

SECTORAL ACTIVITIES PROGRAMME

Working Paper

Strengthening social dialogue in the utilities sector in Nigeria

by

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Working papers are preliminary documents circulated
to stimulate discussion and obtain comments

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Preface

Water and electricity are necessities of everyday life. The lack of access to clean, fresh drinking water increases malnutrition and disease, reduces economic growth, and promotes social instability and conflict, especially in the world's poorer regions. Nigeria is a prominent example in sub-Saharan Africa where seriously inadequate water, sanitation and electricity delivery have increasingly impoverished its people and economy. The government has attempted to meet the targets set for it by the Millennium Development Goals; at current rates of progress Nigeria is likely to meet its target on access to water supply but not on sanitation.

The Sectoral Activities Department of the ILO commissioned this report as part of its Action Programme on Strengthening Social Dialogue in the Utilities Sector, to examine the current state of the utilities sectors in Nigeria with special focus on water, sanitation and electricity; the challenges to be addressed; and the state of social dialogue in relation to reform measures. The report was validated in a workshop held in Abuja on 15–16 September 2009, with broad representation from the Government and the social partners.

Although social dialogue in Nigeria's water and electricity sectors has historically been weak, this report demonstrates with illustrative case studies that reform measures show some promise in the effort to strengthen it. This report also examines the effects of these reforms on employment and working conditions, and assesses the quality of dialogue among the relevant Nigerian industrial relations stakeholders. The report suggests steps that the Nigerian Government may take to address problems facing the utilities in Nigeria.

The report aims to encourage dialogue among stakeholders on the issues raised. The ILO's Action Programme aims to build on these findings and encourage the creation of permanent mechanisms of social dialogue in the utilities sector in Nigeria. The Programme also sponsors research and activities in Malawi and Peru.

ILO working papers, such as this one, are a vehicle for disseminating information on topics related to the world of work and to social and labour policies and practices.

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List of acronyms

AES	Allied Energy Systems
AfDB	African Development Bank
AMCOW	African Ministers' Council on Water
AUPCCSTRE	Amalgamated Union of Public Corporations, Civil Service Technical and Recreation Employees
BOO	build, own and operate
BOOT	build, own, operate and transfer
BOT	build, own and transfer
BPE	Bureau for Public Enterprises
CISCAWP	Civil Society Coalition against Water Privatization (in Nigeria)
CPS	country "partnership" strategy
DBO	design, build and operate
DFID	Department of Finance and International Development
ECN	Electricity Corporation of Nigeria
EPSRA	Electric Power Sector Reform Act
ESI	electricity supply industry
FIRS	Federal Inland Revenue Service
GDP	gross domestic product
IFC	International Finance Corporation
ILO	International Labour Organization
IPP	independent power producer
LAWMA	Lagos State Waste Management Authority
LGA	local government area
LSWC	Lagos State Water Company
MDG	Millennium Development Goal
MIGA	Multilateral Investment Guarantee Agency
NDA	Niger Dams Authority
NEEDS	National Economic Empowerment and Development Strategy
NEPA	National Electric Power Authority
NERC	Nigeria Electricity Regulatory Commission
NESCO	Nigerian Electricity Supply Company
NEWU	Nigerian Electricity Workers' Union
NIPP	National Integrated Power Project
NUEE	National Union of Electricity Employees
NUEGW	National Union of Electricity and Gas Workers
NUWSRP	National Urban Water Sector Reform Project

PAWS	partners for water and sanitation
PHCN	Power Holding Company of Nigeria
PPP	public–private partnership
PSP	private sector participation
RBDA	river basin development authority
RE	regional electricity
ROI	return on investment
TUC	Trade Union Congress of Nigeria
UN	United Nations
UNICEF	United Nations Children’s Fund
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WAPP	West African Power Pool

Part A. Strengthening social dialogue in the electricity sector in Nigeria

A.1. Introduction

A.1.1. Objectives

The objective of this paper is to bring to the fore the need for social dialogue in the electricity sector against the backdrop of continuing reforms. The reforms which were informed by the apparent lack of capacity of the sector to serve its development role have internally impacted significant stakeholders such that the ideals of decent work and pay are possibly at risk in the sector. This paper presents the context and current developments in the electricity sector in Nigeria. The paper:

- analyses the situation/major problems/issues/challenges of the energy sector;
- examines the general impacts of privatization and restructuring or other reforms on employment levels and conditions in the sector;
- assesses the overall socio-economic matters relating to employment and labour issues within the International Labour Organization's (ILO) Decent Work Agenda activity by international companies in these sectors;
- examines the form and content of social dialogue in the contemplation and implementation processes of the current reforms;
- identifies conditions that facilitate successful reforms in the sector; and
- recommends how current issues and challenges should be dealt with in immediate and long-term future to ensure sustainable development of the sector.

The study, which formed the basis of this report, utilized primary, secondary and tertiary sources of information among selected stakeholders in the sector. The General Secretary of National Union of Electricity Employees (NUEE), and the Senior Staff Association, Management of the Power Holding Company of Nigeria (PHCN), and officials of the Ministry of Labour were interviewed. Information made available at the PHCN web site were verified through these interviews. In the concluding part, follow-up suggestions were offered that would ease the pains and optimize the gains of the continuing reforms.

A.1.2. Overall situation of the energy sector

Certain assumptions are necessary for an objective assessment of the energy sector in Nigeria. First, reliable electricity supply is vital to Nigeria's economic growth. Second, electricity is crucial to the driving of economic growth in other sectors – for example, energy, manufacturing and services. Third, growth in the demand for electricity closely matches growth in the gross domestic product (GDP), and, last, distorted prices create inefficient energy use.

There is a general agreement that electricity, an important utility service in Nigeria, is failing to provide and develop the services and the infrastructure required for social and

technological development. The electricity supply systems are unreliable and underdeveloped.

Compared with the situation in South Africa, Nigeria with more population enjoys only 114 kWh of energy whereas the comparable figure for South Africa is 4,375 kWh, average daily generation is only 3000 MW, whereas it is ten times that figure in South Africa (see table A.1).

Table A.1. Nigeria and South Africa: Comparative energy statistics

	Nigeria	South Africa
Land	923 768 sq. km	1 219 090 sq. km
Population	123 million	40 million
Annual electricity consumption	13.7 kWh	175b kWh
Electricity consumption per capita	114 kWh	4 375 kWh
Installed generation capacity	5 896 MW	41 000 MW
Average daily generation	3 000 MW	30 000 MW

Lamenting the State of the power sector in the continent, Nnaji (as reported by Roseline Okere, 2008) said:

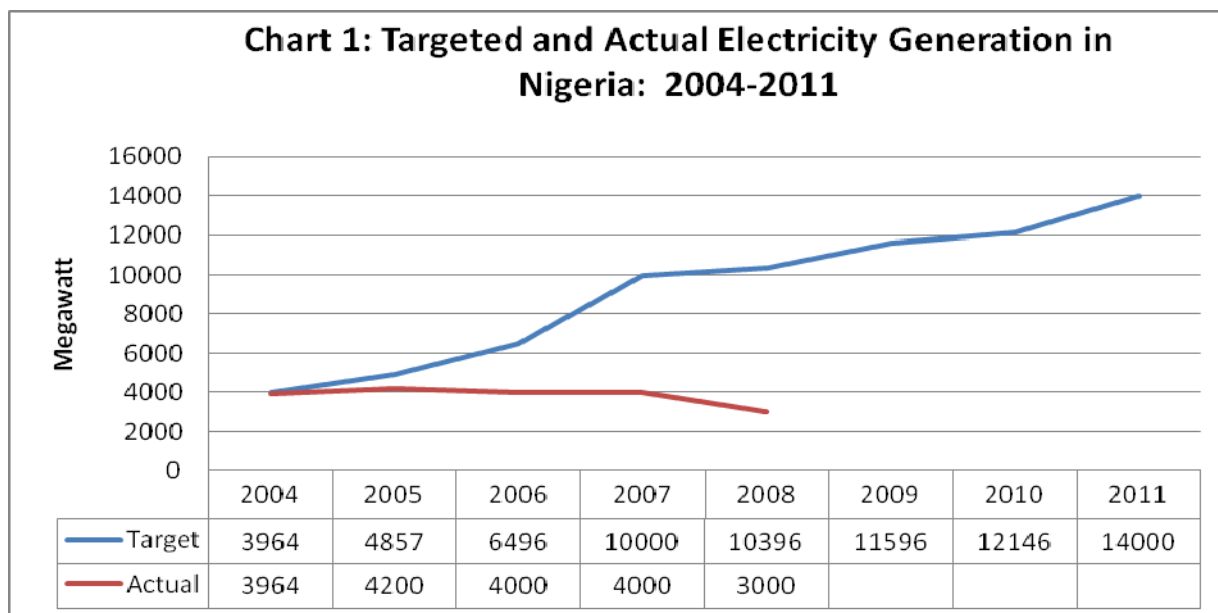
In Africa, the total installed capacity of electricity is 103,000 MW. This represents less than 5 per cent of the world's output in spite of its being the second largest continent in the world with a population that is close to 20 per cent of the world. Even more remarkable is that much of this electricity is in South and North Africa. The United States (US) with a population of 300 million has over 900,000 MW. The United Kingdom (UK) with a population of 60 million has installed capacity of 77,000 MW. Brazil with a population of 180 million has installed capacity of 90,000 MW. Germany with a population of 83 million has installed capacity of over 40,000 MW even though it was at the same generation capacity as Nigeria in the 60s.

Many other countries that were at relatively the same level as Nigeria in the 1960s and early 1970s have found themselves at ten times more than the country's installed capacity today. Now, Nigeria with a population of 150 million can only boast of an installed capacity of 4,000 MW.

This development has continued to negatively affect the quality of life and well-being of Nigerians who have become more and more impoverished over the past four decades. Many people whose life and businesses depend greatly on electricity have changed their jobs to activities that require less energy use. The poor performance of this sector has made many informal economy operators: artisans, electricians, battery chargers, welders, radio and television repairers and hairdressers and so on to shift base to other vocations, away from their primary jobs. The formal economy enterprises have had to provide their own supply of energy at exorbitant costs such as diesel generators. This situation probably accounts for the observed increase in general price levels across the nation. For instance, inflation continues to present double-digit figures during the last ten or so years. The poor performance of this sector has therefore made the proposals for increased private participation seem a plausible and possible solution, as contained in the National Economic Empowerment and Development Strategy (NEEDS) document.

Compared with the targeted level of electricity generation, actual performance had lagged seriously behind the NEEDS target.

Chart A.1. Targeted and actual electricity generation in Nigeria (2004–11)



Source: Computed from data available in the NEEDS document, 2004, pp. 70–73; Joseph Makoju (2005); and www.powersectorwatch.com.

The case of the Power Holding Company of Nigeria

This report about the electricity sector in Nigeria is indeed about the PHCN, a giant state monopoly, which was established in 2005, and has since dominated the power generation, distribution and transmission of electricity in Nigeria. Aside from the NESCO located in Jos (showcased later), and the alternative supply through individual household and industrial generators, the evolution of the industry as reported thus far is the story of the NEPA–PHCN.

However, one major issue to be highlighted about the case of the PHCN is the continued lack of capacity to satisfy its teeming customers in spite of the attempt to unbundle the company for a true private orientation. A number of explanations could be offered for this development:

- the huge social expectation that electricity supply is the responsibility of the State and that the private sector could not possibly provide the volume of investment needed to provide adequate supply;
- the huge competition (and possibly sabotage) coming from the suppliers of fuel generators and other alternatives to gas and hydro (PHCN) electricity; and
- the recent token improvement recorded in distribution which seems to give the impression that the PHCN as a monopolist could very well achieve expected standard of performance in the future.

The quasi-unbundling situation of the PHCN is to be compared with the example of complete privatization which is exemplified in the case of the NESCO.

The case of the Nigerian Electricity Supply Company

In Nigeria, electricity is seen as an essential infrastructure in the same category as roads, telecommunications, and water. In fact, it is the lifeblood of national development and industrial growth. The hydropower potential of Nigeria is high and hydropower currently accounts for about 32 per cent of the total installed commercial electrical power capacity. Although electricity is treated as an essential social service, the present supply is characterized by erratic power supply to industries, inadequate coverage in terms of geographic spread, leaving out large number of villages and covering less than 40 per cent of the population, with a record low per capita consumption.

The role of regional electricity (RE) in the overall supply of electricity could possibly be strengthened by the establishment of more regional centres to boost or encourage widespread development of small hydropower plants (SHPs) mostly in remote areas, consequently raising the percentage contribution of RE in the energy mix and offering a viable model of energy development for most of the countries in Africa.

SHPs can be set up in virtually all parts of Nigeria where there exist 278 as yet undeveloped sites for small hydropower production, with a total capacity of 734 MW. Their suitability for stand-alone utilization in the rural parts of Nigeria can be further justified by noting that many viable small-scale plants are actually “run-of-the-river” schemes based on waterwheels that require a minimal amount of civil works. Most small-scale schemes are around Jos in Plateau state, where there is a 2 MW station at Kwall falls on the N’Gell River (or River Kaduna) and one 8 MW station at Kura falls.

The case of a private company, NESCO, located in Jos, Plateau state, is presented here. Plateau state can boast of being the first to enjoy hydroelectricity in Nigeria because, from 1929 to the end of the Nigerian civil war, Jos and the surrounding minefields were supplied with electricity generated at Kura Falls by the NESCO. The company was originally set up to supply electricity to the tin mines. It later extended its services to Buruku, Jos townships and Kafanchan in Kaduna state. The company was noted for its efficiency and, until the NEPA assumed, by law, the monopoly of electricity distribution in Nigeria, Jos and its environs enjoyed uninterrupted power supply. The company has developed other power stations in addition to the first one at Kura Falls.

The relative advantages of this approach include:

- The potential for easily meeting the energy needs of these rural communities, economically. The NEPA and the rural electricity boards now use only the national grid and diesel generators for their rural electrification programmes.
- Small hydropower is essentially non-polluting and it releases no heat. Adverse environment impacts are negligible and, for small installations, it is totally absent.
- With the development of compact and efficient machines, the investment per installed kilowatt is not very high. SHP projects do not require large capital investment. Compared to other conventional energy generation schemes, these projects have low gestation period ranging from eight to 24 months. Operating costs are low and the equipment does not need trained and skilled personnel.
- With the introduction of microprocessors in the SHP station, it may run virtually unattended (automated schemes). Thus the SHP is an ideal decentralized energy generation source.
- It can supply energy to rural feeders, cutting distribution losses to a large extent.

-
- The SHP can also be synchronized with the grid and this has been demonstrated in national demonstration projects by the NESCO in Jos and in the NEPA grid and is very widely applied in China.

With the interconnection and synchronization with the grid, the plant utilization factor becomes very high. Thus the SHP becomes economically attractive too. As per the Federal Ministry of Power and Steel, the SHP stations are classified as follows: micro hydro (up to 100 kW, mini hydro (101–2,000 kW) and small hydro (2,001–10,000 kW). All three fall under the SHP. As mentioned above, roughly 60 per cent of households are yet to get access to electricity, mainly because of the difficulty in drawing electric lines through the forest areas, to such remote settlements. In these areas, this project envisages encouraging development of stand-alone small hydropower stations.

Decentralized generation can provide electricity where it is otherwise not reachable, and they can be more dependable and economic. Some of the advantages are:

- (1) can defer/avoid expenditure on long transmission and distribution network;
- (2) can provide power more quickly to un-serviced areas;
- (3) smaller generation options reduce risks for utilities;
- (4) can match demand and supply of isolated human communities;
- (5) smaller technologies are much less disruptive in terms of population displacement and biophysical effects and can present a more aesthetically and environmentally acceptable alternative to large scale facilities, which are uneconomic in view of low power intensity demanded; and
- (6) decentralized systems can develop the demand for electricity over time to the point where a grid connection becomes economically feasible.

Given the success recorded by the NESCO, would this be indicative of an option or alternative to the PHCN? Some people have reasoned that it is imperative the federal Government liberalizes the business of power generation and distribution in Nigeria, so that the private sector can come in to redirect the sector. Private energy providers like the NESCO would enhance consumer satisfaction by providing consumers with switchable options. Furthermore, the 's equipment was well over 20 years old, but well-maintained, unlike the NEPA's. The NESCO had few vehicles on the road – to tell the world how good they were, while the NEPA had many. The NESCO was more reliable in terms of little or no power fluctuations. Though the NESCO had government presence, they were an alternative. If alternatives are provided for Nigerians, it is believed that people would not have to be saddled with the monopoly power of the PHCN. It is recommendable therefore that the Government's privatization policy be invigorated to allow private electricity companies provide complementary services to consumers.

A.1.3. Electricity: donors and companies in the sector

A.1.3.1. Donors

African Development Bank

The African Development Bank (AfDB) has some impacts in this sector. Its operations are geared towards the improvement of power supply and to assure the erection of a transmission line in the northeast of the country where it will electrify water supply

installations provided within the framework of the Bank's interventions to improve water supply. It also complements the ongoing World Bank's Transmission Development project in other parts of the country. Thus the involvement of the AfDB in electricity generation is only a further development with regards to its water supply programmes.

The World Bank

The World Bank is the most active donor in the electricity sector. It coordinates with the Department of Finance and International Development (DFID), and the two bodies produced a joint country "partnership" strategy (CPS) for Nigeria. The strategy paper envisages extending this to other agencies – which it describes as "stakeholders", although the list does not include the Government of Nigeria or any other Nigerian body – into developing a full economic policy for Nigeria:

The strategy proposes that the World Bank Group – the international Development Association, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) – and the DFID develop a joint framework on economic growth with a range of stakeholders, including other donors (UN, USAID, AfDB and CIDA). This will identify opportunities for triggering and sustaining growth, shaping existing initiatives and guiding new investments and analysis at three levels: at the federal level, the CPS focus is on improving the business environment and removing major infrastructure bottlenecks. This entails large infrastructure programmes in the energy sector (electricity and gas), transport, and improvements in ports and customs services ...

The CPS includes a full programme for the electricity sector, with the private sector at the heart even at the level of extending rural electrification. The World Bank intended all its interventions to be inclusive of all stakeholders. Elsewhere, the electricity strategy is not presented under the "social sectors", but as part of a private sector strategy:

Actions to encourage private sector growth include: (i) unbundling of the power parastatal ahead of divestiture, passing a landmark Power Bill to underpin and accelerate transformation of the electricity sector ... (v) increasing funding to address key infrastructure constraints.", and later under "supporting growth" ... the quality of the electricity services is the largest barrier to business in Nigeria. It is now possible to unbundle de facto the state energy company (NEPA) and engage the private sector in the electricity sector. The IFC has been actively cooperating with the Bank in the reform of the electricity sector, including preparing the basis for private sector off-grid investments."

