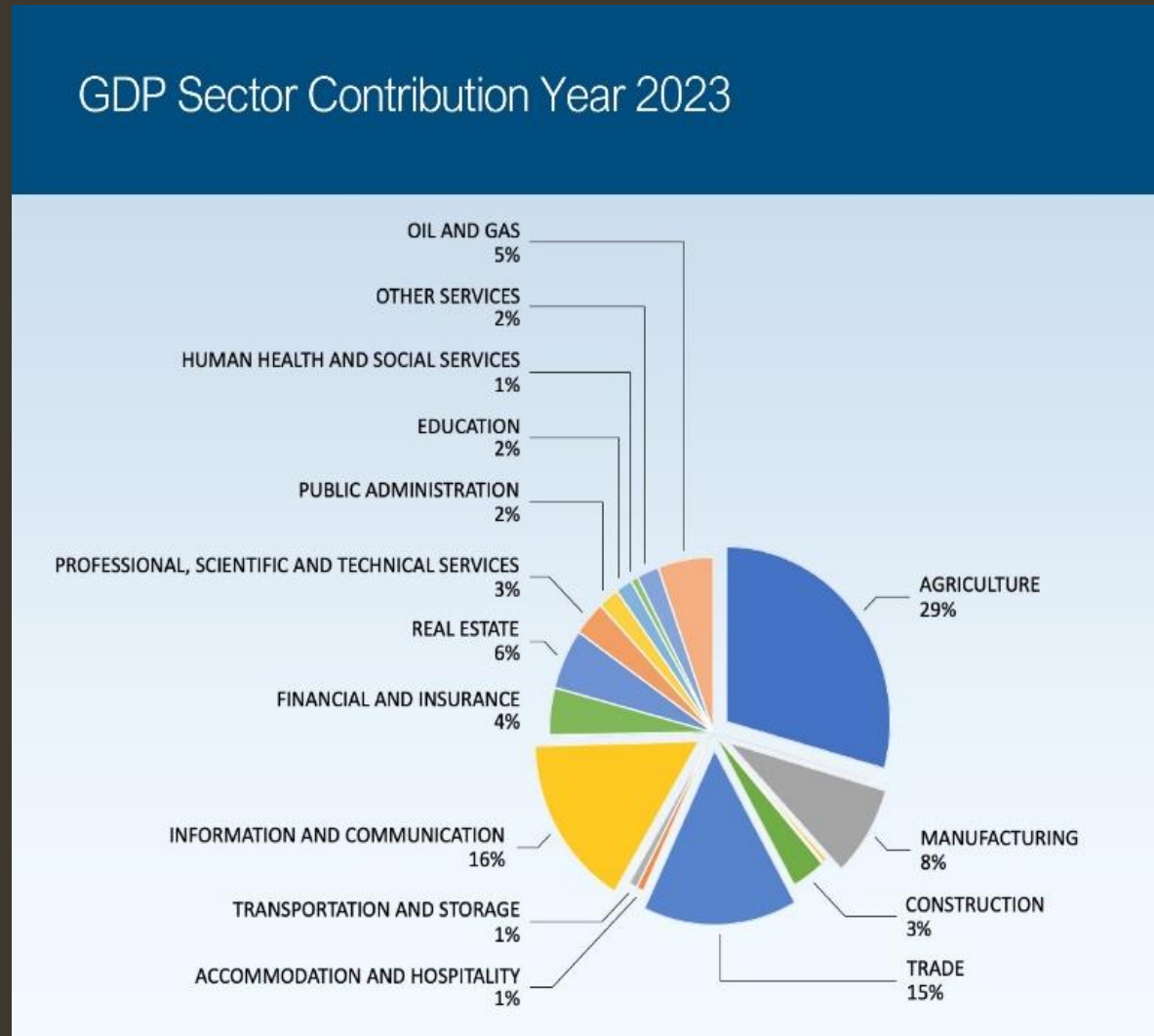
# 2023 State Of The Nation



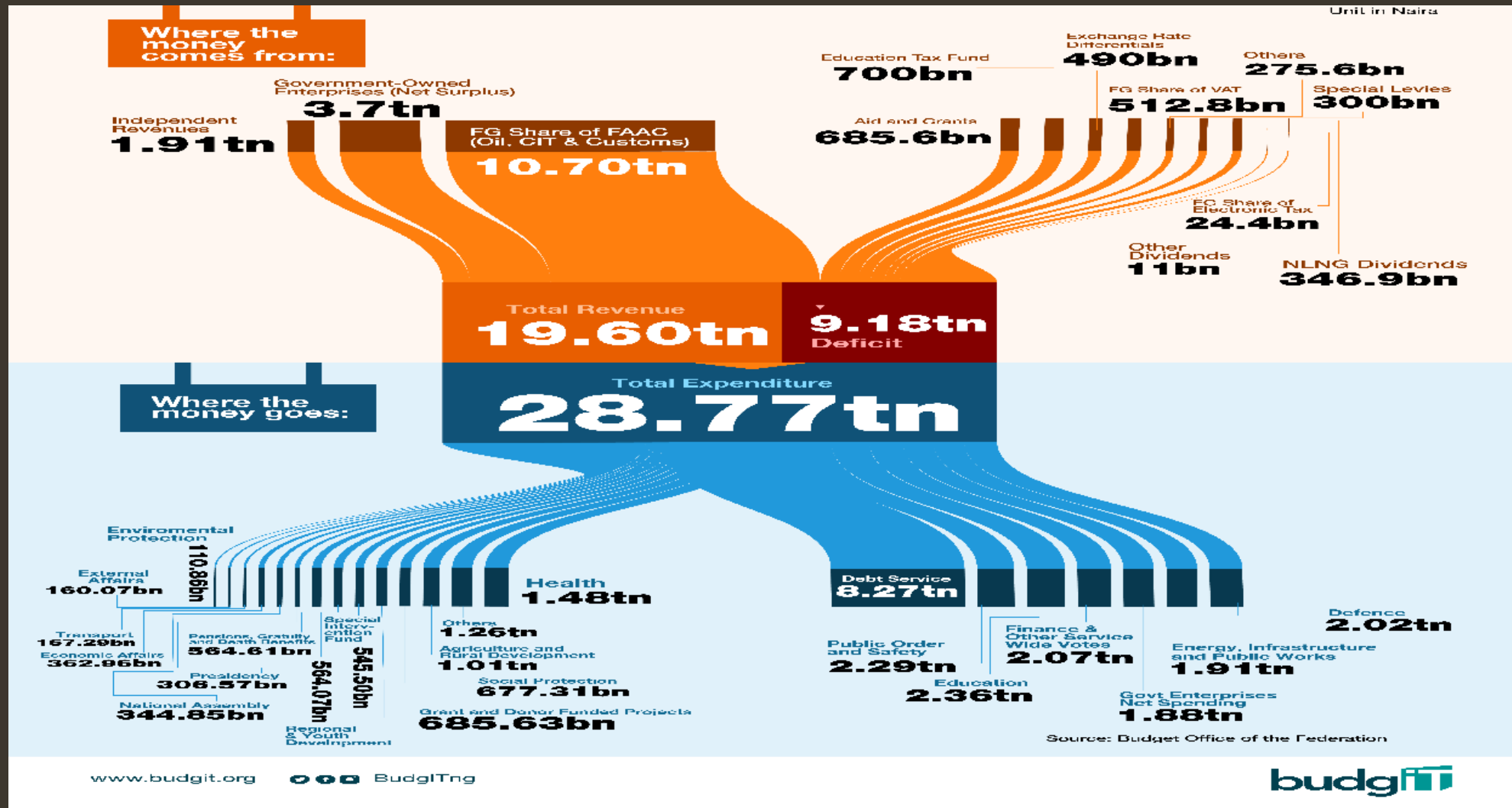
The Nigeria construction market size was about \$140 billion in 2023, and it is expected to grow at an Average Annual Growth Rate (AAGR) of 3% in the next five years, with proposed investment in infrastructure, power, transport, industrial, and oil and gas projects. Source: NBS, CFG

# 2023 GDP Sector Contribution

- This analysis shows various sectors' contribution to GDP in 2023. as big as we thought the construction industry would have performed considering the federal government's massive construction, the sector only contributed 3%.
- We may however want to add the Real Estate 6%, Transportation & Storage 1%, and Accommodation & Hospitality 1% with the narrative to make it 11%.
- This may also not speak to the urgency of delivering quality infrastructure to help the economy.



