

# **A Comprehensive Assessment of Enugu State's Infrastructure Finance Model<sup>1</sup>**

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## **Abstract**

This study assesses the transformative infrastructure finance model adopted by Enugu State, Nigeria (2023–present), which prioritizes unprecedented capital expenditure to stimulate economic growth and eradicate poverty. Drawing on state documents, academic research, and field reports, the analysis identifies a tripartite strategy. Security investment as foundational infrastructure, Rural-integrated development through agricultural corridors and smart schools; and Investor de-risking via land/tax reforms. While early outcomes include revived economic activity and subnational recognition, critical flaws persist. Fiscal vulnerability from over-reliance on volatile federal allocations; implementation gaps in water infrastructure and rural project equity; and governance deficits in transparency and community participation. The study argues that without addressing revenue diversification, maintenance financing, and participatory planning, the model's sustainability remains at risk. Recommendations include blended finance instruments, maintenance trusts, and digital public dashboards to cement Enugu's prototype as a replicable framework for infrastructural revitalization.

*Keywords: Infrastructure, Finance, Development*

## **1. INTRODUCTION**

Enugu State, historically challenged by insecurity and underdevelopment, has embarked on an unprecedented infrastructure transformation under Governor Peter Mbah's administration (2023–present). Confronting a dire pre-2023 landscape—where non-state actors enforced sit-at-home orders, paralyzing economic activity and creating "ghost towns" —the government set audacious goals: growing the state's economy from \$4.4 billion to \$30 billion and achieving a 0% poverty

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headcount index. This article examines the innovative finance model underpinning this vision, evaluating its structure, efficacy, challenges, and sustainability.

## 2.0 LITERATURE REVIEW

### 2.1 Infrastructure Financing

Infrastructure finance may be defined as all means or methods available for mobilizing the resources required to finance physical assets and services which are fundamental to the growth and development of an economy. Provision of good infrastructure can accelerate economic development and prosperity in developing countries just as maintenance of existing infrastructure can ensure that developed countries remain developed. The level of accumulated infrastructure facilities is, no doubt, one of the major indices for measuring development of an economy (Emenike, 2015).

Investment is the lifeblood of every infrastructure project (Agrawal, Gupta and Gupta 2011; Grimsey and Lewis 2002; Singh, Batra, and Singh 2007). Infrastructure projects need massive funding for planning, design, construction, operation and maintenance. Lack of infrastructure financing is a universal problem and a key issue for discussion. Apart from the direct benefits and issues relating to public infrastructure investment, the means of financing this investment is also important. Public infrastructure investments generally require large financial commitments, and public finance remains the traditional source of funds for investment in infrastructure projects, especially in developing countries. Compounding infrastructure investment levels, as Jorgenson (1991) pointed out, the analyses of public investments are optimistic, as they fail to consider the full cost of funding. A government, through its monopoly characteristics and strong, continuous public interest, usually finances, owns and operates much of a country's infrastructure. Hence, infrastructure investment requires substantial and sustained funding, which many countries find difficult to generate, and governments adopt various strategies to meet the shortfall; increasing taxes and raising funds from domestic and foreign financial markets.

Enugu state financing policy's most fiscal radical shift is its reorientation towards capital expenditure:

- a. **Budgetary Prioritization:** The 2024 budget of ₦521.5 billion allocated ₦400+ billion (80%) to capital expenditure—a dramatic increase from historical norms of 25–35%. This reflects a deliberate "doubling down" on infrastructure as economic stimulus.

- b. **Mega-Project Funding:** Recent approvals include ₦183 billion (\$115 million) for 141 urban roads, 20 rural roads (covering triple the kilometers of urban projects), and 133 "smart schools". This scales up initial 2023 investments (71 urban/10 rural roads).