The United Nations Industrial Development Organization

Established in 1966, the United Nations Industrial Development Organization (UNIDO) has been in Nigeria since its establishment, contributing to industrial development and environmental protection. Its country service framework programme was launched and formulated in mid-2000 at Nigeria's request with the new democratic dispensation in 1999. Similar to the CFS Phase One, which ran from 2001 to 2005, the Phase Two, starting in 2005 until 2009, included focus on issues of the environment and energy.

Masayoshi Matsushita is the UNIDO representative in Nigeria and the Director of the Regional Office for West Africa. He reports that UNIDO has been assisting Nigeria to achieve its developmental targets. Similarly, the Nigerian Director-General of UNIDO, Dr Kandel Yumkella, assured that UNIDO would bring its years of experience in the industrial cluster concept to bear on the Nigerian situation.

UNIDO's contribution to electricity in Nigeria includes combining generation and distribution with complimentary activities to accelerate social, economic and regional activities, develop income generating activities through community development centres and community facility centres through solar, wind, biomass and mini-, micro- and small

hydro projects easy to replicate. In short, UNIDO develops energy services that are reliable and low cost requiring minimum maintenance and repairs.

There was the specific case of the National Directorate of Employment, with whom UNIDO embarked on a collaborative venture on the fabrication and installation of electricity generation turbines intended to fast-track the deployment of small hydropower plants across the country (Mr Masayashi Matsushita, 2008, at <http://unido-rowa.org/news.html>).

A.1.3.2. National Electricity Power Authority and the Regulatory Agencies

In 1972, the National Electric Power Authority (NEPA) was established by Decree No. 24, as a wholly and vertically integrated electricity monopoly with responsibility for generation, transmission and distribution of electricity in Nigeria. This Decree merged the generation and distribution activities of the Niger Dams Authority (NDA) and the Electricity Corporation of Nigeria (ECN), respectively.

In 1990, the NEPA Act was enacted and this replaced the previous existing statute (Degree No. 24). The Act re-established the NEPA as a commercial and self-accounting authority and vested it with the power to develop and maintain an efficient, coordinated system of electricity power supply to all parts of Nigeria. The Act constituted the principal regulatory framework that governed electricity generation, transmission and distribution activities in the country. In addition to the NEPA Act, 1990, there are other relevant legislations that were regulating some aspects of the electricity industry which included:

- (1) Utilities Charges, Commission Act, 1992. This Act vested the Commission with the power to regulate tariff charged by public utilities including the NEPA.
- (2) Environmental Impact Assessment Act, 1992, which prescribes mandatory impact assessments to be undertaken by power projects specified in the Act.

In 1998, a major step towards the liberalization of the electricity industry was taken with the amendment of National Electric Power Authority Act, 1990, to allow for limited private sector participation (PSP) in the generation subsector. The amendment removed the NEPA's monopoly in power generation thereby paving the way for independent power producers (IPPs) for which Enron–Allied Energy Systems (AES) blazed the trail.

The NEPA is now called the PHCN. While the NEPA's installed generation capacity is 4,200 MW, the maximum available capacity is limited to 3,300 MW, mainly due to a lack of maintenance. The transmission system is unable to deliver power to major parts of the country and is unreliable because it does not have adequate capacity and backup lines. There are transmission losses of 30–35 per cent (Hall, 2006) resulting from old and weak transmission lines.

A.1.3.3. National Integrated Power Project

The National Integrated Power Project (NIPP) is not a legal entity but a conglomeration of experts borrowed to form a unit. The sources of its funds are the three tiers of government. The NIPPs are IPPs initiated by former President Olusegun Obasanjo, not only to meet the 10,000 MW target by the end of 2007, but also to douse the restiveness in the Niger Delta. Incidentally, the generation target could not be met at the expiration of the tenure of Obasanjo, as the IPPs could not be delivered on schedule due to a number of factors, including lack of funding and lack of seriousness on the part of some contractors (Nwachukwu, 2008).

The NIPP was conscripted by the Obasanjo administration which awarded contracts amounting to \$16 billion and €224,600.24 million, with letters of credit opened for the various contractors handling failed projects all over the country. The NIPP is at the centre of the 2008 power probe in Nigeria. The outcome of the probes is inconclusive at the time of writing because the National Assembly that instituted it was itself divided by alleged corruption within its ranks (Daily Champion, 2008).

A.1.3.4. Rural Electrification Board (Authority)

This Board is charged with the responsibility of providing electricity supply in all the local government headquarters and all rural areas with support funds from the State. The Board largely succeeded in its task as would be seen later.

A.1.4. Employment and gender issues

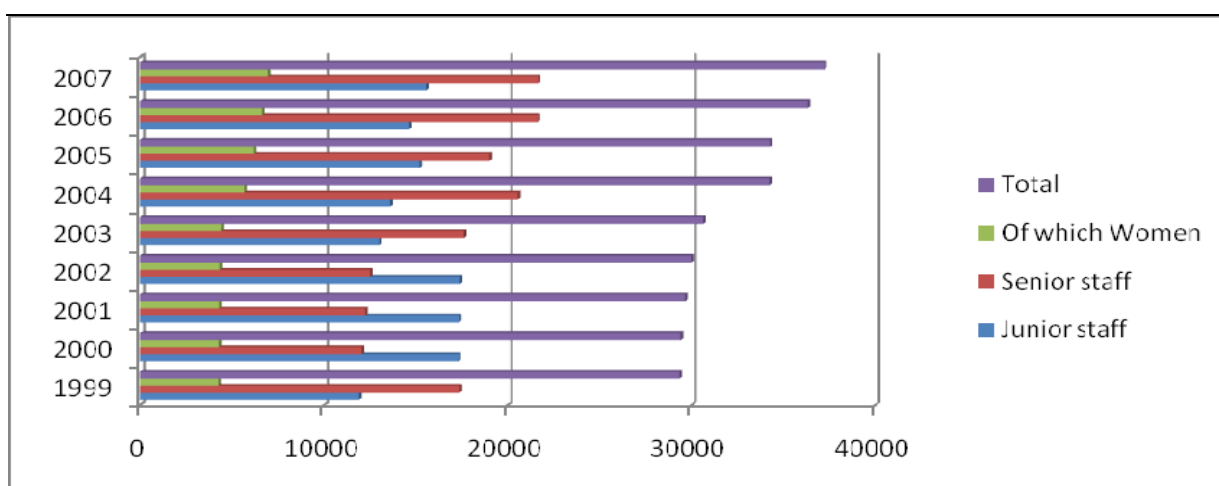
Table A.2. Employment trend in the NEPA-PHCN

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Junior staff	11 956	17 348	17 390	17 450	13 022	13 647	15 238	14 701	15 575	16 159
Senior staff	17 416	12 093	12 277	12 541	17 656	20 596	19 054	21 658	21 680	20 033
Of which women	4 275	4 297	4 313	4 338	4 416	5 682	6 238	6 673	6 979	n.a.
Total	29 372	29 441	29 667	29 991	30 678	34 243	34 292	36 359	37 255	36 192

Source: Head office personnel, PHCN.

Table A.2 reveals a general upward trend in the staff strength of the company between 1999 and 2008. The visible drop in the number of junior staff vis-à-vis the senior staffers during 2003 and 2004 is attributable to a reform-driven professionalization policy of the electricity sector. Furthermore, there has been a steady upward trend in the size of women. In 2008, there were 11,000 casual workers especially at the junior level.

Chart A.2. Employment trend in the NEPA-PHCN



Source: Drawn from table A.2.

Trade unions and employers' organizations

The NUEE is the umbrella union for workers in the electricity sector. It is a product of several mergers dating back to the pre-independence era. The trade union in the electricity industry started as the Electrical Workers' Union and later metamorphosed into the Nigerian Electrical Workers' Union alongside the Clerical and Allied Workers' Union. However, with the merger of the ECN and the NDA to form the NEPA in 1972, the unions in the industry came together in 1975. This was known as the Nigerian Electricity Workers' Union (NEWU). The 1976–77 restructure of the unions in the country along industrial lines saw the merging of the following electricity unions to form the National Union of Electricity and Gas Workers (NUEGW) in 1977:

- ECN Northern State Electrical Workers' Union;
- NESCO African Workers' Union;
- NEPA and the Allied Workers' Union;
- Technologist Association of the NEPA;
- Transmission Company Workers' Union;
- NEWU (Ajaero, 2007).

The union has a wide range of coverage of members in industries engaged in power generation, transmission, distribution and marketing such as the Nigerian Electricity Supply Company (NESCO), the NEPA and the Rural Electrification Board throughout the country. Membership of the union is open to employees in electricity and other forms of energy, excluding “gas” for public consumption, professionals and management cadres (Ajaero, 2007).

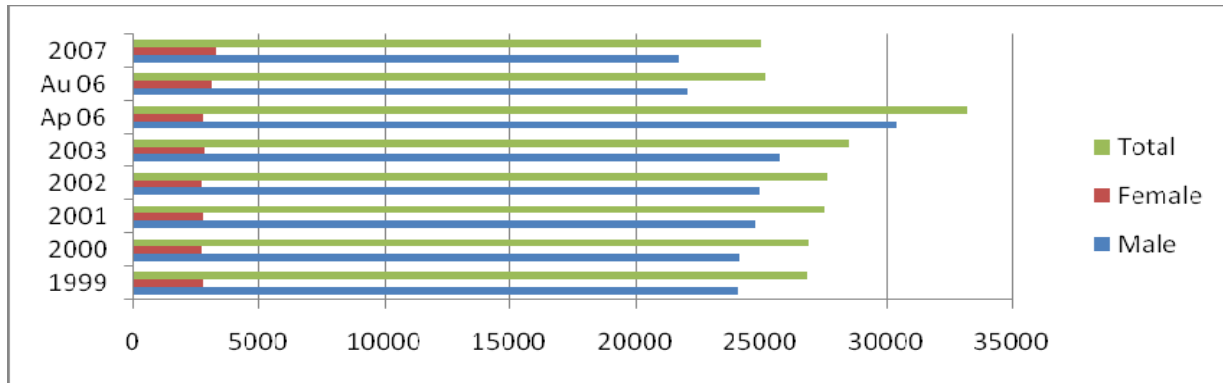
Table A.3. Nation Union of Electricity Employees membership trend (1999–2007)

	1999	2000	2001	2002	2003	Apr. 06	Aug. 06	2007
Male	24 111	24 149	24 751	24 935	25 746	30 428	22 116	21 745
Female	2 765	2 758	2 812	2 743	2 818	2 807	3 120	3 255
Total	26 876	26 907	27 563	27 678	28 564	33 235	25 236	25 000

Source: NUEE secretariat, 2008.

Between 1999 and 2007, the union membership trend has been a mixed grill of some sort, as shown in table A.3 and chart A.3. Initially, there were more of the lower class of workers and a few senior ones as revealed in table A.2. By 2008, the union is more of a professional and highly educated body. Out of about 25,000 union memberships, about 21,000 of these are in senior category as mirrored in table A.2. In addition, there is also the Senior Staff Association of Electricity and Allied Companies, formerly the Senior Staff Association of Statutory Corporations and Government-Owned Companies, NEPA branch (Ajaero, 2007).

Chart A.3. National Union of Electricity Employees membership trend (1999–2008)



Source: Drawn from table A.3.

The objective of the unions, as articulated in their constitutions, is mainly to protect the professional and job interests of members, and to contribute to overall socio-economic and technological advancement of the nation. Thus, the unions are adequately positioned to play a credible role in social dialogue in matters that affect the welfare of their members and overall socio-economic development for Nigeria.

A.2. The reforms

Despite the amendment to the Energy Act in 1998, the sector was still characterized by a number of flaws that made it nearly impossible for private sector investments to flow in. The utility on its part was characterized by operational, institutional and organizational shortcomings, which made it highly ineffective and inefficient.

Some of the most pronounced shortcomings of the sector were:

- (a) the lack of effective regulation; lack of market and industry structure;
- (b) opaque policy and objectives;
- (c) lack of clarity and focus of roles and responsibilities;
- (d) lack of a commercial orientation;
- (e) inefficient allocation of resources;
- (f) inadequate production and supply capacities;
- (g) obsolete transmission and distribution facilities ;
- (h) high system losses; and
- (i) poor billing and collection regime, etc.

It is important to note that private capital prefers a safe environment that would guarantee its return on investment (ROI). However, the electric power industry in Nigeria has not provided the safe milieu to enable industry thrive. Further, as a public utility, considerations of public interest, which is the key motivating factor for the functioning of public agencies, cannot be relied upon to ensure transparent and responsible management and/or limiting political interference with operations of the utility.

A.2.1. The rationale

Nigeria's epileptic energy supply is one of the key factors hampering its development. In 2005 the World Bank estimated that to increase access to 75 per cent would require over \$10 billion in investments. Under the tutelage of the IFIs a major neo-liberal economic reform programme was undertaken by President Olusegun Obasanjo during 1999–2007, which found him heavily in favour with Washington. Though he promised to reform the energy sector, investments of up to \$16 billion made by the federal Government during his eight years in office did not lead to any tangible improvement. The UNIDO project of power supply, with its focus on mini–micro–small turbines, had no visible impact on the power supply situation.

There is general agreement that the system currently suffers from inefficiency and corruption. The Union (see below) identifies clear steps to be taken to deal with inefficiency and corruption. Press reports blame both contractors and employees for corrupt behaviour:

Some commentators have argued that less than ten per cent of the entire money [N300 billion, spent by the Government] actually got to the NEPA–PHCN. The rest, the commentators argue, ended up in the private accounts of a few contractors. These contractors, it is alleged, know next to nothing about electricity. Their major qualification is that they are well connected with those who call the shots. Some of course are mere fronts. We may never find out the truth because the system is complicated. Meanwhile, the crises in the Niger Delta region, shortage of gas and low water level at the Kainji, are reasons always given to explain the inability of government to provide electricity for the people. While misappropriation of funds is the order of the day at the government level, in the NEPA–PHCN the name of the game is fraud, corruption and inefficiency. The officers and workers have perfected other means of enriching themselves. There is a lot of truth in the allegation that the PHCN workers are reluctant to install the prepaid meters. The reason is simple. The introduction of prepaid meters has blocked one of the lucrative avenues of making illegal money. The workers can no longer intimidate consumers with disconnection ladders. They can no longer send fictitious bills.

They can no longer tamper with meters. Above all, they can no longer extort money from consumers who have outstanding arrears. The manipulations in the NEPA–PHCN affect Nigerians in another way. It is bad enough that the people live and work in darkness. It is worse still that they are made to pay exorbitant bills that are calculated from the imagination of PHCN officials.

In order to improve performance in the industry, government undertook a holistic reform of the sector that encompassed both the enthronement of a policy (National Electric Power Policy, 2001) and legal and regulatory framework (Electric Power Sector Reform Act (EPSRA), 2005). The reform comprises of two main components: (i) restructuring; and (ii) privatization. Restructuring of the Nigerian power industry involved three main components: first, the change of the industry structure to stimulate competition and choice as well as promote financial accountability; second, the unbundling of power utility into the constituent functions; and, third, putting in place a new commercial trading arrangement. Privatization, on the other hand, is the change in control and/or ownership of the utility, possibly a future consideration.

The state of the infrastructure in the sector was such that the federal Government also felt the need for short-term solutions to improve the sector. This led to vigorous investment drive by the Government through the building of new generation plants and refurbishing of existing plants. The stability of the grid is critical to the success of many of the steps in the reform programme. Currently, Nigeria has installed generation capacity of about 6,000 MW from its seven power generation stations, but only produces about 2,000–3,500 MW because of the inefficient and ineffective operation of the sector. There are plans to increase the capacity to about 10,000 MW. To ensure the attainment of that

level, the federal Government in 2002 invested in four new thermal power generation stations to add 1,434 MW to the national grid. The stations are: Papalanto (335 MW), Omotosho (335 MW), Geregu (414 MW) and Alaoji (504 MW). In 2005, further investments were undertaken in the subsector under the NIPPs. This is aimed at adding 2810 MW to the national grid. Plants under the NIPP are: Calabar (500 MW), Egbema (350 MW), Eyaen (500 MW), Gbarain (250 MW), Ikot Abasi (300 MW), Sapele (500 MW), Omoku (225 MW) and Ibom (180 MW).

Nigeria is involved in the West African Power Pool (WAPP). It is expected to be one of the main sources of hydropower for the WAPP, and the NEPA is planning a 330 kV line from Lagos to Benin as part of a larger West African interconnection involving Niger, Benin and Togo, financed with a US\$15.6 million credit from the AfDB (Hall, 2006).

As stated earlier, the Government's investment in the subsector was essential to increase the generation capacity of the nation. The capital intensive nature of electricity supply and demand makes it clear that the goal of the reform will not be met if there is sole reliance on the private sector to bring in the massive investment required immediately. It is also not anticipated that in the short run government will totally withdraw from investing in the sector. It is important however, to clarify that government does not intend to manage any of the new plants it is building and they are all up for future privatization.

A.2.2. Electric Power Sector Reform Act, 2005

The EPSRA, 2005, provides legal backing for the:

- creation of holding company to absorb the NEPA's assets and liabilities;
- unbundling of the NEPA into distinct business units;
- establishment of an independent regulatory body for the electricity industry;
- establishment of a rural electrification agency and the setting up of a fund to increase rural access to electricity;
- provision of lifeline tariff to low-income electricity consumers;
- privatization of business units that will emerge from the unbundling of the NEPA;
- implementation of the Multi-Year Tariff Order that will enable tariffs to cover the cost of production, pass through uncontrollable costs and guarantee adequate ROI.

Privatization as a reform strategy first came into being in the 1980s. Indeed it is on record that the word first appeared in standard dictionaries only in the early 1980s. Privatization as a reform strategy has different perspectives depending on the sector that is driving it. From the economist's point of view, the need to privatize arises from the anticipation that it will enhance efficiency in the supply of products and service in that particular sector (Chigbue, 2008).

A.2.3. Reform steps already taken

These initiatives are expected to help fast-track the restructuring and privatization of the sector. For example, the unbundling of distribution into 11 semi-autonomous business units (profit centres) occurred in January 2004 to improve billing and collection. The underlying philosophy was that increased autonomy comes with greater accountability and

in-built checks to monitor performance under a clearly defined incentive/sanctions regime). Thus, the Government divided the current PHCN distribution sector into separate companies or entities that will be called local electric distribution companies or local distribution companies or business units among the regions.

The following other steps were taken:

- Transmission Company (TransysCo) was launched as a semi-autonomous unit on 2 April 2004;
- the generation sector was unbundled in December 2004;
- capacity building to commence for potential staff of shadow electricity sector regulatory agency;
- preparations are ongoing to incorporate the unbundled units into separate legal entities;
- shadow trading market arrangement based transfer pricing has commenced (January 2005) among all the unbundled business units to enhance energy accounting.