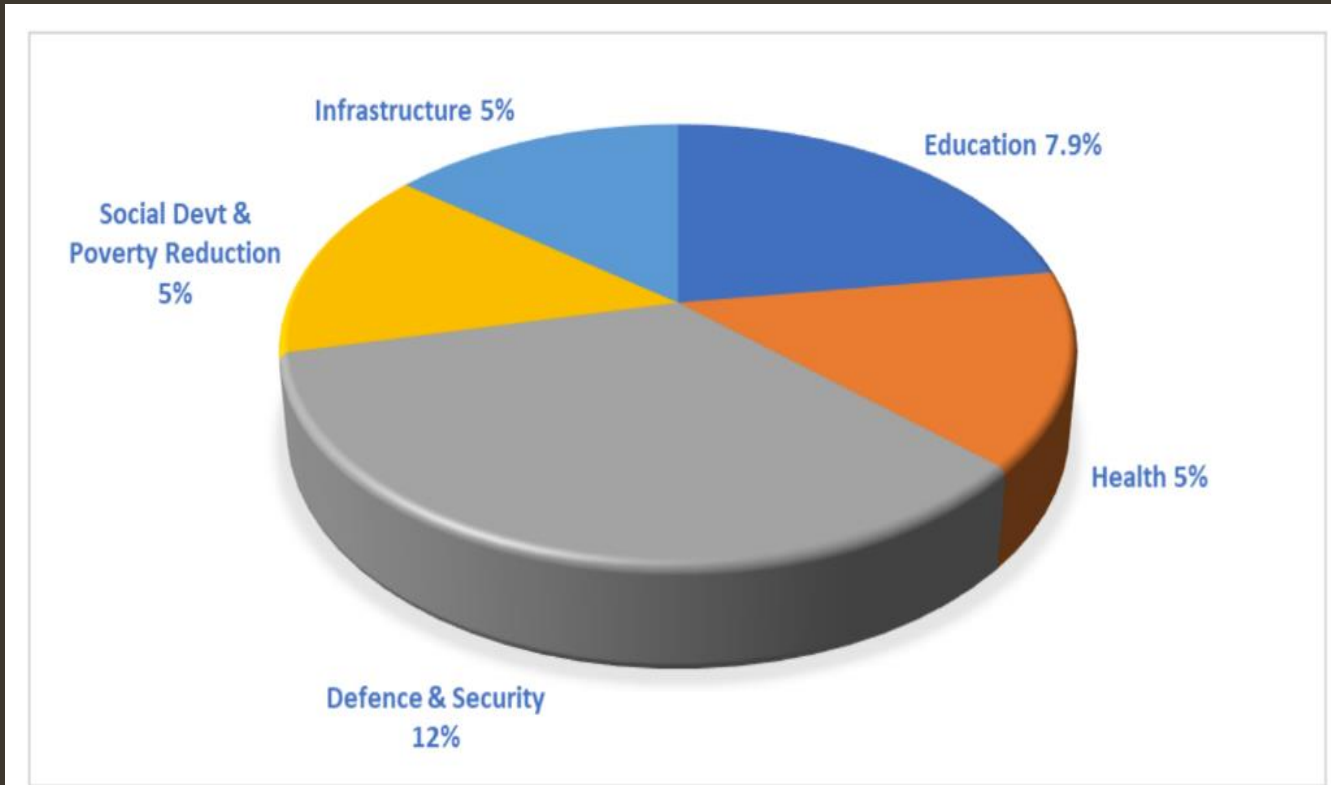
# 2024 Budget Fiscal Framework



From Budget analysis of 2024 budget allocation, Energy, Infrastructure and Public works will receive N1.91tn of the total expenditure.