**Table1: Enugu’s Capital Expenditure Shift**

Period	Total Budget	Capital Expenditure	Capital Ratio
Pre-2023	₦100–120bn	₦30bn	25–35%
2024 (Current)	₦521.5bn	₦400bn+	80%

**Source: Enugu State Ministry of Finance**

## 2.2 Security as Foundational Investment and De-risking Private Investment

According to Eze, T. U. (2024), recognizing that physical infrastructure requires a secure environment, Enugu deployed:

- a) **Tech-Driven Security Infrastructure:** AI-enabled surveillance systems with real-time orbital monitoring capabilities, linked to a Command and Control Centre. This system covers remote forests and has eliminated sit-at-home orders.
- b) **Regional Collaborations:** Partnerships with security agencies across five African countries, positioning Enugu as a model for subnational security.

The Enugu State Investment Development Authority (ESIDA) institutionalized the following investor-centric reforms:

- a) **Land and Tax Reforms:** Streamlined property registration, transparent fee regimes, and simplified interstate trade levies.
- b) **Dispute Resolution Mechanisms:** Specialized commercial dispute adjudication to build investor confidence.
- c) **PPP Framework:** Development of a robust Public-Private Partnership framework to attract private capital for infrastructure, though specific projects remain undisclosed in sources.

Breaking from urban-centric models, Enugu's finance model explicitly targets rural de-risking:

- a) Rural roads receive disproportionate funding per kilometer to connect farmlands to markets, addressing "the big elephant in the room" of agricultural logistics.
- b) 133 tech-enabled schools aim to build human capital in underserved communities, synergizing with physical infrastructure.

### **2.3 Documented Impacts and Outcomes**

According to official documents released by the Enugu State Government in 2024, the following are the direct impact of the policies:

- a) Elimination of sit-at-home orders revived markets, tourism, and education—sectors previously "smothered" by insecurity.
- b) ESIDA reports increased investor interest in agro-processing, logistics, and tech, citing Enugu's improved ease of doing business.
- c) Academic studies confirm infrastructure investment reduces operational costs and stimulates trade, though Enugu-specific data requires longer-term validation.
- d) Residents transitioned from "perpetual fear" to renewed public engagement, with churches and markets reactivated.
- e) Smart schools and farm-to-market roads directly target poverty in agricultural zones.

#### **2.3.1 External Validation**

- a) Security chiefs from five African nations studied Enugu's model, while Catholic Bishops commended its tech-based security.
- b) Research highlights Enugu as evidence that "infrastructure-led development" can boost regional growth if implementation challenges are addressed.

### **2.4 Critical Challenges and Risks**

According to Agu, C. N., Okeke, V. O. (2023), the following Implementation constraints plague infrastructure financing in the study area:

- a) **Project Execution Risks:** delayed funding, contractor inefficiencies, and poor maintenance planning. Enugu's scale-up (260+ projects) heightens these risks.