A.2.4. Government policy on independent power producers

- No commercial risk guarantees provided by federal Government; except those secured from multilaterals
- Political and sovereign risk guarantees are available from the federal Government
- Fuel supply to be sourced by IPPs
- Duty exemptions on imported equipment and materials
- Five-year tax free holiday for gas-to-power projects
- Capital allowances on fixed assets can be carried forward after expiration of tax holiday period (Makoju, 2005)

A.2.5. Why further reforms

Despite the existence of a monopoly, the electricity sector continued to fail to meet up with the demand for electricity. The following characteristics were particularly noted on the supply side:

- the Nigerian electricity supply industry (ESI) is dominated by a state monopoly;
- only 36 per cent of the populace are connected to the national grid;
- currently generating between 2,500 MW and 3,500 MW of power out of an installed capacity of 5,963 MW. This is some improvement from the 1999 performance of 1,300 MW;
- about 2,500 MW of self-generation from petrol and diesel power generating sets exist;

-
- transmission lines are poorly maintained and frequently vandalized. This results in transmission losses of over 25 per cent of electricity produced;
 - because of poor billing procedures less than 70 per cent of what is received is actually paid for (Tinubu, 2008).

The industry has been unable to meet growing demand. Nigeria's peak electricity demand reveals the following trends:

- demand has grown at a rate of 8.2 per cent per annum since 1984 against GDP growth of about 3–5 per cent;
- optimistically looking at the increase in economic growth in Nigeria demand should grow at about 10 per cent per annum;
- supply gap – projected demand ~12,000 MW vs. supply of 3,600 MW (Tinubu, 2008).

Against this backdrop, the reform of the electricity industry is predicated on the federal Government's National Electric Power Policy (approved in 2001) and the Power Sector Reform Act, 2005. The ESI is capital intensive. The federal Government, with a plethora of social responsibilities, cannot adequately fund its development. Consequently, reform of the sector became necessary to: (i) attract and encourage PSP; (ii) attract private capital to fund the sector; and (iii) ensure a level playing ground for all investors.

As the Nigerian power sector progresses through significant reforms, the investment opportunities are expected to greatly manifest in:

- power sector financiers: project finance, export credit, loan providers;
- construction of natural gas transmission and distribution networks and storage facilities;
- operations and management of power stations and transmission infrastructure such as rehabilitate–operate–manage and rehabilitate–operate–transfer and operations management only contracts;
- training programmes for capacity building in state-of-the-art technical competencies relevant to operations in liberalized power markets;
- greenfield projects in gas and coal-fired power generation;
- government privatization of power stations and distribution infrastructure;
- manufacturers and suppliers of energy sector equipment and spares;
- power sector consultancy and advisory services;
- investments in renewable energy sources, for example, wind, solar;
- mini-hydros, biomass, etc.; off-grid generation for rural electrification;
- location of assembly plants and repair shops in Nigeria for materials and spares relevant to the power sector.

Put differently, the reform is expected to remove obstacles against development. As designed, reforms of the electricity sector is aimed at replacing the vicious cycle of low industry returns, poor credit rating, higher debt costs, worsening financial performance, low investment, declining reliability, declining economic growth and low industry returns with virtuous cycle of reasonable industry returns, ability to finance investment, improvement of financial performance, better credit rating, adequate investment, reliable economic supply, strong economic growth and adequate electric industry returns.

There are household names either already involved in, or negotiating for, projects in the Nigerian power sector: ESKOM, AES, Aggrekko, Shell, ABB, ExxonMobil, Alstom, Siemens, Sweco, etc.

Box A.1

Enron, Allied Energy Systems and Lagos barges

In 1999, Enron agreed to develop an independent power project in Lagos, involving supplying 290 MW from nine barge-mounted gas turbines at the Egbin Power Station, to provide electricity for industrial consumers in the State. The deal was based on a 13-year power purchase agreement (PPA) which specified that the NEPA would buy power at US\$0.032 per kWh. In January 2001 Enron sold the project to the AES. A Nigerian partner, YF-Power, a division of Nigeria's privately held Yinka Folawiyi Group, was given an unknown stake in the project. The original deal formed part of the prosecutions against former Enron executives, who had misrepresented the status of the barges.

In 2003, the NEPA demanded that Lagos State should renegotiate the contract due to the financial burden imposed by the contract terms, particularly since the State Government was failing to pay its 15 per cent share of the guaranteed price. A NEPA director, Sam Agbogun, said that the contract term is one sided in favour of the AES because "we [NEPA] were not involved in the negotiations, otherwise we would have straightened out all the grey areas in the contracts. ... we have had to abide by the contract terms because the integrity of the country is involved and any attempt to do otherwise would send wrong signals to some foreign investors ...What we are trying to do now is to call all the parties and lay the cards on the table, because the contract terms are now threatening our survival". The NEPA had been paying in accordance with the contract but this was now financially unsustainable for the NEPA.

The integrity of the independent power project deal was further questioned in 2005 by the NUEE representatives, who implied that the AES was even exaggerating the amount of electricity it was actually supplying to the NEPA: "How do we know the quantity of energy delivered to us by the IPP, that is, the AES and the AGIP? Where is the meter measuring the consumption of the zone from the IPP, and who reads the meter to know the actual energy delivered to the zone from IPPs every month?" In 2006, the Peoples Democratic Party called on the Economic and Financial Crimes Commission (EFCC) to probe the Lagos-AES power project claiming that it has cost the State over \$500 million.

Source: Hall (2006).

A.3. Outcomes of the reforms so far undertaken

A.3.1. Generation: Independent power projects and other new power stations

Since the evolution of the current reforms, independent power projects have come on board the power sector in Nigeria. From 1999 several independent power projects were set up, as shown in table A.4.

Table A.4. Ongoing independent power projects in Nigeria

Date	Location	Company	Capacity	Initiating government
July 2000	Lagos	AES (ex-Enron)	270 MW	Lagos
n.a.	Abuja	ABB	450 MW	Federal Government
August 2000	P-Harcourt	Siemens	276 MW	
April 2000	Kwale	ENI-Agip	450 MW	Delta
n.a.	Bonny	Exxon-Mobil	388 MW	
n.a.	Enugu	Eskom	2 000 MW	
March 2001	Three locations in Rivers State	n.a.	180 MW	Rivers

Source: Hall (2006).

In 2006 the new regulator, the Nigeria Electricity Regulatory Commission (NERC), issued licenses to new private power projects, including: Supertek Nigeria Limited 1000MW, Farm Electric Supply Limited 150MW, ICS Power Limited 624MW and Ethiope Energy Limited 2,800MW. Their base of operations includes Akwete, (Abia), Ota, (Ogun), Alaoji, (Abia) and Sapele, (Delta) states respectively.

In April 2005, the situation of the Nigerian electricity sector was dismal on account of low generation and transmission capacities. According to Makoju (2005), the following facts were daunting:

- *Generation:* From eight generating stations, thermal stations gave 4,058 MW, and hydropower 1,938 MW, together gave a total installed capacity of 5,996 MW.
- *Transmission and dispatch:* Transmission voltage levels: 330 kV and 132 kV; length of transmission lines: 330 kV (5,000 km), 132 kV (6,000 km); total transformer capacity: 7,000 MVA; frequency control policy: 50Hz \pm 0.4 per cent; voltage control policy: 330 kV +5 per cent and -15 per cent, 132 kV +10 per cent and -15 per cent, and two national control centres at Shiroro and Oshogbo.
- *Distribution:* Distribution voltage levels: 33 kV, 11 kV and 0.415 kV; length of distribution lines: 33 kV (37,173 km), 11 kV (29,055 km), 415V (70,799 km); total transformer capacity: 14,400 MVA; frequency control: 50 Hz \pm 10 per cent

Table A.5. Plan for a build up in generation capacity 2003–10

Power station	Station capacity (MW)		Average capacity build up (MW)						
	Designed	Available	2004	2005	2006	2007	2008	2009	2010
<i>Existing NEPA stations</i>									
Subtotal (1)	6 161	3 959	3 068	3 207	3 357	4 027	3 880	3 780	3 780
<i>Existing IPPs and EPPs</i>									
Subtotal (2)	320	301	270	270	270	270	270	270	270
<i>New NEPA stations</i>									
Omotosho	335	0	0	0	167.5	335	335	335	335
Papalanto	335	0	0	167.5	335	335	335	335	335
Geregu	414	0	0	276	414	414	414	414	414
Alaoji						340	340	340	340
Niger Delta						400	600	700	700
Subtotal (3)	1 084	0	0	444	917	1 824	2 024	2 124	2 124
<i>New IPPs</i>									
Mambilla Hydro							0	1 000	1 500
Trans Amadi (RVSG)	36	30	30	180	180	180	180	180	180
Agip (Ph 1 and part of Ph 2)	800	0	320	480	480	800	800	800	800
Afam VI–SPDC			276	276	980	980	980	980	980
Sapele – ROT					170	500	820	1020	1 020
Ibom Power	142	0	0	0	142	142	142	142	142
Other IPPs	1 150	0	0	0	0	1 200	1 300	1 300	1 350
Subtotal (4)	2 128	30	625	936	1 952	3 922	4 222	5 422	5 972
Grand total	9 693	4290	3 964	4 857	6 496	9 923	10 396	11 596	12 146

Source: NEPA → IHC → Unbundling of NEPA and creation of new business units (generation, transmission and distribution companies) → unbundled business units incorporated as successor companies in readiness for privatization.

A.3.2. The economic and social impact of electricity industry reform

The overriding goal of the reform process in Nigeria and elsewhere is to provide long-term benefits to consumers. The market provides better incentives for controlling costs, supports rational pricing, encourages private investment and shifts the investment risks to the investors and away from consumers.

The elements of electricity industry reform, in sum, include: (i) privatization of state-owned enterprises; (ii) vertical and horizontal restructuring to facilitate competition; (iii) performance-based regulation applied to transmission and distribution; (iv) good wholesale market designs that facilitate competition; (v) competitive entry of new generators; and (vi) retail competition, at least for large customers

Basic impacts of the reforms

- Reform has delivered major improvements in labour productivity and service quality in electric distribution systems, as was similarly found in England and Wales, Argentina, Chile, Brazil, Peru, Australia and New Zealand.
- Losses and thefts have greatly reduced. See the success story of the case of Ikeja Business Unit of the PHCN (www.phcnikejazone.org).
- Distribution and transmission network outages have declined.

The efficiency of investment in new plants

- The performance of existing generating plants has improved dramatically.
- Costly political preferences have generally been ignored as private generating companies may have to reduce costs to compete successfully.
- Substantial amounts of capital have been mobilised to support construction of new efficient generating capacity in many countries that have implemented reforms, not excepting Nigeria. The activities of IPPs are particularly noted in Nigeria.

Reduction in electricity tariffs

- Retail electricity prices have become better aligned with electricity supply costs
- In some countries this has meant increasing retail prices for some consumer classes that previously had been too low. However, in developed countries, retail prices have generally fallen to reflect reductions in costs. Such a feat is yet to be recorded in Nigeria.

Some potential areas of failure

- Poorly designed reforms as exemplified in the case of Brazil and California are prone to failures. Macroeconomic problems are undermining investments in generally well designed systems as in Argentina, and ongoing political interferences are undermining private sector investments in a number of Asian countries. The power sector reforms in Nigeria seem to be suffering from corruptions and failed contracts

as reported variously in *Power Sector Watch* (www.powersectorwatch.com, visited 28 August 2008).

- Even in countries where the reforms are generally considered to have been successful, such as Australia, there are areas where the outcomes are considerably less than could have been achieved.

The social impacts of electricity reforms

- In developing countries most of the impact of change in the electricity industry will be through electricity prices that reflect the costs of production. In the Nigerian experience, most of the complaints from electricity consumers are on its non-availability rather than the rates per unit of consumption.
- Reforms often bring about an initial price increase as previously regulated levels are usually below those that can sustain the necessary investment and maintenance needed for a reliable system.

Political pricing and investment decisions

- Governments are often reluctant to let go of subsidised electricity prices because utilities are generally regarded as the responsibility of governments, and sometimes issues of electioneering campaign promises. Consequently, electricity is frequently seen as an essential item that governments wish to keep affordable for all income groups.
- Keeping electricity “affordable for all” usually means keeping prices at unsustainably low levels, causing significant harm to this important industry and to the economy as a whole.

A.4. Trends in employment and working conditions

Concurrent with reforms of the electricity sector, were a number of other reforms with impacts on workers and their quality of life. These policies include trade union reforms, pension reforms, national health insurance, procurement process, and the like. Hence, the effects of the reforms in electricity might be compounded by social responses of the actors to these other reforms. Nevertheless, we attempt to isolate some of the effects of electricity reforms on employment and conditions of work. Such effects have been largely mixed.

A.4.1. Employment and labour issues

The main effects on labour can be categorized under four broad headings: (1) the background, including protection agreements; (2) the impact on pay and conditions, especially through outsourcing; (3) the effects on employment and on employees; and (4) other issues, including union rights. Each section is based on a review of existing published evidence. This information was collected from the unions over the life of the project.

The Electric Power Sector Bill signed into law on 11 March 2005 seeks to provide for the formation of companies to take over the functions, assets, liabilities and staff of the NEPA among others. Though section 5(1) and 21(10) of the Power Sector Reform Act attempt to create an impression that transfer of employees from the NEPA or the PHCN to

the successor companies shall be on the same terms of employment as when working for the NEPA, this is far from the truth. This argument is premised on the fact that as soon as a new condition of service is drawn up by successor companies or the initial holding company, NEPA workers may lose some of the advantages they enjoy over their private sector workers. In the first place, they would no longer be public servants within the meaning of section 38 of the Constitution. Second, where their employment is protected by statute or statutory flavour, their employment can be terminated as one of master–servant on any flimsy excuse.

It must be noted here that for proper protection of employment and agreement on pay and conditions that will favour the job incumbents even after being transferred to a new employer(s) as the case may be, the need for dialogue among the stakeholders is paramount. This will result in agreements that will be endorsed and implemented. It does not seem evident that quality dialogue was applied in the power sector reforms judging by the number of job losses that have been recorded in the wake of the ongoing reforms. The drop in the trend of employment in the NEPA (see interview with Ajaero, 2008) illustrates this situation.

A.4.2. Outsourcing

The fear of the unknown is affecting the workers in the sector. As a matter of fact, the fear is creating apathy and affecting the workers' effectiveness and their productivity level. It is not in doubt that in addition to layoffs and redundancies, when the privatization of the sector is finalized, the unbundled and privatized companies will systematically use the globally acceptable practice of outsourcing to reduce the workforce, reduce labour costs and increase labour flexibility.

In Argentina, companies used outsourcing to drive down working conditions, in the areas of system maintenance, personnel, invoicing, collections, etc. Work which had been performed by direct employees was outsourced through the formalization of two-year outsourced contracts with labour cooperatives, in exchange for a monthly payment estimated for the contracted period. At the end of the two-year period, the principal company usually demanded lower pay rates and conditions as a condition for renewal of the outsourcing contract. The workers were forced to accept these less favourable conditions or lose the contract altogether. These situations may also be experienced in Nigeria, if not at a higher level, against the backdrop of higher levels of national unemployment rates.

In order not to be laid off, workers could agree to accept voluntary severance, and then accept a contract with the company to do the same tasks but as a self-employed person. The severance benefits may never be paid. This is traceable to the various privatization processes where workers severance benefits were never paid, even for those that have worked for years. The worker may lose the security of the employer–employee relationship and had to provide for his or her own future pension. The union may then be made irrelevant. The companies may save money by reducing social contributions and only having to hire the workers when considered necessary. If Nigerian electricity employer(s) take this stance, union membership and activism would be negatively affected in the sector.

A.5. Evaluation of the policies relating to redundancies

Redundancy policy in Nigerian laws is contained in section 19 of the Labour Act. It prescribed a joint determination by employers and representatives of workers in an enterprise contemplating redundancy. Specifically, it prescribes the processes of dialogue

for a joint determination of whether or not the situation amounts to a redundancy, the adoptable practice of managing it, issues of compensation and kindred matters. In the current reform case of the electricity sector, a number of issues are thrown up by the policy as given.

A.5.1. The fear of job loss

Public sector workers have been perceived as part of the “problem” of the public sector and so measures have been introduced to either reduce the size of the workforce or increase the “flexibility” of public sector workers (Lewis, 2000). However, there has been a growing awareness in the past two or three years, triggered by the Millennium Development Goals (MDGs), that liberalization and privatization of the public sector are threatening its existence, particularly because of deteriorating working conditions and the resulting depletion of the workforce (Mutizwa-Mangiza, 1998; Matheson, 2002; Steijn 2002). Consequently, the first matter arising from the reforms is the degree to which workers would lose their jobs.

A.5.2. Does the situation amount to a redundancy?

The NUEE argues that reform of the NEPA could include: “appointment of an autonomous board of competent people, people of proven ability and integrity that will bring their background to bear in managing the NEPA more efficiently ... Eliminate unplanned capital cost, ensure that public and private sector subscribers pay their tariffs, all revenue leakages should be apprehended, grid loads must be scientifically established, consumer waste of energy or electricity should be curbed through proper enlightenment campaigns, transmission efficiency index, accurate customer–consumer census and accurate billing and collection index, should be established” The number of subscribers to the NEPA must be established, tougher penalty for illegal power users and their NEPA staff collaborators would also assist. There are so many things that can be done if only the Bureau for Public Enterprises (BPE) and the Government will listen and agree to a dialogue and the advice of those who know better ...” (interview with Joe Ajaero, 2008).

The NUEE states that the BPE has no expertise or understanding of the issues faced by the parastatals in Nigeria, but is only concerned to privatize them. The union maintains that the Nigerian private sector is not shielded from corruption and inefficiency and may be more exploitative than the public sector. The exploitative tendency of the private sector seemed to have been confirmed by El-Rufai, Director-General of the BPE, who publicly boasted that 20,000 out of 30,000 NEPA employees will be sacked as a result of privatization. The BPE obtained a court injunction restraining the NUEE from strike action.

In August 2006, the NUEE “mounted a court challenge to the impending privatization of the parastatal, which they fear will negatively affect their employment prospects because of expected downsizing. The NUEE submitted a petition to a high court in the capital Abuja to have the privatization of the state monopoly declared unconstitutional”.

In July 2006 the union called off a nationwide strike threat after offers of negotiations: “... The union had threatened industrial strike over its disaffection at being left out of the winding down process of the PHCN. The Secretary General of the NUEE, Joe Ajaero said yesterday in Abuja that the union has shelved the strike because the BPE had agreed to involve them in the winding process...”

The grouse of the union is that the adopted management of the redundancy as determined by the BPE is assumptive and unilateral. The views of the employees should

have been considered before concluding that the reforms necessarily amount to a redundancy in accordance with the Nigerian labour laws.