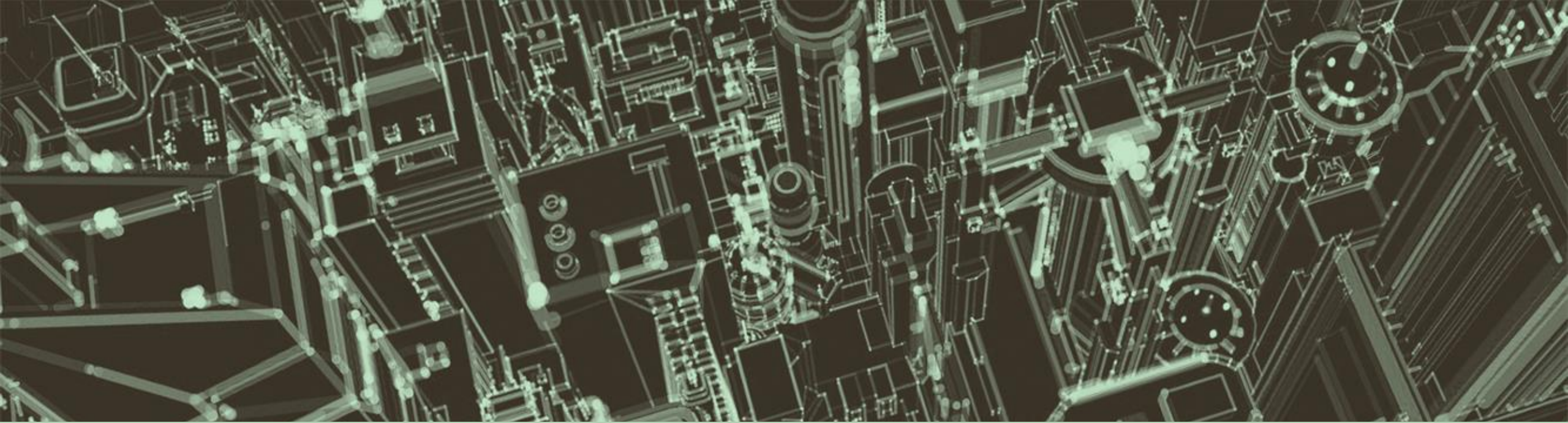


# Is this 2024 Budgetary allocation sufficient?



**Figure 1: Sectoral Allocations**

This means infrastructure is only taking a fraction from 5% of this allocation.



# Opportunities & Threats to Growth and Development – Federal, States & Local Government



# Present Opportunities & Threats to Growth and Development

- Government pronouncements on the intent to finance critical infrastructure projects using instruments of pension and bank dormant funds increases the aggregate pool of funding.
- The ease of adoption of Public Private Partnerships(PPP) as a risk allocation tool to create value in the provision of infrastructure in line with government policy increases room for more investor players and projects.
- The recent focus on infrastructural development by federal and state governments centered around food sustainability and affordable housing creates avalanche of opportunities for the construction industry.

The actualization of the above will ultimately create massive demand for construction projects across all sectors of the economy.