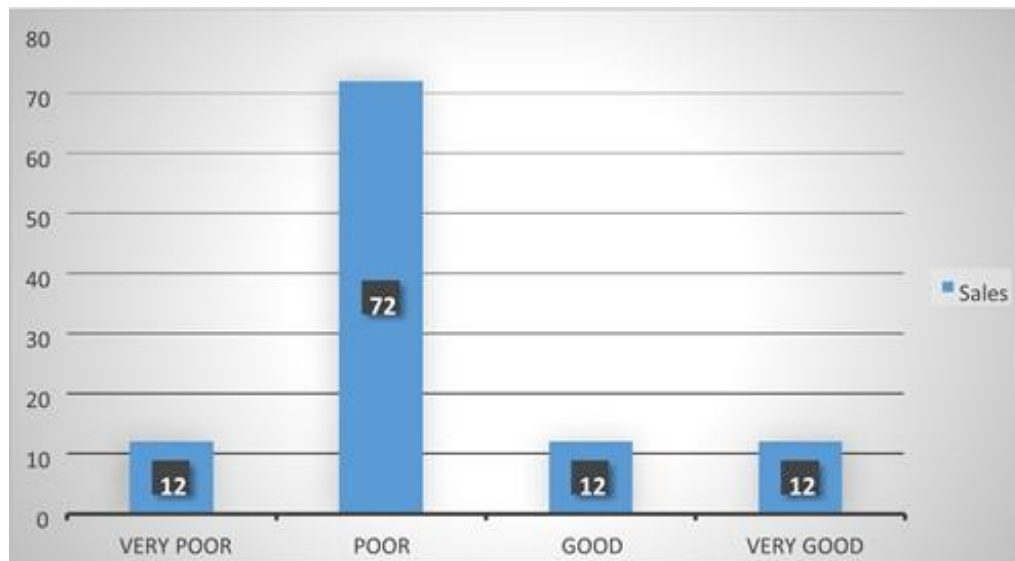
- b) **Fiscal Sustainability:** The 80% capital expenditure ratio relies on exceptional political will. Replicating this in states with lower internally generated revenue (IGR) may prove difficult.
- c) **Impact Measurement:** While outputs (roads built, schools funded) are documented, outcomes (economic ROI, poverty reduction) lack public metrics.
- d) **PPP Particulars:** ESIDA's promotional materials cite PPPs but omit concrete structures (e.g., concessions, build-operate-transfer schemes).
- e) **Geographic Disparities:** Despite rural road investments, project concentration in Enugu metropolis risks reinforcing core-periphery imbalances.
- f) **Community Engagement:** Local stakeholder input in project selection isn't highlighted in sources—a gap given Nigeria's history of top-down development.

### 3.0 METHODOLOGY

This study employed a descriptive research design: The descriptive design collected information regarding infrastructure and financing models and the roles of the private sector towards the financing of the infrastructures in the study area through a questionnaire (field survey). The target population comprises contractors, end users, government regulatory agencies for infrastructural-related matters, and users of the infrastructures. Using a simple random sampling technique, the study collected opinions from 504 respondents. The results obtained were analyzed using SPSS version 22 and presented in Tables and figures.

### 4.0 RESULTS AND DISCUSSION

Out of the 108 respondents that rated the performance of these financing models (see Fig 4.1) used in general with regards to the project goal, 72 and 12 of them rated it to be poor and very poor. This is already way much above those that thinks that financing models are good and very good as seen in figure 4.1. The implication of this is that even though public investments such as government revenues and borrowing ranked as the most common financing models in the study area (see Fig 4.1), their performance rating is very poor as indicated by the respondents.



**Figure 4.1: Respondent's rating on the performance of the financing models used in general with regards to the project goal**  
*Source: Field Survey, 2025*

## 5.0 CONCLUSION

The study therefore concluded that the Enugu's infrastructure finance model represents a bold departure from subnational norms in Nigeria. By prioritizing security as infrastructure, committing extraordinary capital, and targeting rural productive capacities, it has disrupted the "incremental development" paradigm. While long-term sustainability hinges on addressing maintenance, equity, and data transparency, its early successes offer a template for conflict-affected regions globally. The administration's willingness to take the "road less traveled"- as poetically framed by its supporters - demonstrates that state-level leadership can catalyze transformation even amidst national uncertainty. The study offers the following recommendations:

- a) **Diversified Funding Pool:** Explore green bonds for climate-resilient infrastructure and diaspora investment vehicles targeting Igbo expatriates.
- b) **Maintenance Endowments:** Allocate 5–10% of project budgets to dedicated maintenance trusts, addressing a key weakness noted in research.
- c) **Public Project Dashboard:** Real-time tracking of project statuses, budgets, and contractor performance to bolster accountability.

- d) Participatory Planning: Integrate community development committees into priority-setting, especially for rural roads.
- e) Blended Finance Instruments: Use state funds to guarantee first-loss capital, attracting impact investors to high-risk zones.
- f) Infrastructure Asset Sales: Monetize completed assets (e.g., toll roads) to recycle capital into new projects, creating a self-sustaining investment loop.

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