A.5.3. Severance pay and terminal benefits

In November 2005 a NUEE branch brought a court case to try and protect pension rights:

Some staff of the Power Holding Company of Nigeria (PHCN) plc have urged a Federal High Court, Abuja to hold that N107 billion be put aside to offset their pension liabilities before the company's tax liabilities of N8.8 billion is settled. The workers in the action against the PHCN and the federal Government are seeking to stop the company from transferring its property in Ikoyi, Lagos, to the Federal Inland Revenue Service (FIRS) to settle its debt liabilities. At the resumed hearing of the case Monday, Lagos lawyer, Mr Abiodun Owonikoko, who represented the workers, said there was a nexus between the company's assets and the pension debt. Consequently, the workers came to court seeking an order to compel PHCN to primarily set aside money to offset their pension said to be about N107 billion. The FIRS, the BPE and the Accountant General of the Federation were equally named as defendants ... The workers had earlier sworn to resist the taking over of NEPA house located at No 17B Awolowo Road Ikoyi, Lagos, by the FIRS. The house was relinquished to the FIRS by the management of the PHCN in a bid to settle a debt of N8.8 billion tax liabilities owed by the PHCN to the tax authorities. Workers in the PHCN comprising the NUEE, Senior Staff Association of Statutory Corporations and Government-Owned Companies as well as the Nigeria Union of Pensioners had also written to the management of the PHCN not to hand over the complex in Ikoyi to the FIRS. The workers wondered why the FIRS was threatening to take over the property of the NEPA because it owed N8.8 billion why other federal Government agencies owed the NEPA about N44 billion. According to the workers, money to settle their pension should be given priority before the debt owed to the FIRS.

It is thus evident that difficulties with redundancy pay become a significant issue in the management of redundancy. Given the reforms in the pension environment and the uncertainties that describe the change from pay as you go to privatized pension, so much tension is generated as workers on the exit want secured pension compensation. It would be expected that social dialogue has the potency to resolve some of these grey areas.

A.6. State of social dialogue

A.6.1. The rationale for social dialogue

Change inspired by globalization and the liberalization of markets and investments compel countries to find ways to press on for the efficiency and quality of public services. The concern of the ILO is to ensure decent work and pay for those who deliver these services. The ILO seeks to improve the quality of life for all workers and their families, whilst promoting productivity so that businesses can flourish. Solutions to these challenges may be found through social dialogue (bipartite and tripartite) at all stages of planning, implementing and monitoring reform schemes, as well as during corporate restructuring and in day-to-day operations (ILO, 2003; Fajana, 2005).

The ILO defines social dialogue to include all types of negotiations, consultation or simply exchange of information between or among representatives of governments, employers and workers on issues of common interest relating to economic and social policy (Otobo, 2006). Still evolving, this definition varies from country to country and from region to region. It could take the form of information sharing, consultation, tripartite or bipartite negotiations or collective bargaining. At a broader sense it may involve debates

with and among governments, civil society, organized labour and even multinational organizations.

Social dialogue must play a predominant part in restructuring and privatization in order to ensure public interest, build good practices, and help alleviate the social problems often created. Social aspects are an integral component of the success of change and should be considered from the very beginning; and all stakeholders should be involved. Many privatization processes have lacked transparency and failed to include ratepayers and workers. Strong opposition by workers and the general public has often been the consequence when socio-economic and employment issues are not considered from mutual perspectives of all the stakeholders. In particular, the social dialogue roles of the federal or state legislative assemblies in workplace reforms in Nigeria have been below expectation.

A.6.2. Inclusivity of the reform process

The need for including all employees (and other stakeholders) for the protection of their employment interests whenever privatization is imminent and or contemplated cannot be overemphasized. In most cases all staff would be transferred to the new companies at privatization, so there was no immediate loss of jobs. There was provision for retraining while compensation payments were made to workers. In Nigeria, it is a different kettle of fish. The decision on the issue of privatization, especially of the electricity sector was done without any discussion with the workers and their representatives (union), who are the major stakeholders in this business. Major decisions were taken on the various aspects of electricity privatization, and the conditions of the workers after the exercises were either not discussed at all, or were discussed without the involvement of the workers or rather, discussed to rob workers of their legitimate rights and privileges by taking them back to zero level. Even where provisions are made, these provisions were worthless without effective political and regulatory action, which was not forthcoming. In practice companies were permitted to downsize as much as they wanted. Even when a new government came to power in 1999, it decided to investigate corruption in the reform processes, but not to investigate the damage done to the workers.

In Colombia for instance, the existing collective agreement continued to apply to those employed at the time of privatization, but not for new workers, who are employed under a different contract with less pay and less security. This type of agreement is not in practice in Nigeria, as the new employers are always eager to throw out the old employees, notwithstanding their experiences (interview with Joe Ajaero, 2008).

The initial action plan provides for regular meetings to be held between the BPE, the PHCN, the Senior Staff Association and the NUEE so as to bridge any information gap on the mode of implementation of the Power Sector Reform Agenda, especially those items in the Agenda that affect staff. Regrettably, no meeting took place and the BPE went about implementation of the Agenda without carrying along critical stakeholders and the union (Ajaero, 2007). The union, who was not privy to some vital decision, protested vehemently against the contrived sales of the nation's strategic power stations and proceeded to mobilize and influence public sentiments in this regard. Even the role of the NERC, according to Ajaero, is also questionable and possibly below expectation.

Since the privatization drive commenced, there has been legions of disagreements between the union, management and the BPE, the government agency responsible for privatization. These disagreements were dragged to the apex courts in the land for adjudication and settlement. The implication of this is that actions were taken on the vital issues on the privatization without adequate consultation and agreement with all the stakeholders. One plausible explanation for this development is that, *ab initio*, organized labour had continued to vehemently oppose the idea of privatization of most state

enterprises, and consequently could not maximize its opportunity to participate in the authoring of the BPE document/guidelines on privatization of state enterprises. While this ineffective tantrum continued, the Government went ahead progressively with more and more the implementation of the privatization agenda. It is suspected that the quality of guidelines agreed would have been more protective of the rights of workers, if organized labour had utilized the little window given it to participate in the formulation of the privatization guidelines.

A.6.3. Review of collective agreements

In Nigeria, collective agreements covering the whole of the electricity sector after current reforms have never been entered into. It is inevitable that whenever the idea of privatization is finally arrived at and consummated, the current practice of industry-wide bargaining is likely going to be replaced by fragmented or separated negotiations with each company. Further fragmentation would also be caused by outsourcing of various operations in each company. Union membership would become divided, reduced and vulnerable as a result. The degree to which “new” owners are willing to own agreements reached with previous employers remain a significant issue in the workplace management of change in industrial relations, but social dialogue is capable of minimizing the resultant tension.

A.6.4. Workers’ share ownership and representation

Worker shareholdings have been an integral part of almost all privatization projects in Latin America. It is generally regarded as a tactic designed to co-opt employees into the process and reduce trade union resistance. In Argentina employees were assigned between 2 per cent and 12 per cent of the shares as part of the privatization process; in Chile between 6 per cent and 10 per cent. In Brazil, Rio de Janeiro state offered workers up to 10 per cent of shares, at a 30 per cent discount, plus the right to elect a representative onto the board (Hall, 2005). Realistically, the whole privatization process in the electricity sector in Nigeria is not worker friendly, because workers’ representatives (the union) are never involved in the entire process. The whole process is not only shady; it is not transparent enough for all stakeholders to see. Even the NURE is not only being challenged, the BPE sees them as the cog in the wheel of the progress of the entire privatization process. This is because of the union’s role to fight for the rights of their members in the periods before, during and after privatization processes. The involvement of workers, their positions and status in the new plan have never been discussed and finalized.

A.6.5. The role of the State in social dialogue

It is observed that the national, state and local government assemblies who have ultimate concurrent responsibility for labour matters are yet to take proposals or bills to the people for proper debates. This is a trend that deserves a reversal.

A.7. Current issues and challenges facing the sector

A number of issues currently challenge the electricity sector, to which all stakeholders should apply the ideals of social dialogue to resolve. These issues range from rural electrification, access of poor people to electricity, the issue of tariffs, the continued investment of the State in power stations, how to deal with continued resistance to privatization and regulate the monopoly aspect of the sector, the strains associated with the

current transition and the need to increase the capacity of indigenous workers as well as value adding local contents in the sector. We discuss these challenges in the rest of this section.

A.7.1. Rural electrification

The National Rural Electrification Programme was started in 1981 with the aim of connecting all the country's local government headquarters and some important towns to the national grid. Currently about 600 of the 774 local government headquarters in the country have been connected to the national grid. In the absence of government funding, there is often no further extension of the grid in towns and villages, a common problem in poor countries.

The 2005 Act created a Rural Electrification Fund with the remit to promote rural electrification:

... through public and PSP ... in order to achieve more equitable regional access to electricity; maximize the economic, social and environmental benefits of rural electrification subsidies; promote expansion of the grid and development of off-grid electrification.

An Energy Sector Management Assistance Programme study at the end of 2005 pointed out that while tariffs remain below cost, consumers will refuse to pay cost recovery prices for private power; and that it is hard to find private finance for the extension of electricity when Nigeria is an unattractive destination for international finance, and domestic interest rates are currently at 20 per cent.

A.7.2. Energy poor

The NERC has the legal power to put in place lifeline tariffs and to discriminate in favour of essential services such as hospitals. Yet questions remain over its political strength. In August 2007 the commission called on the Government to provide subsidies, without which electricity would be unaffordable for millions of Nigerians. However the World Bank stated that, in order to achieve full cost recovery with an adequate profit margin, the "Reasonable average tariff" should be about 30 per cent higher than the one currently in operation. This contradicts the Bank's own Joint Staff Advisory Note on the progress report for the NEEDS, of June 2007 which states "it will be important to establish electricity tariffs which allow cost recovery, while introducing adequate measures to protect vulnerable groups"(NEEDS, 2007:7).

The minority of Nigerians connected to the electric grid suffer from frequent and unpredictable blackouts. Many parts of the country go for days without access. Power is often rationed, meaning that communities receive electricity only on alternate days, and rarely for the full day when they do. Bills are generally issued on the basis of arbitrary estimates, often charging consumers for much more than they have consumed. Mass disconnections of entire communities are common, on the grounds that some households in the area have been facilitating illegal tapping or refusing to pay their bill. This obliges all those affected to either pay a hefty bribe and/or reconnection fee. Often out of desperation to access a supply of energy that many simply cannot afford, illegal tapping, vandalization of power lines and non-payment of bills is common. Power outages across the country have had a dire impact on essential services such as hospitals and schools as well as small businesses. A few can afford to rely on generators, which are cumbersome and extremely expensive to run.

Rural electricity access in Nigeria is less than 20 per cent (International Centre for Energy, Environment and Development, 2006). Most rural populations are off grid and almost wholly reliant on wood fuel for domestic needs. Wood is usually collected by women who walk up to eight hours per day to find it. Nearly two-thirds of Nigeria's energy consumption is from traditional burning of fuel wood and agricultural wastes. Most rural electrification schemes are powered by diesel generators (UNIDO–Energy Commission of Nigeria, 2003).

However diesel fuel must often be carried over long distances, on unpaved roads, which is difficult during the rainy season. According to the Bank, in a country with over 130 million people, Nigeria's electricity utility company has only 4.6 million customers (World Bank, 2007). One connection is shared by numerous customers. In 2005 technical losses in the transmission and distribution system were as high as 40 per cent. A large part of the transmission system for rural areas suffers from extensive vandalism and inadequate maintenance. Power-generation facilities are in poor shape whilst distribution networks are poorly maintained and inefficiently operated: hence the difficulty in moving power from generation to consumption points. Statistics on electricity access, and grid capacity and output vary (the Nigerian *Guardian*, 2007). But, the second NEEDS report cites installed generation capacity at 6,000 MW, but with available energy output at only 3,000 MW, less than 30 per cent of the demand, currently estimated to be at 10,000 MW (NEEDS-2, 2007:210). A related issue is the price of electricity.

A.7.3. The price of electricity

In February 2006 the Trade Union Congress of Nigeria (TUC) opposed a proposed 60 per cent rise in the price of electricity:

The Trade Union Congress of Nigeria (TUC) has kicked against the proposed 60 per cent increase in tariff for services provided by the Power Holding Company of Nigeria (PHCN). The TUC said it is objecting to the proposed hike because the current economic situation in the country does not support such increases as, according to it, the hike will not only add to the burden of the Nigerian people but also pauperize them. It also said its objection to the PHCN proposal is based on the fact that the company has not lived up to its expectations despite the huge sums of money being spent on the company, but instead is 'now holding on to power rather than delivery'. It is therefore calling on the federal Government to reject the proposed increase in tariff. 'The Congress believes that the proposed increase should be rejected by the federal government as the PHCN has not lived up to expectations despite the enormous resources pumped into the sector', it stated. This opposition is coming on the heels of a proposed 60 per cent tariff hike by the PHCN, popularly known as the NEPA. Currently, the company charges N4.00 per unit for non-commercial consumers.' (Hall, 2006)

In September 2006 an opinion poll by Business Trust suggested that many Nigerians are ready to pay more for constant electricity, which is crucial to make private operations possible.

A.7.4. New public sector power stations

In 2006 the Government continued to make heavy public sector investments in new power stations. A total of 12 new power stations are being created by the Government, at a cost of US\$7 billion. They include 11 new thermal power stations at: Geregu, Kogi state (414 MW); Papalanto, Ogun state (335 MW); Omotosho, Ondo state (335 MW); and Alaoji (310 MW in South Western Nigeria; Ikot Abasi in Akwa Ibom state; Sapele in Delta state; Omoku in Rivers state; Egbema in Imo state; Benin in Edo state; Calabar in Cross River state; and the seventh in Bayelsa state.

In addition, in July 2006 the Government agreed to start on the Mambilla hydropower project, which is expected to generate 2,000 MW, and will be financed with loans from China, the Islamic Bank and funding from the federal Government. It will cost the nation about US\$3 billion or some 390 billion naira (N), and construction should start before the end of 2006. It will be managed by a special team under the President's own control.

With such continued heavy investment in the sector, it seems unlikely that the Government would still want to go ahead with a full privatization of the sector. This is a matter that has continued to challenge the stakeholders in the sector, thus posing challenges for social dialogue.

A.7.5. Resistance to privatization

The privatization of electricity in Nigeria is currently in limbo as the Government has continued to invest massively in the sector. Nevertheless, resistance to electricity privatization continues to be sustained in Nigeria while the NERC continues to offer justification for the reforms and promising better regulation of the sector (Owan, in Hassan, 2008) through incentives. This action similarly challenges the quality of future social dialogue in the sector, especially if the union side deploys an avoidance tactic withdrawing from discussions on the processes and programmes of planned privatizations as some unions did in the early days of privatization efforts in Nigeria.

A.7.6. Regulation is still needed for the monopoly parts of the industry

An emerging major concern of stakeholders in the energy sector is that the electricity sector cannot be left as of now completely unregulated. The following reasons make some form of current and future regulation of the monopoly sector inevitable and desirable:

- (a) privatization of distribution and transmission companies combined with the application of performance based regulation can provide better incentives for them to reduce costs and improve service quality; and
- (b) the efficiency of competitive wholesale and retail markets and the operation of the sector as a whole depend heavily on well functioning transmission and distribution networks. The heavy investment outlays in these activities may still require state intervention funds or bailouts, and consequently, policies must be employed to regulate state-company relationship.

A.7.7. Uneasy transition

The national assembly has criticized the federal Government for its refusal to transfer the assets of the defunct NEPA to the successor companies in generation, transmission and distribution. The report pointed out that "any plan to resurrect the NEPA under the guise of a transitional board for the PHCN would require an act of the National Assembly to repeal or amend the EPSRA".

A panel of the House of Representatives reported and recommended the immediate constitution of proper boards for the 18 successor companies to enable them function more independently outside the overarching influence of an "omnibus" and "inefficient" PHCN.

It stated that direct allocations should be made to the generation and distribution companies to strengthen their operational capacity and enable them to take independent actions of their own to improve the power situation. "The PHCN should be wound up

expeditiously in compliance with the EPSR Act 2005 and the reform process strengthened” the report said under Part 7: Recommendations for institutional reforms.

The report added that, even if the laws were to be amended to accommodate the PHCN, “an intensive and extensive purge at all levels” of the PHCN and associated agencies should be carried out. It also said that there was the need for the federal Government to decisively address the “crass incompetence” entrenched at the top-level management at the company as well as the Niger Delta Power Holding Company, which supervises the NIPPs.

This is contrary to the recommendations of the Rilwanu Lukman-led committee that reviewed the power sector reforms and favoured a strong PHCN to “coordinate” power sector activities. The appointment of a transitional board for the PHCN, with former Minister of Energy, Alhaji Bello Sulaiman, as the Managing Director, has already been criticized as a step backwards in addressing the nation’s power crisis.

Indeed, the committee said it was “baffled that some of the men who ran down organizations in this country in recent years are still drafted by the Government to come back as head of those same organizations, which they ruined either through incompetence or corruption”.

A.7.8. Indigenous expertise and local contents

Two critical disabilities hamper the Nigerian power sector: inadequate skilled manpower and import dependency. Nigeria needs more skilled personnel in highly specialized areas like engineering systems planning. Foreign experts should therefore be invited to assist, while local staff are given intensive technical training. Efforts should also be made towards increasing the local content of Nigerian electricity sector through the manufacture of transformers, underground cables, meters, fuses, switch gears and generating components locally.

A.8. Concluding remarks

The challenges of Nigeria’s energy sector are real. Current reforms in electricity are incoherent and highly unlikely to deliver the necessary investment or distribution of resources. The privatization plans for NEPA are based on an old recipe for unbundling and sales, ignoring the fact that very few multinational companies remain interested in bidding for such fragments. Consequently, government has invested massively in the sector while encouraging the managerial discipline typical of the private sector. It is not surprising therefore that some of the unbundled units in the area of distribution have imbibed professionalism such as online billing and excellent public relations and marketing strategies as illustrated in the case of the Ikeja Business Unit (see Ikeja Business Unit web page at www.phcnikejazone.org/new_ikeja_business_unit.html).

The issues faced by electricity trade unions in Nigeria include both: (1) the employment and conditions of workers, including trade union rights and organization; and (2) the social, economic and political impact of the privatizations. The employment issues include policies of outsourcing and casualization which are being operated in a number of different countries by a number of different multinationals. Other issues include separation of workers from the coverage of a sector-wide agreement.

The social, economic and political issues are presented in the form of basic questions. Has the privatization and restructuring delivered the investment and performance promised? Does privatization require price increases that are not socially sustainable? Are

political alternatives available? Can the international financial institutions such as the World Bank be persuaded to finance development of the industry without promoting privatization?

These issues are being pursued by the relevant stakeholders. There may be the possibility for concerted action by unions in relation to the policies of specific multinational groups, and this action can be concerted with the national trade unions and/or through international confederations, such as Public Service International.

These policies have been formulated by external agencies, specifically the World Bank, UNIDO and the IFC, and driven by conditionalities, which are laced with the ideological fixation that the only solutions are private sector solutions. This is highlighted by what is happening in electricity generation – the new large-scale plans for expansion of public sector generating capacity is financed by the Government, the Islamic Development Bank and China, not by the World Bank or the DFID.

Finally, whatever reforms are adjudged necessary to improve the performance of the electricity sector, such must be inclusive of the views of the relevant and significant stakeholders in the sector. A situation in which decisions that would invariably affect the lives, jobs, pay and continued employment of employees were taken without reference to these workers did constrain the attainment of decent work and pay in the sector.