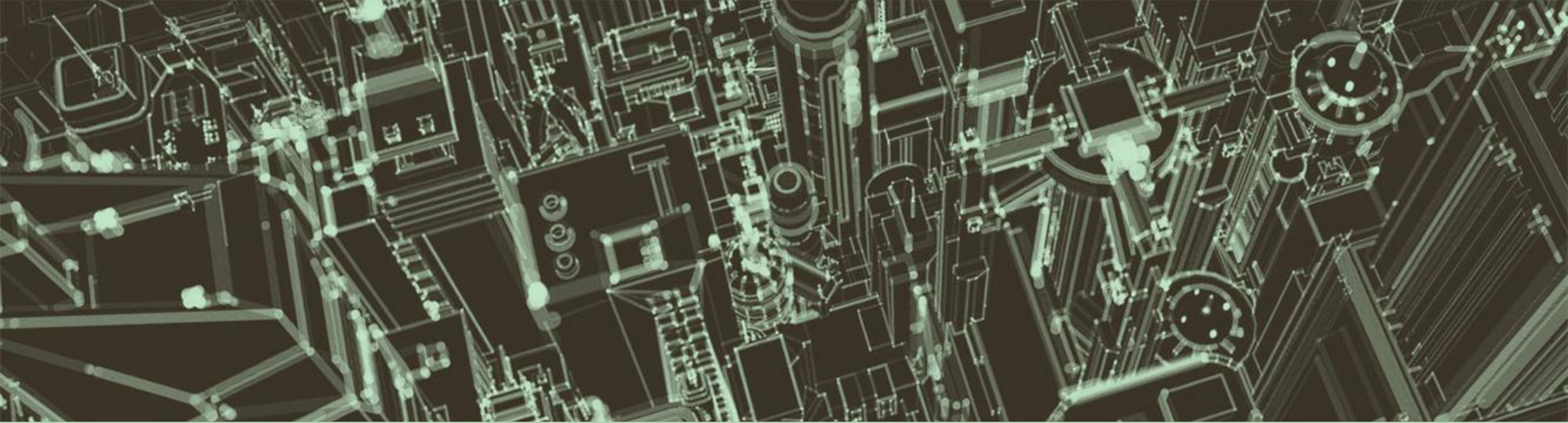
# Imperatives for Quantity Surveyors (Qs) as Professionals

Improve quantity surveying skills

1. Using productivity tools such as (CostX, Building Information Modeling BIM, Autocad, Revit, Primavera P6, Ms Excel, Naviswork, QS Plus, QSRBN, RICS, CESMM Standards, Value Engineering, Risk Analysis and Contract Negotiation) to speed up tasks Learning the right strategies for speeding up tasks usually comes with experience.
2. Learning with proficiency in reading drawings and blueprints

# Measures To Improve Budget Performance And Efficiencies (7 R's)

1. Reverse inappropriate budgetary allocation for capital projects often leading to prolonged years of execution.
2. Reduce bureaucratic bottlenecks in implementation.
3. Reduce time for presentation and passage of appropriation bills.
4. Reduce time for release of warrants to MDA's to operate budget in any given year.
5. Reduce corruption in the public and private sector.
6. Reduce the time for tedious manual inputs of budgetary process. The time to digitalize **was yesterday**.
7. Reduce high rates of inaccurate assumptions and cost estimation. (Productivity tools).



What could be the good level of construction activities and how will this impact the economy?



# What Should Be A Good Level Of Construction Contribution?

Nigeria must invest about \$2 trillion in infrastructure over the next 20 years, or approximately \$100 billion a year (World Bank). That is equal to nearly 20% of current GDP annually. Attracting substantial outside investment through public-private partnerships will provide needed support to actualize this fit.

## How to achieve this?

1. Create a central body that is empowered to oversee the life cycle of infrastructure investments and in tandem with National Infrastructure Masterplan.
2. Identify high-priority, high-impact projects around transportation, and power to catalyze growth in other sectors of the economy.
3. Focus on flawless and timely execution of projects from conception to execution.
4. Leverage on the momentum to create a sustained infrastructure-building drive.

# How Will This Level Of Industry Construction Impact The Economy?

1. Provide food security.
2. Promote access to natural resources.
3. Open the national assets.
4. Create even access to national development.
5. Promote maximal utilization of lands and their endowed resources.
6. Promote tourism and inclusion.
7. Strengthen national security.
8. Improved quality of life (quality of infrastructure, quality of roads, quality of railroad infrastructure, improved water source, improved sanitation, quality of electricity), wellbeing and global competitiveness.



# Conclusion

Government alone cannot provide all of the funds necessary for infrastructure provision. All it needs to do is to provide an enabling environment for businesses to thrive for inflow of foreign direct investment FDIs, portfolio investors, private capitals, Joint ventures JVs, and PPPs.

# Recommendation

Businesses thrive only in secure environments where there is the sanctity of agreement and the rule of law. We must ensure our ranking on the Ease of Doing Business is improved. The culture of arbitration for commercial disputes must be embraced just as State offices of PPP need to actively engage with that of the Federal. Finally, We must endeavour to amend the relevant sections of the law to deepen the capital market and access to the pool of pension funds.

Thank you