Two critical disabilities hamper the Nigerian power sector: inadequate skilled manpower and import dependency. Nigeria needs more skilled personnel in highly specialized areas such as engineering systems planning, as well as increasing the local content of Nigerian electricity sector.

Specifically towards the insurance of sustainable service delivery the following follow-up actions may be requisite:

- the institutionalization of measures to correct the anomaly of non-inclusivity in the reform process by a redraft of the guidelines on privatization to objectively consider the interests of all stakeholders;
- if the reform eventually leads to defragmentation of the sector, efforts must be made to strengthen collective bargaining by giving employers necessary capacity intervention to appreciate the value of social dialogue exemplified in collective negotiations with workers irrespective of the visible advantages that may sectionally accrue under the current arrangements; and
- the legislative assemblies should reactivate their roles of national pre-privatization debates to further inclusivity for all relevant stakeholders.

Finally, to enable labour and management in this sector optimize the gains of social dialogue to resolve all the challenges now faced, labour administration must be strengthened. The State is the stakeholder responsible for labour administration. It is expected that as industrial relations and other capacity issues are effectively addressed by the Ministry of Labour, all the stakeholders would have been empowered to play their roles creditably towards ensuring decent work and pay both during and after adopted reforms.

Part B. Strengthening social dialogue in water and sanitation in Nigeria

B.1. Introduction

Water is essential to life as cleanliness is next to godliness. Water is needed to survive and for both domestic and industrial purposes. The water and sanitation sector in Nigeria is in need of considerable improvement. Between 60 and 70 per cent of the Nigerian population is currently without water and in poor sanitary condition. Many people are dying from water-related diseases such as typhoid, hepatitis, dysentery and cholera. In rural areas, the situation is more pathetic. Save for Abuja and limited areas of Lagos, no urban community has an effective sewerage system.

The objectives of this study are to X-ray the current state of public utilities in Nigeria with special focus on water and sanitation, the issues and challenges facing this sector as well as the state of social dialogue or social concertation in reform processes. To achieve these objectives, the researcher adopts a mix of qualitative and quantitative research methodologies and explored primary, secondary and tertiary sources of data.

The study, which formed the basis of this report, utilized primary, secondary and tertiary sources of information among selected stakeholders in the sector. Officials of the Amalgamated Union of Public Corporations, Civil Service Technical and Recreation Employees (AUPCCSTRE), and the Senior Staff Association of Communications, Transport and Corporations, management of the Lagos State Water Company (LSWC), the Lagos State Waste Management Authority (LAWMA) and officials of the Ministry of Labour were interviewed. Information made available at the LAWMA and LSWC web sites were verified through supplementary interviews. The study concludes by proffering solutions to the identified challenges with a view to promoting industrial peace and furthering sustainable, cost-effective and quality service delivery in the water and sanitation sectors.

B.1.1. Millennium Development Goals: The necessity for water and sanitation

Water resources in Nigeria include rivers, streams, lakes and wetlands which provide a source of drinking water for a large proportion of the population in areas with limited public water supply facilities. Rainfall, which constitutes a significant source of freshwater, is highly variable across the different regions of the country, ranging from about 250 mm in the extreme north to over 500 mm in the south. The urban and peri-urban populations, however, rely heavily on underground water resources.

Nigeria shares three major river-lake systems with neighbouring countries, requiring bilateral and multilateral cooperation through regional bodies such as the Niger Basin Authority and the Lake Chad Basin Commission. The Federal Ministry of Water Resources represents Nigeria in these international bodies.

Between 2000 and 2005, the Government completed the development of several motorized and hand-pump boreholes, hydrological mapping for effective water resource administration and the construction of small- and medium-scale dams. Water pricing differs across the country. Water is generally subsidized, water charges are based either on the volume of water consumed or on a flat rate. In most rural areas, however, water is often

supplied to the population free of charge. People buy water from private water vendors to augment public supply.

Public spending on water supply increased substantially from a mere N7.3 billion in 1999 to N80 billion in 2006. Priority was accorded to the completion of the Gurara Water Project for Abuja –the federal capital – and its environs. Huge investments were also proposed for the construction of dams in various parts of the country, including the Owiwi Dam, Shagari Dam, Ile-Ife Dam, Jada Multipurpose Dam, Kashimbila Dam Project, and the Galma Multipurpose Dam. Similarly, significant funds are being provided for various irrigation and water-supply projects nationwide.

Nigeria's water infrastructure has suffered from years of poor maintenance, and poor sanitation also constitutes a serious public health problem. The government armed with a National Water Supply and Sanitation Policy aimed at addressing these problems pursued hydro-geological mapping and the establishment of water-quality laboratories; intensifying the rehabilitation and reactivation of the river basin development authorities (RBDAs) and existing urban water-development schemes and encouraging PSP in the development and supply of water; and expanding and improving rural water supply systems.

B.1.1.1. Access to drinking water and sanitation

Notwithstanding the foregoing endowments and projects, the proportion of the population with access to potable water increased modestly from 30 per cent in 1999 to 65 per cent in 2006. A breakdown of the 2006 figure shows that 67 per cent coverage had been achieved for state capitals, 60 per cent for urban areas, 50 per cent for semi-urban areas, and 55 per cent for rural areas. In terms of access to sanitation, around 40 per cent of the population had access to basic sanitation in 2006, which is up from 34.2 per cent in 1990. The MDG target for Nigeria is to increase access to clean water to 68 per cent of the population, and also to increase access to basic sanitation to 70 per cent by 2015. On current trends, Nigeria is likely to meet the target on access to water supply, but not the target on sanitation (see table B.1 and chart B.1).

A number of obstacles militate against the efficient exploitation of Nigeria's water resources. One such obstacle is the lack of coordination and maintenance culture between the various agencies involved in the management, quality control and monitoring of water projects. There is also the problem of inadequate project preparation, leading to project abandonment and failure, corruption and economic mismanagement.

Leakage rates are around 50 per cent and rising due to wastage and illegal connections (GWR, 2002). Lack of financial resources creates difficulties for meeting the existing demand for safe water and sanitation. In the far north and south-west there are water shortages and, in the Delta region, and near major cities, there is insufficient control of water pollution and serious damage to the ecology arising from oil activities (Hall, 2006).

Figure B.1. Shortage of potable water in the Niger Delta



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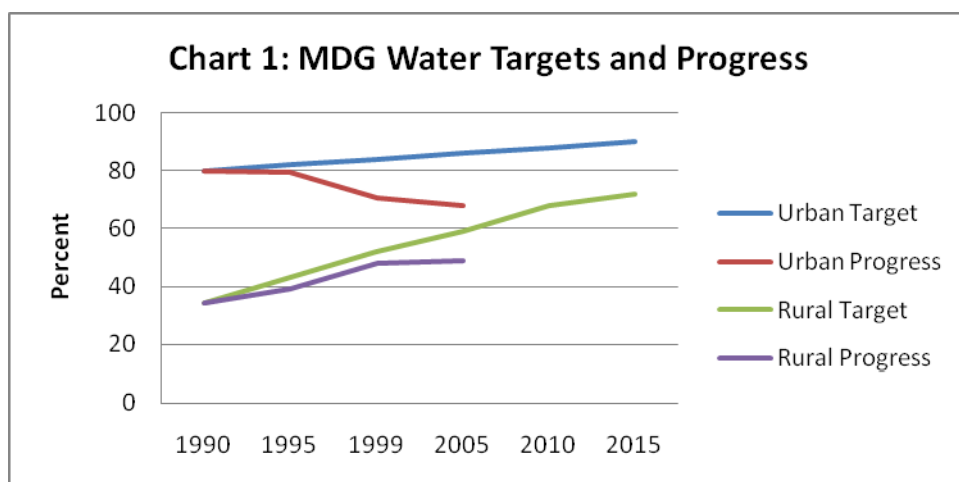
Another reason adduced for this deterioration is the enormous demographic and economic rate of development, which far outstrips the level of the water supply. Other reasons include a low investment level in operation and maintenance, which accounts for frequent breakdown of the production facilities, and lack of proper management of the nation's water resources and waste management. These problems have affected the pace of the country in its match towards achieving the water-related MDG.

Table B.1. Access to safe water (percentages)

	1990	1995	1999	2005	2010	2015
Urban target	80	82	84	86	88	90
Urban progress	80	79.5	70.6	68		
Rural target	34	43	52	59	68	72
Rural progress	34	39.1	48	49		

Sources: MICS 1995 (FOS-UNICEF, 1995); MICS 1999 (FOS-UNICEF, 1999) ; www.WaterAid.org (2008).

Chart B.1. Millennium Development Goal water targets and progress

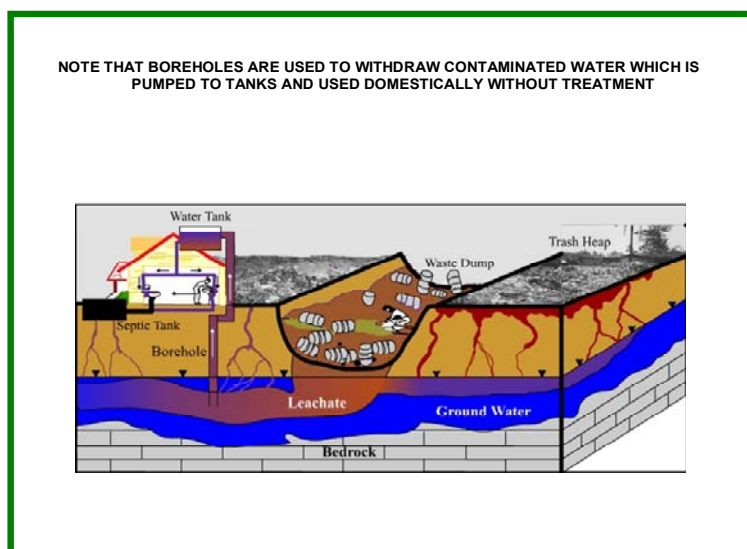


As table B.1 and chart B.1 show, even though there is an upward and uneven improvement in the access to water in the rural areas, the trend is below the MDG targets. More daunting is the downward trend recorded in urban water supply. A reversal of this trend has become more important if the MDG as it relates to water and sanitation is to be achieved.

During the Water and Sanitation Decade of the 1980s, a number of lessons were learnt. The most important one was that the sustainability of rural water and sanitation investments is dependent on the degree to which communities are involved through necessary dialogue in the decision-making, funding and operation of the facilities. Since the state water agencies could not operate the rural systems on a commercial basis, they (water supply agencies) minimized their financial losses by limiting their services. The problems experienced in achieving adequacy in the rural areas prompted the federal Government to commence a decentralization programme. This is designed to make the 774 local government areas (LGAs) more autonomous, more responsive to local needs, and technically and financially capable of providing services. The LGAs are the third tier of government after the federal and state authorities in the federation. They are necessarily nearer to the grass roots and rural communities for which they take direct financial allocations from the federation account. But they have been unable to supply adequate potable water and provide good sanitary services to their respective domains.

The state of urban and rural sanitation in Nigeria is appalling and declining. For instance between 1995 and 1999, the percentage coverage in urban and rural areas were 82.1–75.3 (urban), and 48.2–44.4 (rural areas) (FOS–UNICEF, 1999). Lagos, the commercial nerve centre of the country, like other state capitals, has faced enormous indiscriminate dumping of refuse in strategic locations. Hygiene is the practice of keeping oneself and surroundings clean, especially to avoid illness or the spread of disease, whereas sanitation literally means measures necessary for improving and protecting health and well-being of the people. Sanitation interventions often include: safe human excreta disposal, personal hygiene, domestic hygiene, solid waste disposal and waste water disposal (Agberemi, 2008).

Figure B.2. Scenarios of industrial waste disposal near some Nigerian communities



B.1.2. Water and sanitation: Donors and companies in the sector

The water and sanitation units of the utilities sector are operated by donor organizations, state operators, as well as non-state providers. All these parties have a role to play in dealing with issues requiring social dialogue in the sector. The profiles of these operators are presented below:

B.1.2.1. Donors

World Bank

As in other countries, policies in the water sector have been developed in Nigeria in response to conditionalities from external agencies. The IFC and the World Bank have initiated a series of projects aimed at privatization of water in Nigeria. Some of these are:

- The IFC privatization of water in Lagos state as attempted in 1999.
- The National Urban Water Sector Reform Project (NUWSRP-1), in April 2002. Originally it was stated to involve seven states – Ogun, Enugu and Rivers in the South; Plateau in Central Nigeria; and Gombe, Kano and Kaduna in the North but later scaled down to only three states in 2004: Kano, Kaduna and Ogun. (web.worldbank.org, 2008).
- In 2003 the World Bank suggested developing privatization of water in Nigeria through a “franchising” structure, similar to the principle used for fast food chains like Kentucky Fried Chicken (KFC), whereby local private water vendors would be “branded” by a multinational, for example, Suez. (web.worldbank.org, 2003). This concept appears to have been abandoned by both the Government and the World Bank in the wake of nationwide protests against water privatization.
- In 2005 the World Bank initiated a further project, the Second National Urban Water Sector Reform Project (NUWSRP-2), worth \$200m, in two states: Lagos and Cross River. It remains based on privatization, but “will seek to establish a successful public–private partnership (PPP) intervention through management contracts” (*African News*, 2005). These two project sites are currently doing very well operating on the principles of commercialisation rather than outright privatization.

The net current position of the World Bank is ongoing projects worth a total of \$340 million, all linked to privatization in some form or other, in five states out of 36. The LAWMA, the sanitation management company owned by Lagos state receives assistance from the World Bank. The LAWMA Project Department handles the World Bank Assisted Project on solid waste management which includes rehabilitation of Olusoshun landfill site, construction of four No. Transfer Loading Stations, 25 No. Communal Waste Depots and evacuation of backlog of refuse at illegal dumpsites across the State. (www.lawma.org/projects, 2008)

African Development Bank, African Ministers’ Council on Water, New Partnership for Africa’s Development, African Water Facility, United Nations Children’s Fund, Department of Finance and International Development, European Commission and other donors

There are complex overlaps involving these institutions. The AfDB is responsible for providing development finance in Africa. The NEPAD is now seen as the continental coordinating body for economic strategies including infrastructure, although it has its own water programme (AfDB, 2006).

Two specific water bodies have been created since 2002, which are extra layers of bureaucracy between donors and countries: the African Ministers Council on Water (AMCOW), and the African Water Facility, drawing funds from donors, managed by the AfDB, but controlled by the AMCOW (AfDB, 2006).

The AfDB sets itself the task of trying to coordinate multiple agencies in water: “Bank operations to improve water supply and sanitation will ensure partnership and synergy with other donor’s operations, particularly with the EU’s Water Sector Reform programme in six states and UNICEF–DFID’s Focus project in eight States.” The AfDB’s current strategy for Nigeria (2005–09) repeatedly refers to privatization as an element in water policies (FRN, 2006).

WaterAid and the Partners for Water and Sanitation

WaterAid, the United Kingdom’s water charity, is a large operator in Nigeria. WaterAid states that it is committed to work with 30 local governments “to build their capabilities to carry out their water and sanitation work effectively” (WaterAid, 2006a). It is also a member of Partners for Water and Sanitation (PAWS), which is a grouping of the United Kingdom aid agency, the DFID, the United Kingdom’s private water companies and WaterAid.

In April 2005, Benue state government signed an agreement with WaterAid Nigeria and PAWS for a project in three small towns – Lessel, Naka, and Ugbokpo (*Africa News*, 2003).

B.1.2.2. Companies

There are no concessions, leases or management contracts in Nigeria with any of the water multinationals. Some water engineering contracts have been given to multinationals, but they appear to be construction only contracts.

Biwater

Biwater has a long-standing and controversial record as a water construction contractor in Nigeria. In 2005 Biwater was awarded a one-year contract by Kwara state government for the design, expansion and refurbishment of the Asa Dam. The contract had previously been awarded to another firm, but terminated because the company did not deliver (*ThisDay*, 2005).

In 2005 the federal Government awarded a two-year US\$103 million contract to Biwater for the construction of the Lower Usuma Dam Water Treatment Plant Phases Three and Four in Abuja. In 2003 Biwater was awarded a waterworks contract in Makurdi, the Benue state capital. This followed a previous Biwater contract in the Amaludu project, which failed (*Africa News*, 2003).

Suez

Degremont won a contract in 2005 to upgrade an existing water treatment plant at Ibadan (www.degremont.com), with a good performance record.

Umgeni water

Umgeni Water is the South African state-owned regional water board. In 2002, the Governor of Edo state made “a working agreement with Umgeni Water to improve the water supply system in the State” (*Africa News*, 2002a). In March 2001, the Rivers State Water Board in Port Harcourt entered into a revamping contract with Umgeni Water. By April 2002 Umgeni had lost nearly 900 million rand, including the costs of winding up the project. In 2002 the Chief Executive Officer of Umgeni was also investigated for corruption and replaced, following demands for his dismissal from the South African National Education, Health and Allied Workers’ Union (NEHAWU) (*Africa News*,

2002b).. The Nigerian contract was cancelled by the new Chief Executive Officer of Umgeni.

B.1.2.3. Lagos State Water Company

In Nigeria, water supply is a state responsibility, superintended by the Federal Ministry of Water Resources. State water corporations, all of which are currently owned by the governments of the states within which they operate, are responsible for supplying Nigerian consumers with safe drinking water.

Lagos is the largest city in Africa with a population of over 13.4m people in 2000, forecast to rise to 23.2m by the year 2015, when Lagos will be the 3rd largest city in the world (after Tokyo and Bombay). The LSWC, which is wholly owned by the Lagos state government, operates in 29 zones covering 3,577 square kilometres and has a population of 15 million. It is the largest water utility in West Africa. The LSWC currently has an installed water supply capacity of 160 million gallons per day, but ageing supply lines, waterworks and poor public electricity hamper the services of the corporation; hence it is operating at only 48 per cent capacity, or only 36 per cent of water demand (Coker, 2006).

The size and growth rate of Lagos means that needs are growing very rapidly. The company claims that between 2000 and 2025 demand for potable water will grow from 200 to 1,200 million gallons per day; capital investment of US\$100 million per annum will be required in order to reach 80 per cent coverage.

Few users pay their bills (including the Government) – at its worst, water revenue collection was at only 4 per cent of water produced. According to the company chief executive, until 1997 water was provided free of charge in Nigeria, but the water tariff is now N50 per m³. Many users are not connected, and are supplied by a large private sector with private tankers, water carts, boreholes and wells, providing up to 70 per cent of the water consumed. Given the electricity shortfalls, the LSWC needs its own generators: as a result energy accounts for 40 per cent of its operating costs) (interview with the Chief Executive Officer, 2008).

The general shortage of water supply that is a result of this low-capacity utilization continues to be met by privately operated tankers, porters and privately owned boreholes and wells. This in turn has its own issues with regards to water purity standards, higher delivery costs and the ultimate impact on the State's water levels from the improper tapping of ground water reserves and wastage in its collection and delivery. The Chief Executive Officer claims that: "It is sadly evident that public sector provision in a country such as Nigeria will likely fail to meet the MDGs. The historical precedents illustrate this; state-owned utilities at the federal and state levels are largely failing to meet their purpose and are proving to be a huge drain on public resources" (Coker, 2006).

Table B.2. Historical, current and projected water revenues for the Lagos State Water Company (2000–25)

Volume and revenue projections	2000	2003	2007	2020	2025
Water demand (MLD)	668.40	956.48	1 405.39	3 901.16	5 347.20
Water supply (MLD)	267.36	430.42	702.69	2 925.87	4 277.76
Annual value of water supply (N'm)	4 879.32	7 855.10	12 824.17	53 397.19	78 069.12
Annual revenue from water supply (N'm)	600.17	927.34	2 564.83	26 698.60	58 551.84
<i>Assumptions:</i>					
Supply/demand (%)	40	45	50	75	80
Revenue/value of water supplied (%)*	12	12	20	50	75
Market coverage (%)^	40	45	50	75	80
Lagos' population (millions)	12.5	15.0	17.4	23.0	25.0
Consumption (litres per person per day)	30	32	36	51	60
Total consumption (litres per day)	375	477	631	1 167	1 500
Supply (litres per day)	150	215	315	875	1 200

* as a proxy for revenue collection efficiency. ^ as a proxy for water delivery efficiency.

Source: Chief Executive Officer's report 2006.

B.1.2.4. Lagos sanitation

Management of solid waste did not become a phenomenon in Nigeria until the early 1970s occasioned by the oil boom, which compounded the emerging industrialization and urbanization of Lagos. The resultant high volume of waste was becoming increasingly difficult for Lagos state to manage; such that by 1977, when Nigeria hosted FESTAC '77, the World Press classified Lagos as the “dirtiest” city capital. Consequently, in April 1977, the first waste management outfit in West Africa was instituted as the Lagos State Refuse Disposal Board in Nigeria under Edit 9 of 1977; with Powell Duffen Pollution Control Consultants of Canada as managers.

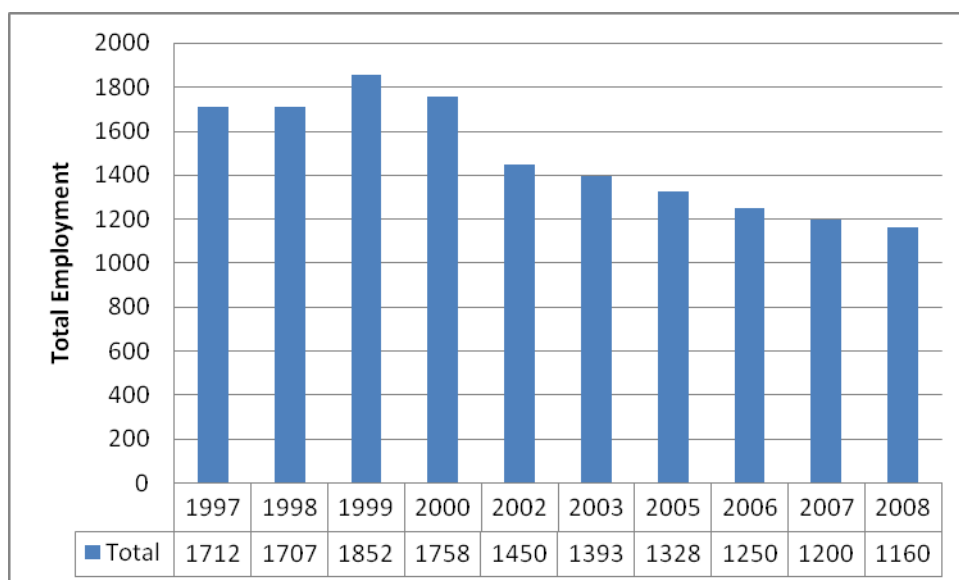
In 1981, its name was changed to the Lagos State Waste Disposal Board as a result of added responsibility for industrial/commercial waste collection and disposal, drainage clearing and disposal of derelict and scrapped vehicles. In December, 1992, its current name, the LAWMA was given under Edit 55. This made the agency to be responsible for the collection and disposal of municipal industrial waste as well as the provision of commercial waste services. The Environmental Law 2000 recognizes the LAWMA as the agency of government to provide commercial services to the State and LGAs in waste management. A new law was passed by the State House of Assembly on 28 March 2007; giving the LAWMA the status of public corporation with a governing board of 11 members. Thus, the 2007 Law is a laudable instrument that guarantees the autonomy of the LAWMA from the bureaucratic bottlenecks associated with the core civil service. Thus, the activities of LAWMA has transformed waste management in Lagos and could be seen as a benchmark for other states in Nigeria. The main responsibilities of the LAWMA are domestic and industrial waste collection aimed at checking indiscriminate waste dumping through placement of *dino* bins at strategic locations on the highways, mammoth bins at strategic streets and highways, sweeping of major streets and highways, day and night collection and disposal services, management of existing landfill sites and development of new ones and eradicating refuse backlog in Lagos state.

B.1.3. Employment and gender issues

The criticality of labour in water and sanitation utilities cannot be overemphasized. Every economic activity involves labour. Even in capital intensive service like water, the contribution of workers is essential, at all levels. Many investments in water installations have been unproductive because there is inadequate provision for employing people to maintain and operate them. Yet during the last 15–20 years, workers in the water sector have been seen as a problem by the mainstream policy institutions – a cost which employers should minimize by reducing the number of employees. Private companies were expected to help solve this problem by dismissing more employees than the public sector organizations (as happened, quite brutally, in some privatizations). The International Monetary Fund has often imposed ceilings on public sector wages. Yet, water services need a properly paid, trained and stable workforce.

If workers are this important, what could we report about the volume and quality of employment in the water and sanitation sector? Until the current attempts at reforms of utilities, water and sanitation had always been dominated by the public sector. Employment in this sector can only be estimated on account of the paucity of disaggregated data for the public service. Charts B.2 and B.3 are revealing.

Chart B.2. Employment trend in the Lagos State Water Company (1997–2008)

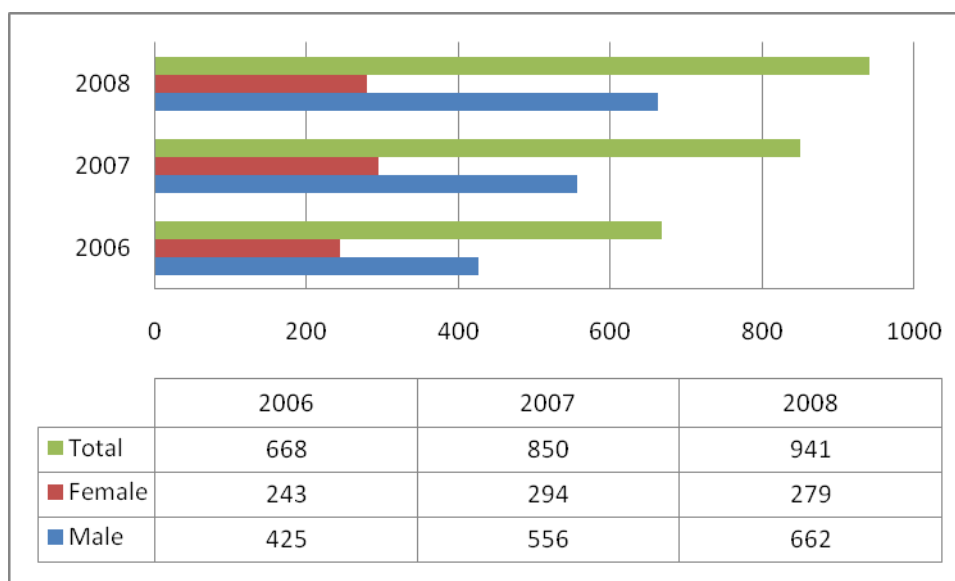


Sources: Chief Executive Officer's reports, 2001, 2006; HR records, 2009

It is revealed that total employment in the LSWC is reducing from a high of 1,852 employees in 1999 to 1,160 in 2008. The available information is not disaggregated into gender. Thus, it would not be very clear the extent to which this drop in employment affects the sexes.

In the case of the LAWMA, the available figures are only for the last three years. An upward trend in employment is revealed for both male and female workers, although women workers recorded a slight drop in 2008. It is observed that the LAWMA's low employment figure is on account of PSP with other service providers, a list of some of the providers are appended.

Chart B.3. Employment trend in the Lagos State Waste Management Authority (2006–08)



Source: www.lawma.org; HR records, 2009.

The employment size in the LAWMA is indicative of a professionally run organization where, although the workforce is historically small, the activities are quite extensive and significant. The LAWMA concentrates on standard setting and capacity building for its PSP collaborators, leaving its core business in the hands of a few professionals. The size of employment offered by PSP operators is increasing as shown in the appendix. The PSP operators engage mostly women and the workers are not unionized.

B.1.4. Trade unions and employers' organizations

Public utility workers in Nigeria are organized by the AUPCCSTRE, an affiliate of the Nigeria Labour Congress. Interview with the union leadership reveals the vision and mission of the union is centred on overall welfare, not only of the members, but also of the Nigerian society. Union density is very high, almost 100 per cent, because the union at the point of registration enjoyed automatic membership as a result of the compulsory membership entrenched in the Trade Union Act, 1978. This facilitative provision has since been withdrawn in an amendment in 2005. Nevertheless, members who had been used to the benefits of unionism were least persuaded to withdraw their membership in the aftermath of the voluntary union policy favoured by the State in 2005.

Today, virtually all junior workers in this sector of the Nigerian economy are organized by the AUPCCSTRE. The senior category of employees are organized by the senior staff of statutory and allied corporations. The unions are sufficiently experienced to competently represent utility workers and senior staff, respectively, in collective negotiations and other forums for social dialogue as would be seen in section 6 of this report.

The employers in this sector are water and sanitation boards at the federal, state and local governments in their various jurisdictions. Since water supply is the responsibility of the State, federal and state governments are expected to play some roles. Unfortunately, Nigeria's version of federalism, which is centre heavy, serves to reduce the capacity of the local government employer in funding water projects in Nigeria. Only the coming of private sector operators gives hope to the registration of employers association in this sector.

B.2. Reforms

B.2.1. Water

Public water supply started in Nigeria early this century in a few towns; among the early beneficiaries of these facilities were Lagos, Calabar, Kano, Ibadan, Abeokuta, Ijebu Ode and Enugu. The schemes were maintained with revenue from water rate collection with virtually no operational subvention from the Government.

With the creation of regional governments in the early 1950s, the water supply undertakings continued to maintain the schemes but the financial and technical responsibilities for developing new water schemes were taken over by the regional governments who also assigned supervisory high-level manpower (water engineers and superintendents) to the water supply undertakings. For the period of the assignment, all the allowances and part of the salaries of these officers were paid from revenue generated from their water rate, while these officers still retained their employment and seniority in the regional service.

However, with growing demand and increasing cost, it became necessary for the regional governments to secure loans. The regions were requested to set up independent bodies, that is. water corporations/boards to develop, operate and manage the water supply undertakings. Hence, the first water corporation was formed in 1966 by the then Western region with all the public water supply undertakings in the region, including their staff, assets and liabilities taken over by the water corporation. The staffs of the Water Division of the Ministry of Works were also transferred to the new corporation.

The federal Government, in 1976, got involved in water supply when the Federal Ministry of Water Resources and the 11 RBDAs were created to manage the water resources of the country and to provide bulk water, primarily for irrigation and consumption. The Federal Ministry of Works also undertook basic hydrological data collection and storage for national planning purposes.

The first waterworks in Nigeria was constructed at Iju, a suburb in Lagos state in 1910 by the then colonial administration. A second waterworks was commissioned at Ishashi area of Lagos in 1977, to meet the water needs of the residents of Festac town, and in 1988 the construction of the biggest waterworks in Africa, the Adiyin waterworks located in Lagos was undertaken. It was commissioned in 1991. It produces 70 million gallons of water per day (Olaosebikan, 1999).

Between 1979 and 1983 mini waterworks were set up to provide water up to 3million gallons daily. In spite of these giant strides of past administrations, the problems of inadequate water supply are constant realities in both rural and urban centres. Nigeria has the largest number of boreholes, largest brands of sachet and bottled water in the world because of the failure of public water supply systems. Yet these alternatives are not sustainable options of water supply (Ejiofor, 2008). These are the rationale for water reforms.

B.2.2. The case of Lagos

Water sector reforms in Lagos offer some illumination into the dynamics of water supply, pricing and maintenance in urban Nigeria. Against the backdrop of promises made by politicians that water would be available free of charge, the inefficiencies that characterized this service necessitated the intervening prescription of privatization by the IFC, a branch of the World Bank.

The IFC privatization plan was initiated in 1999. The Lagos state government signed an agreement with the IFC which “required the state government to seek private sector operators for the operation of its water utility” (at the same time as the Lagos state government was agreeing the IPP power project with Enron). The IFC “put together a group of local and international experts including Deloitte & Touche and Paris-based law firm Gide Loyrette Nouel” to prepare the scheme (IFC, 2001). The Lagos water privatization was one of many IFC projects in Nigeria at the time, and was coupled with the privatization of the national airline: “IFC’s involvement is expected to lend credibility and transparency to the sale of the two assets. The work was expected to include independent assessments, recommendations of market strategies, preparation of documents, and making sure that proper bidding processes are used to choose ultimate winners” (IFC, 2001).

The IFC said Lagos Water was using under half its capacity of 148 million gallons per day, and collecting only 10 per cent of charges. Privatization was expected to reduce the cost of water, enable investment, and improve public health and economic growth:

“A key goal in privatizing the company is bringing cheaper water to at least 80 per cent of the population,” said IFC’s Tony Clamp.

That would probably require more than a billion dollars spent on improving capacity over 20 years, largely financed by tariffs generated by the expanded system. But it would be money well spent. The availability of adequate and reliable water services is critical to the health of the population – waterborne diseases are the most common illness in Lagos – as well as the commercial, industrial, and agricultural sectors of the State’s economy.

The proposed privatization was anticipated as a large contract opening a larger market: whoever won the Lagos contract would be “in a strong position to bid for contracts elsewhere in the country over the next few years” – for example the British Government sent a 14-person delegation in February 2002 (*Africa News*, 2002). Thames Water, Severn Trent, Veolia and Suez prequalified as bidders, but the companies then lost interest, as part of their global withdrawal from developing countries, and the IFC plan for a private concession was abandoned (GWR, 2002).

Current position

The current position is that the water company has been corporatized along commercial principles, but there remains much confusion about exactly what form of privatization is now envisaged. A new law was passed in 2004 which created a holding company with a number of subsidiaries.

According to a report by the Chief Executive Officer, the policy is now to sell the LSWC itself on the stock market, through an IPO, and retain the power to borrow further money from the markets. The aim is “to target domestic Nigerian investors ... while equally encouraging them to seek partnership with international water sector operators”. The districts would also be contracted out, though the precise form is unclear: the Chief Executive Officer’s report says that the company will “transfer to investors who would invest, manage and run each of the 12 regional systems for an agreed period of time after which the investment would revert back to the Government who may choose to give it out for another period of concession”. Elsewhere the report says that the LSWC’s operations will be split into 33 operating zones, and that it will “issue five-year contracts to private operators for the management of these zones”: though this partly contradicts a statement that “Each contract duration will be negotiated with the private sector bidders” (Coker, 2006).

B.2.3. Sanitation

Sanitation in Lagos state offers a unique case study for assessing the adoption of reforms in the utility sector. This case is significant because the state is poised to reversing the trend of labelling which described the state as the dirtiest in the world. The following ongoing reforms in the sanitation sector are notable with particular reference to Lagos state:

- inauguration of the Sanitation Enforcement Division under the Kick-Against-Indiscipline KAI Project (November, 2003);
- commencement of state-wide monthly sanitation exercise (November, 2003);
- commencement of PSP in waste collection (October, 2004);
- commencement of household waste collection billing (December, 2004);
- restructuring of the LAWMA (May, 2005) with respect to waste collection on the highways, markets, hospitals, industrial/commercial areas in conjunction with the registered PSP under the agency.

It is believed that the ongoing reform of PSP in waste management through strategic alliance with the formal and the informal sectors will further improve service delivery.

What is the evolution of the above measures? In 1997, the Lagos state government commenced the implementation of PSP strategy in the management of solid waste through a pilot scheme with two LGAs (Kosofe and Shomolu). This formed the basis for the involvement of the private sector in the management of solid waste in 1999 throughout the 20 local government councils in Lagos state. The PSP scheme was introduced in part to achieve an effective collection and disposal of domestic waste, create employment opportunities for the citizenry under the “Poverty Alleviation” initiative of the Government and an opportunity for the citizens to participate in the waste to wealth programme as concluded under the United Nations (UN) resolution on Agenda 21.

The PSP initiative has led to the elimination of waste from communal dumpsites. Following the interviews with major interests in this sector, there is unanimous response that the Government should not privatize this sector, but should continue in the provision of this service while the public-private sector partnership should be pursued. Some of the outcomes of these reforms are greater effectiveness and efficiency in service delivery. But there have been recorded workforce reductions, hiring freeze, redeployment, retraining and new compensation schemes.

B.3. Outcomes of current reforms

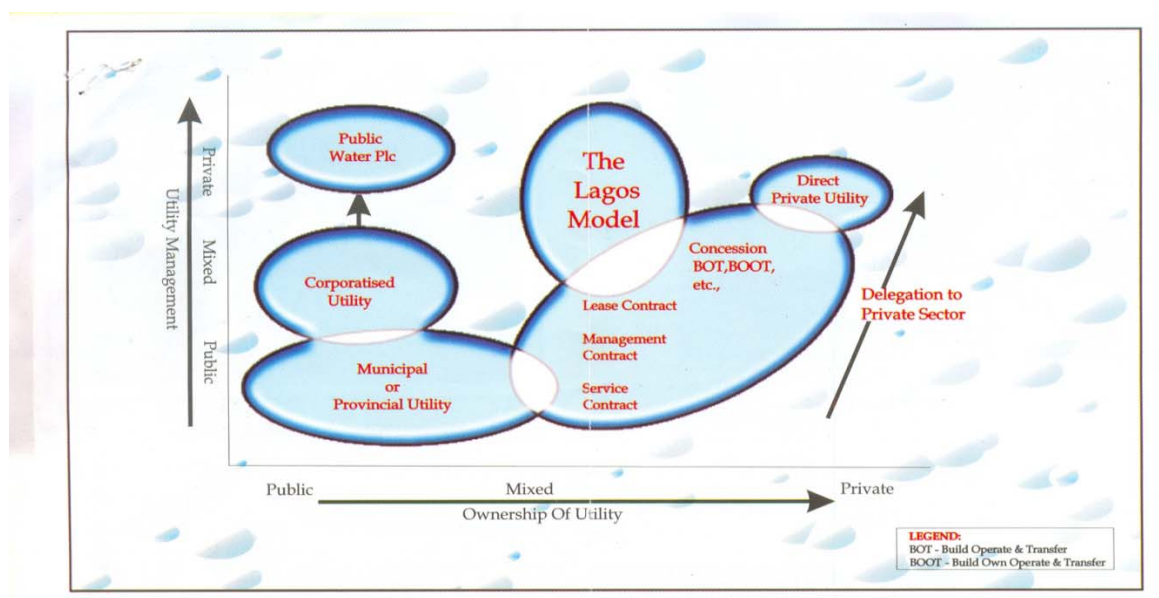
B.3.1. Outcomes of reforms in water

Lagos is the first state in Nigeria to execute a federal Government directive that the organized private sector should be allowed to participate in the supply of water. Corporation sources indicate that the present water supply meets only 40 per cent of the demand in Lagos. With a projected population growth of 4 per cent annually, this demand is set to double to over 2,000 million litres or 440 million gallons per day by the year 2020. The investment required to meet this expansion is put at between US\$1.8 billion US\$2.5 billion. Such a large amount of money requires private sector involvement.

The options for PSP are as follows:

- concession. This has four options:
 BOT (build, own and transfer),
 BOOT (build, own, operate and transfer),
 BOO (build, own and operate),
 DBO (design, build and operate);
- leases;
- management contracts;
- service contracts;
- full divestiture (outright sale).

Figure B.3. The Lagos Private Sector Participation Model



Source: LSWC.

These PSP concepts are better explained graphically in the five traditional modes of water supply sector organizations. Each of these modes has been arranged along two axes: The Y axis represents the degree to which the utility’s assets are in public or private hands, while the X axis depicts the categories of ownership. Both axes range from public through mixed to private. Bottom left, we find the archetypal type of water supply utility: owned and managed by the local or provincial government. This is also the most common variant. Following the Y axis upwards, we find the public utility with a special status (parastatals). This type of corporatized utility operates autonomously from the Government, while retaining its links with the public sector. On the right-hand side of the figure we find various gradations of PPPs, where a growing number of tasks are delegated to private companies. These range from service contracts to “BOT” contracts to long-term concession contracts. The Lagos Model to be adopted for the initial proposed “water supply and distribution districts” specifies the degree of risk allocation between the public and private sectors. A shift to the right of the graph represents a systematic transfer of risk

from the public to private sector. Simply put, the Government will not be the sole spender and manager in water supply, it may provide capital funds while private sector will provide running cost and take managerial responsibilities.

The unique attribute of “The Lagos Model” is that it prepares in advance (without any of the misplaced assumptions of earlier models) the necessary groundwork for the execution of a successful PSP programme.

This advance preparation includes the establishment of the regulatory framework by creating:

- a regulatory authority (dealing with economic matters);
- the creation of quality assurance mechanisms;
- the establishment of the legal framework to empower PSP to commence operations;
- the supervisory framework to monitor the day-to-day operations of its leased operators as well as the unbundling of the LSWC itself.

Private sector participation and Lagos Water

Because consumers are wary of privately run monopolies concerned with maximizing their profits in order to offset their capital outlay as quickly as possible, the Lagos state government is currently establishing a regulatory commission that will fix the tariffs and ensure that operators maintain the highest standards commensurate with what obtains anywhere else in the world. For this reason, the PSP option under consideration for the LSWC system is not the outright sale of government assets to private investors. Simply put, “our common heritage is not for sale. Ownership of existing LSWC assets will remain with the Lagos state government, to which end an ‘asset company’, will be constituted as the custodian of those assets”. Specifically, it will have the following responsibilities.

- accounting of public assets;
- monitoring contracts;
- managing public finances, including loans;
- making decisions on asset creation and sector expansion;
- delegating water supply functions to the operators.

Unbundling the Lagos State Water Corporation

In order to encourage greater local participation in the privatization of Lagos Water, the LSWC has decided to unbundle part of its operations initially into ten different sections, each of which will be leased to interested private operators. The LSWC will still be responsible for delivering water from the Adiyari and Iju waterworks to each of the ten sections, and in turn will supply the consumer. In time, it is envisaged that some of the operators will merge their operations in order to achieve the economies of scale that will help to keep tariffs down.

This unbundling of a major utility, the first of its kind in Africa – indeed; anywhere in the world will ensure that foreign participation in the delivery of water to the citizens of Lagos state is kept at a minimum. This will arise given the capacity of local investors to

handle smaller units within the unbundled corporation. Hitherto, it was feared that only large-sized multinational companies could have the affordability for taking over a public utility as big as the water corporation if offered for sale.

B.3.2. Outcomes of current reforms in sanitation

The case of Lagos sanitation again is expected to offer a model for other cities in Nigeria. The coverage areas of private operators have continued to be within the Lagos metropolis. Lagos state has 20 local governments and 37 local development areas out of which 36, which is about 63 per cent are being serviced by private operators. Most of these areas are within the metropolis while those on the outskirts of Lagos are not serviced.

Presently, the LAWMA is taking care of refuse on highways, markets, hospitals, industrial and commercial areas, in conjunction with the 81 registered PSPs under the agency, while Lagos State Ministry of the Environment registered about 116 PSPs as at the last count, taking care of household waste.

On the other hand, the cart pushers operate mostly in densely populated areas while their services are reduced in low density (highbrow) areas. This may also be as a result of the low-income status of such areas and affordability.

The list of local government and development areas currently being serviced by the Ministry of the Environment's PSP operators in domestic waste collections is appended.

B.4. Reforms, employment and working conditions

Reforms as predicted by critics eventually led to staffing cuts. In the case of Lagos state, the new company (LSWC) management embarked upon staffing cuts as early as 1999, by 25 per cent from 1,852 in 1999 to 1,450 in 2002 and 1,393 in 2003 (Ariyo and Afeikhen, 2004; Chief Executive Officer, 2008).

The number of employees is astonishingly low for a water company covering such a city. According to the Chief Executive Officer's report there are over 4 million people connected to a piped supply. Even if average household size is as high as eight, that implies half a million connections, and so the current staffing levels would thus represent about 2.8 employees per 1,000 connections.

There are a number of possible explanations for these figures: (a) the company does not employ enough staff to maintain a water supply service; (b) the company uses subcontractors for most of its operations (not only for construction); or (c) the company is exceptionally efficient in its use of labour.

Wages seemed to have increased over time. The revealed improvement in conditions of employment is however not easily traceable to activities or decisions of the PSPs, because they do not exist in a number large enough to have caused a significant shift in the wage trends.

The LAWMA is a pioneer waste management outfit in Nigeria and perhaps in sub-Saharan Africa, charged with the responsibility of collecting and disposing waste from the domestic and industrial sector of the economy and maintaining an aesthetically clean environment. The organization's staff size is about 3,000, aside from their private sector participating firms detailed in the appendix. The success of any organization resides in the calibre of staff and the evolving relationship between employer and employee. To guarantee maximum productivity, therefore, the new management instituted a number of

motivational strategies including purposeful training, health facilities, pension payments, and kindred best professional human resources practices.

In the past, training was relegated to the background; however with the philosophical mission of the present management of the LAWMA which is professionalism and efficiency, training has been brought to the forefront with a view to achieving the set goals and mission of the LAWMA. To this end, the LAWMA established a training school in the authority's headquarters to conduct primary training for the members of its staff irrespective of the grade level or cadre. Instructions are tailored to the overall need of the organization. The training centre is to serve as a centre of excellence to all enquiring students and visitors to the authority on research on modern waste management techniques and as additional sources of internship for medical, science and technological students etc. Moreover, the training school serves as a consultancy unit for the training of personnel of other private waste management organizations. In 2007, about 128 members of staff of the authority benefited from the training programmes within and outside the country.

Employees now enjoy an averagely equipped clinic, with facilities for periodic check up of the blood pressure of all staff, immunization of staff against deadly diseases, first-aid treatment to staff on accident/emergency cases, administration of injections, dispensing of drugs, visiting members of staff on admission at hospital, health talk and counselling to all staff on various ailment, and early detection and prompt treatment of various ailments.

Pension payment is now professionally organized and staffed in the LAWMA. Expectedly, there are a large number of retirees arising from the slimming of the staff profile of the LAWMA contrary to the personnel load carried by its proceeding organizations.

B.5. Redundancies

Redundancy is a situation of loss of job experienced by an organization due to no faults of the employees; and often leaves pains for affected staff and their dependants. To minimize such agonies, Lagos Water attempts to encourage staff by posting a web site message (box B.1) on the need for PSP in water supply.

That job losses often accompany reforms is becoming axiomatic in industrial relations. Consequently, workers and their unions often resist reforms that have the potency for resulting in job losses. In the examples of the water projects in Lagos state, the Chief Executive Officer claims that the LSWC "has avoided labour issues by shedding labour through natural wastage and dialoguing with unions at every stage of the implementation of its reform. It has made a concerted effort to communicate with and inform its staff of every aspect of the reform process.

In the instances of lay-offs, staffs have been awarded their full retirement packages, while staffs left on board have been given extensive training and capacity building to improve their efficiency and commitment to the work at hand. Staff compensation is also one of the highest among the public sector and comparable to the private sector that the corporation aims to emulate" (Coker, 2006).

In the case of the LAWMA, staff profile seems to have become more qualitative, as more professionals are brought on board, and private participants employ more of the manual hands.

Box B.1

About private sector participation

Countries the world over have launched privatization programmes to improve the efficiency of state-owned enterprises. The LSWC, the major water producer saddled with the responsibility of supplying water to the 12 million Lagos state residents, is now being considered for privatization. The programme has commenced with the full supervision of the IFC, a sister organization to the World Bank, as an adviser to the state government.

There, however, exists a universal concern on labour issues. Observers and political interest groups, including employees of such state-owned organizations like the LSWC, often express fears that privatization will cause major job losses as new owners of privatized firms or private operators running concession contracts shed excess labour to improve efficiency and cut costs.

The adjusted privatization strategy is mindful of the social and political consequences of job losses. The strategy is, therefore, geared towards:

- Expansion of production capacity through concession contracts. This entails an investor bringing in money to develop new works and expanding the existing pipe network to improve service level and access. It envisages that when capacity is expanded more hands will be needed in the industry.
- It is on record that the deregulation in the financial sector in the nineties led to an unprecedented increase in employment rate in the industry.
- The strategy incorporates a properly negotiated labour transfer exercise that will ensure that investors are mandated to employ staff of LSWC seen to be fit to work under different operational and administrative circumstances.
- A regulatory structure, which will be an integral part of the change, will be responsible for monitoring the activities of private investors to ensure that no worker is exploited or ill-treated in the system.

All the contractual terms that guarantee the welfare of staff shall be clearly stipulated and enforced.

- Some level of competition is envisaged in the evolving system. This is surely a positive signal for labour. Competition for the best hands will enhance better wages and create room for others to grow.
- The strategy will also encourage voluntary retirements through severance pay, that is paying workers gratuities that are fat enough to lure them into retirements, or award of post retirement contract within the system.
- The LSWC can boast of well-trained, highly exposed and seasoned staffs that understand the system very well. It will, therefore, be unwise for any investor to ignore such people for new hands.
- Many officers of the LSWC have attended courses on modern water sector reforms and water management topics at reputable international institutions such as IHE, Loughborough University; International Labour Institute, United States; and the Institute of Public-Private Partnership, United States, among others.
- They have also worked with various international consultants during the World Bank projects.

A training programme was carried out to train the staff to attain internationally acceptable standard of performance.

- Privatization will not lead to job layoffs. But it will require hard work, high level of productivity, honesty and commitment to organizational objectives. An investor wants value for his money, which his employees must give him.
- The message to LSWC staff is that the party is over. It is time to work. Staff must train themselves and change their attitude to work if they must fit into the new dispensation.
- The strategy will create many investment opportunities that are most suitable for those who have worked in the system. Many members of staff will be part of the bulk purchasing companies that will operate independently in the system.
- Experience in many countries shows that workers engaged by privatized firms have often benefited by obtaining better paying jobs, company shares, and improved training and career development prospects.

Source: www.lagoswater.org/lwc_psp_mini_site/about_psp.htm, visited 23 August 2008.

The labour law in Nigeria, taking a cue from the standards of the ILO on issues of dialogue, provides for the management of redundancies through the process of collective

bargaining (Labour Act ,1974). Thus, in the next section an assessment of the quality of dialogue among the relevant industrial relations stakeholders will be attempted.

B.6. Social dialogue in the reform process

B.6.1. The rationale for social dialogue

Reforms inspired by globalization and the liberalization of markets and investments compel countries to find ways to improve the efficiency and quality of public services. The burden for the ILO is to ensure decent work for those who deliver these services, either in the public or private sectors. The ILO seeks to improve the quality of life for all workers and their families, whilst promoting productivity so that businesses can flourish. Solutions to these challenges may be found through social dialogue at all stages of planning, implementing and monitoring reform schemes, as well as during corporate restructuring and in day-to-day operations (ILO, 2003).

The 90th Session of the International Labour Conference (2002) adopted a resolution concerning tripartism and social dialogue. The resolution called for governments and employers' and workers' organizations to "promote and enhance tripartism and social dialogue, in particular", in those sectors where it is deficient.

The ILO defines social dialogue to include all types of negotiations, consultation or simply exchange of information between or among representatives of governments, employers and workers on issues of common interest relating to economic and social policy (Otobo, 2006). Still evolving, this definition varies from country to country and from region to region. It could take the form of information sharing, consultation, tripartite or bipartite negotiations or collective bargaining. At a broader sense it may involve debates with and among governments, civil society, organized labour and even multinational organizations.

Although some social dialogue process may have taken place in the public sector in the pre-reform periods, it is significantly threatened in the newly privatized firms. Unions' predisposition to negotiate continues to be prevalent in publicly owned utilities where trade unions are strongest. The need for social dialogue in public utilities is becoming more real in an industry shedding its publicly owned enterprises in exchange for private participation to serve the public good. It also has a vital role to play in view of the significant job losses brought about by the current reforms. As found elsewhere in the case of reforms in the oil sector (Fajana, 2005), results of some restructuring and privatizations in water and sanitation have proven that unilateral decision-making creates serious problems that could have been prevented if other stakeholders were part of the process.

Social dimensions must play a predominant part in restructuring and privatization in order to protect public interest, build and nurture good practices, and help alleviate the social problems often created. Social aspects are an integral component of the success of change and should be considered from the very beginning; and all stakeholders should be involved. Many privatization processes have lacked transparency and failed to include ratepayers and workers. Strong opposition by workers and the general public has often been the consequence when socio-economic and employment issues are not considered from mutual perspectives of all the stakeholders. In particular, the social dialogue roles of the federal or state legislative assemblies in workplace reforms in Nigeria have been below expectation.

Box B.2

Example of protests against water privatization

We like to use this medium to advise international investors against expressing interest and participating in the Lagos state water reform process as the recently enacted Legal framework runs afoul of existing statutes. If this golden advice is however ignored, the Civil Society Coalition against Water Privatization in Nigeria. (CISCAWP–NIGERIA) would seek judicial interpretation of these extant statutes as they relate or conflict to the Lagos state water sector reform process. We demand that that the World Bank should:

- (1) back down and back out of corporate driven support for water privatization in Lagos and Cross River states;
- (2) that privatization ceases to be used as a condition on international lending to finance the development of water and sewage resources in Nigeria;
- (3) the World Bank should fully recognize the human right to water in all Bank policies related to water and sanitation;
- (4) remove all conditions, implicit or explicit, that demand full cost recovery from household water users in Lagos and Cross River states;
- (5) remove all conditions, explicit and implicit, that require PPPs in order to permit Nigerian government agencies access to loan resources;
- (6) strengthen the role of the public sector and meaningful participation of civil society and affected communities; not undermine it.

The many failed privatization experiments have shown that profit-driven transnational water operators are ill equipped for – if not incapable of – securing water for the poorest. Support for public utility reform and expansion of not-for-profit water supply is a far more obvious way forward. Local initiatives such the water committees in parts of Latin America and Public [state]–community partnerships such as the Ghana Water Company–Savelugu township partnership are pointers to alternatives to privatization and could be important instruments of interaction and managements.

Other examples of successful reforms of public sector water undertakings including that of the Companhia de Saneamento Básico do Estado de São Paulo SA (SABESP), the world largest water utility, in Sao Paulo, Brazil. This is a state-owned water company covering the majority of the 22 million inhabitants of Sao Paulo state. Others are the World Bank-funded water and sanitation services project in Lilonge, Malawi; the National Water Supply and Drainage Board water and sanitation project in Sri Lanka; the Hyderabad Metropolitan Water Supply and Sewerage Board project in India, and the city council of Debrecen waterworks in Hungary.

In the 1990s, progressive mayors in Bogotá, the capital of Colombia, refused to privatize water, despite continued pressure from the World Bank. Instead, they successfully reformed the Water and Sewerage Company of Bogotá (EAAB), transforming it into one of the most efficient and equitable utilities in Colombia, if not Latin America.

If the Lagos state government is genuinely interested in seeking alternatives to water privatization, studies could be commissioned, and the civil society engaged towards deciding the best public–public partnership or public water undertaking (PWU) that is best suited for the cosmopolitan state of Lagos. On its part, CISCAWP–NIGERIA would soon commission a study in this direction.

Access to safe water is a universally basic human right and is essential to human life. The peoples of Lagos state must control water, as a public trust and an inalienable human right. Furthermore, projects intended to develop water resources in the state, must be based on respect for the rights of all Lagosians, and must provide full and meaningful participation in decision-making.

The Lagos state government should initiate the process for the repeal of the “Lagos Water Sector Law, 2004” as it is a fraudulent document inimical to the health and well being of the people of Lagos. Let me end this address, by affirming the resolve and determination of members the CISCAWP–NIGERIA, to mobilize the people of Nigeria against water commoditization and privatization, under any guise.

Source: Babatope Babalobi, Coordinator, CISCAWP–NIGERIA.

A.6.2. No public debate

There have been varied assessments of the quality of dialogue in the water sector. For instance, a management perspective confirmed that reforms have been instituted in this

sector, mostly of the privatization model. The processes of introducing the reforms were inclusive as most of the significant stakeholders were involved in the planning stages, policy and documentation. In particular the Lagos State Water Board, assisted by the World Bank, held several workshops aimed at preparing workers for the imperatives of privatization. At the time, serious objections were raised by various civil society organizations based on the fear that state investments and infrastructure in water were too extensive to be sold to private operators. The principle of commercialization was consequently favoured, assessed and implemented (interview with the Chief Executive Officer, 2008).

A critique of the Lagos water privatization by Babatope Babalobi, published in 2004 (see box B.2), argued that the failure of the projects so far were not due to public ownership, but because the projects were never people driven or people centred, and because of wastage resulting from the award of overpriced contracts in the execution of government projects. He pointed out that the privatization policy was never exposed to popular debate. The privatization bill received its second reading on 20 July 2004, and “stakeholders including civil society organizations expected a public hearing to be conducted by the Legislature before the third reading of the bill, but to the surprise and chagrin of all, the executive arm of government under the headship of the Governor executed a ‘coup’ against democratic norms”, by hurriedly signing the “Lagos State Water Sector Bill into law” following a third reading on July 29, 2004. One provision of the new law “empowers the new Lagos Water Company to disconnect water supply to public primary schools defaulting in payment of water bills”.

Babalobi also pointed out that the privatization is a recycling of other schemes rather than some new “Lagos model”, as claimed by the company. He further criticizes the fact that: “the World Bank’s involvement in water and sanitation projects in Nigeria is wholly externally induced and driven. There are no records that the citizens, mass democratic organizations or even most Nigerian government institutions either at state or federal levels decide voluntarily on their own to seek World Bank support to expand its water and sanitation services”. At a round-table meeting organized by the Society for Water and Public Health Protection, in Benin City, Nigeria, on 26 April 2004, a communiqué noted that “there are no clear evidences that the private sector will serve the purpose of the poor more than the public sector. The failed AfDB-funded water supply scheme and the incomplete Ikpoba Dam project in Benin City were apt case studies of disastrous World Bank-supported water projects in Nigeria”.

The state of social dialogue in reforms processes in the water sector leaves much to be desired, as oftentimes, relevant stakeholders are not usually consulted prior to any reforms in this sector. Both the workers’ unions and civil societies have been in opposition to the ongoing PSP, as it is feared that private sector involvement will lead to prohibitive water bills beyond the reach of the average Nigerians. From experiences, trade unions and civil societies have been sidelined in reform processes in the utilities sector in Nigeria. As a consequence, reforms are opposed and resisted. Over the years, the Government especially at the federal and state levels has played major roles in reform processes in the utilities sector. For reforms to be successfully implemented it must involve all relevant stakeholders.

B.6.3. Collective bargaining

Collective bargaining can make labour relations much more predictable and help to maintain more efficient operations. Collective bargaining ensures that labour rights are given serious consideration by employers – and this in turn encourages employee loyalty and job satisfaction. Although the collective bargaining process primarily focuses on

workplace issues, it can include the development of communication and power-sharing strategies to incorporate an employee-oriented management strategy.

Power-sharing programmes and employee participation in the decision-making process can be rewarding for employers. A study of the Fortune 1000 companies, commissioned by the Association for Quality and Participation and the University of Southern California School of Business Administration Center for Effective Organizations revealed that companies with a greater use of employee participation programmes had significantly higher performance levels and consistently outperformed companies with low use. There is thus a need for the Nigerian Government to help promote good industrial relations through astute monitoring role of labour administration led by the Ministry of Labour.

In the water and sanitation subsector, collective negotiation of privatization evolved along the lines of initial outright opposition by unions and civil society organizations; then as governments went ahead with hurried schemes including sourcing for legal backing, workers continued their ineffective objections, and this later shifted to an acceptance with the hope that future deals with employers will be more favourable and acceptable.

B.6.4. Publication of annual reports

In the workplace of the millennium, innovative forms of communication are becoming desirable and inevitable for furthering social dialogue and good industrial relations. The Chief Executive Officer of the LSWC claims that “the LSWC is one of the only public companies to prepare and publish annual accounts for public information adhering to its tenets of transparency and accountability. This report is easily available online and from the corporation’s corporate affairs department.” The only report available online is the report for the year 2000. Nevertheless, this policy would seem to increase the domain of the other significant stakeholders in industrial relations for access to information critical to mutual understanding, evaluation and peaceful coexistence.

B.7. Current issues and challenges

To strengthen social dialogue; a number of outstanding issues need to be addressed by the relevant stakeholders.

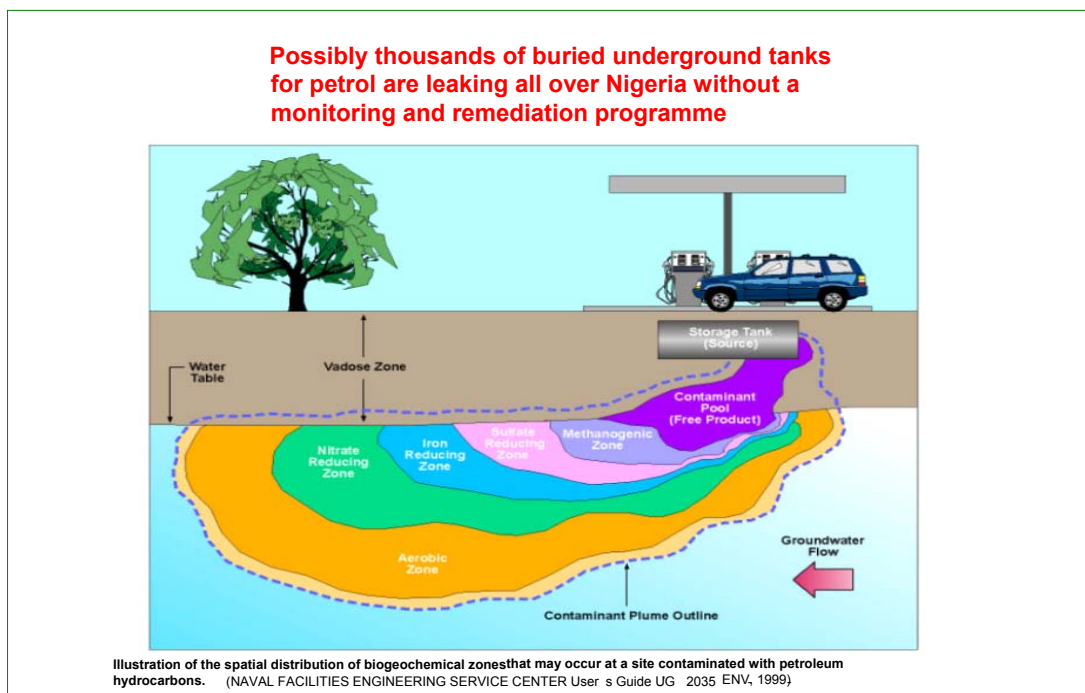
B.7.1. Water

The challenges facing effective service delivery in the water sector have been enormous and enduring. Various factors are responsible for this sorry state of affairs which include among others, poor planning, inadequate or poor funding, insufficient relevant manpower, haphazard implementation of policies on water, low revenue generation, low billing and collection efficiencies, weak financial management, insufficient financial resources for capital investment, aging infrastructures, energy problems (poor electricity supply reduces production of water by about 60 per cent, hence water pressure in the pipelines has been low), illegal connections and diversions, vandalization of pipelines, poor attitude of some consumers with respect to the delay or non-payment of water bills (the bulk of the corporation’s debtors are commercial consumers), high cost incurred on water generation and distribution. The greatest challenge for adequate water supply in the urban centres such as Lagos remains population explosion.

B.7.2. Sanitation

Among the challenges confronting effective and efficient service delivery in this sector are poor funding, attitudinal problems such as indiscriminate dumping of refuse, poor infrastructures such as bad roads and drains, epileptic power supply, blockage of drainage channels and indiscriminate discharge of spent oil in canals, inter alia.

Figure B.4. Illustration of the spatial distribution of biogeochemical zones



B.7.3. Decent work in the utilities sector

For the utilities sector, the Water Supply and Sanitation Development Plan provides both challenges and opportunities for governments, employers, workers and international organizations, including development lending institutions. These challenges can also have an impact on employment creation – not only in the utilities industries but in all sectors, since gas, electricity and water supplies foster economic growth. What is more, the provision of services reduces the time necessary to access basic needs, improves health and increases other income-generating opportunities. Access to decent work is an antidote to social exclusion in our global economy.

The Decent Work Agenda is an important tool in poverty reduction. “The primary goal of the ILO today is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.” Providing access to electricity, gas and water are target interventions which enable the poor to integrate more fully into economic processes so that they can capitalize on opportunities to improve their economic and social well-being.

Decent work means productive work in which rights are protected and decent pay means employment that generates a sufficient income with adequate social protection. World Bank studies have shown that reliable utility services have the effect of raising poor families' living standards by 50 per cent or more. Therefore, access to power and water can promote economic growth and support the prospects for employment. But connections to utilities such as water, electricity and sanitation cannot reach these goals in themselves.

People must also be empowered through improved health care, basic education, good communication systems, training and capacity building.

B.7.4. Labour–management relations in private sector participation

The quality of industrial relations in the private sector participating firms in the sanitation sector is yet to be evaluated. The PSP operators largely function in what may be regarded as the informal economy because the size of the workforce is in most cases small and trade union activity may not be visibly encouraged. With a better re-engineered labour administration through the Ministry of Labour, it is expected that the state will be able to play a more significantly effective role in the protection of organization and bargaining rights of employees in the informal economy.

B.8. Implications for policy

B.8.1. Water

From the foregoing discussions, the following recommendations are suggested to assist policy-makers and water providers in this sector to achieve water for all in year 2020:

- the various state water agencies in Nigeria should embark on water decentralisation through the construction of additional major and micro waterworks in major cities and rural areas in Nigeria;
- public–private sector partnership as against outright disinvestment (privatization) should be embarked upon;
- there should be regular maintenance of existing facilities;
- a change of attitude on the part of the consumers is needed. There is the need for consumers to realise that water is an economic commodity and should be paid for at least for the sustainability of water supply services. Public awareness and enlightenment programmes in this regard would be needful;
- government at all levels should make water available to all and sundry in both the rural and urban centres by injecting sufficient funds;
- the energy sector needs total overhaul, since the pumping and distribution of water to end-users require constant power supply or electricity. The running and maintenance costs of standby generators are prohibitive. The IPP can be revisited to allow the various states in Nigeria to have their independent power projects or energy units. The use of solar energy by water agencies is strongly recommended;
- reforms in this sector must include all relevant interests in the formulation, implementation and review periods.

B.8.2. Sanitation

- Each state waste management agency should determine and monitor appropriate service level standards among PSPs. Consequently, each state should ensure compliance with waste management regulatory policies and standards.
- Waste-to-wealth plants should be put in place to convert waste to organic fertilizers.
- Public awareness and enlightenment programmes should be intensified.
- There should be regular capacity building and stakeholders' forums organized for PSP operators, traders and community development associations by waste management agencies.
- Effective steps must be taken to ensure that the quality of labour relations practices including terms and conditions of employment in PSPs are not inferior to what obtains in the LAWMA and the LSWC
- Stringent punitive measures should be meted out to violators of sanitation laws.
- Payment tariffs for waste collection service should be guided by social service ideals.
- The use of mobile sanitary convenience in both the rural and urban centres should be vigorously considered.
- Reforms in this sector must include other social partners in the formulation, implementation and review periods.

B.9. Conclusion

A prospective solution to inadequate water supply problem in Nigeria is possibly through the ongoing initiative of PSP as well as the construction of many micro waterworks in all nooks and crannies of the country. A new attitude of understanding, cooperation and support from the citizenry through regular and prompt payment of bills, compliance with water regulations, protection of water supply pipes and improved communication between the public and utility providers are of paramount importance. It is believed that the ongoing reform of PSP in waste management through strategic alliance with the formal and the informal sectors will further improve service delivery in this sector for a cleaner and greener environment. In all these, especially concerning the current challenges; social dialogue should be adopted compulsively to minimize the tension associated with reforms and ensure the dignity of human life by assuring of work environments that promote decent work and pay.

B.10. Appendix

Waste management zonal administration, personnel and equipment requirement

S/N	Local government	Vehicles required	Personnel
1.	Agege	53	212
2.	Badagry	16	64
3.	Epe	14	56
4.	Eti -Osa	21	84
5.	Ibeju-Lekki	4	16
6.	Ikeja	27	108
7.	Ikorodu	24	96
8.	Lagos Island	22	88
9.	Lagos Mainland	36	144
10.	Mushin	71	284
11.	Ojo	28	112
12.	Shomolu	47	188
13.	Alimosho	58	232
14.	Oshodi-Isolo	60	240
15.	Surulere	61	244
16.	Ajeromi-Ifelodun	79	316
17.	Amuwo-Odofin	30	120
18.	Apapa	20	80
19.	Ifako-Ijaiye	31	124
20.	Kosofe	55	220
Total		757	3 028

Estimated figures of cart pushers in local government areas

Local government area	Number of cart pushers
Mushin	1 000
Lagos Island	1 200
Eti-Osa	600
Agege	1 000
Alimosho	1 200
Ikeja	300
Shomolu	700
Kosofe	600
Ikorodu	300
Epe	0
Badagry	0
Ibeju-Lekki	10
Ajeromi Ifelodun	500
Ojo	800
Oshodi-Isolo	1 000
Apapa	350
Ifako-Ijaiye	800
Lagos Mainland	1 000
Surulere	900
Amuwo-Odofin	600

The Lagos State Waste Management Authority and commercial operations

Month	No. of clients	No. of PSP operators	No. of clients serviced by the LAWMA	No. of clients serviced by PSP	Revenue generated
January	124	13	79	45	10 645 375
February	173	21	102	71	9 713 929
March	187	29	92	95	10 206 180
April	216	44	96	120	14 900 938
May	265	50	170	95	14 420 963
June	267	58	111	156	17 665 817
July	287	60	117	170	20 864 504
August	318	64	130	188	23 924 727
September	339	69	142	197	28 096 844
October	359	76	130	229	24 712 402

Daily waste generation/daily cost implication

S/N	Zone	Population estimates				Daily waste generation (tonnes)				Daily cost implication (N)			
		2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
1.	Lagos Island	1 538 531	1 661 613	1 794 542	1 938 105	769.27	830.81	897.27	969.05	2 307 810	2 492 430	2 691 810	2 907 150
2.	Lagos mainland	941 468	1 016 785	1 098 128	1 185 978	470.73	508.39	549.06	592.99	1 412 190	1 525 170	1 647 180	1 778 970
3.	Apapa	2 569 422	2 774 976	2 996 974	3 236 732	1 284.71	1 387.49	14 498.49	1 618.37	3 854 130	4 162 470	4 495 470	4 855 110
4.	Surulere	1 588 726	1 715 824	1 853 090	2 001 337	794.36	857.91	926.55	1 000.67	2 383 080	2 573 730	2 779 650	3 002 010
5.	Ojo	1 922 164	2 075 936	2 242 011	2 421 372	961.08	1 037.97	1 121.01	1 210.69	2 883 240	3 113 910	3 363 030	3 632 070
6.	Mushin	3 393 207	3 664 664	3 957 837	4 274 464	1 696.60	1 832.33	1 917.92	2 137.23	5 089 800	5 496 990	5 936 760	6 411 690
7.	Ikeja	2 138 265	2 309 326	2 494 072	2 693 598	1 069.13	1 154.66	1 247.04	1 346.80	3 207 390	3 463 980	3 741 120	4 040 400
8.	Agege	2 238 986	2 414 865	2 608 054	2 816 698	1 117.99	1 207.43	1 304.03	1 408.35	3 353 970	3 622 290	3 912 090	4 225 050
9.	Somolu	3 275 524	3 537 566	3 820 571	4 126 217	1 637.76	1 768.78	1 910.29	2 063.11	4 913 280	5 306 340	5 730 870	6 189 330
	Total	19 606 293	21 171 555	22 865 279	24 694 501	9 801.63	10 585.77	11 371.66	12 347.26	29 404 890	31 757 310	34 297 980	37 041 780

Notes: (i) Annual population growth is fixed at 8 per cent. (ii) Average person per household is put at five. (iii) Per capital waste is 0.5kg/person/day (UN standard).

Estimated annual waste generation

N	Local government area	Population estimates			Estimated annual waste generation (tonnes)			Estimated daily waste generation (tonnes)			Estimated households		
		2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
1.	Agege	1 325 755	1 431 816	1 546 361	241 951.20	261 307.15	282 210.70	662.88	715.91	773.18	265 151	286 363	309 272
2.	Badagry	381 382	411 893	444 844	69 601.85	75 171.75	81 183.30	190.69	205.95	222.42	76 276	82 379	88 969
3.	Epe	326 898	353 050	381 294	59 673.85	64 433.45	69 587.25	163.49	176.53	190.65	65 380	70 610	76 259
4.	Eti-Osa	490 348	529 576	571 942	89 487.05	96 648.35	104 379.05	245.17	264.79	285.97	98 070	105 915	114 388
5.	Ibeju-Lekki	79 183	87 101	97 553	14 450.35	15 895.75	17 804.70	39.59	43.55	48.78	15.837	17 420	19 511
6.	Ikeja	653 797	706 101	762 589	119 318.50	128 863.25	139 170.85	326.90	353.05	381.29	130 759	141 220	152 518
7.	Ikorodu	581 153	627 645	677 857	106 061.70	114 544.30	123 709.45	290.58	313.82	338.93	116 231	125 529	135 571
8.	Lagos Island	526 670	568 804	614 308	96 115.45	103 806.00	112 109.75	263.33	284.40	307.15	105 334	113 761	122 862
9.	Lagos mainland	871 730	941 468	1 016 785	159 092.55	171 816.45	183 737.35	435.87	470.73	503.39	174 346	188 294	203 357
10.	Mushin	1 707 137	1 843 708	1 991 205	311 553.05	336 475.25	363 394.00	853.57	921.85	995.60	341 427	368 742	398 241
11.	Ojo	690 119	745 329	804 955	125 946.90	136 020.90	146 905.20	345.06	372.66	402.48	138 024	149 066	160 991
12.	Shomolu	1 144 145	1 235 677	1 334 531	208 805.55	225 511.60	243 553.55	572.07	617.84	667.27	228 829	247 135	266 906
13.	Alimosho	1 362 077	1 432 164	1 546 737	248 579.60	261 369.20	282 280.05	681.04	716.08	773.37	272 415	286 433	309 347
14.	Oshodi-Isolo	1 434 721	1 549 499	1 673 459	261 836.40	282 783.75	305 406.45	717.36	774.75	836.73	286 944	309 900	334 692
15.	Surulere	1 471 043	1 588 726	1 715 824	268 464.80	289 941.40	313 137.15	735.52	794.36	857.91	294 209	317 745	343 165
16.	Ajeromi-Ifelodun	1 881 747	2 039 846	2 203 034	343 417.55	372 270.80	402 054.80	940.87	1 019.92	1 101.52	376 349	407 969	440 607
17.	Amuwo-Odofin	708 280	764 942	826 137	129 261.01	139 601.55	150 770.55	354.14	382.47	413.07	141 656	152 988	165 227
18.	Apapa	490 348	529 576	571 942	89 487.05	96 648.35	104 379.05	245.17	264.79	285.97	98 070	105 915	114 388
19.	Ifako-Ijaiye	744 602	804 170	868 504	135 889.50	146 762.85	158 501.25	372.30	402.09	434.25	148 920	160 834	173 701
20.	Kosofe	1 307 594	1 412 202	1 525 178	238 637.00	257 726.50	278 345.35	653.80	706.10	763.59	261 519	282 440	305 016

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