The Challenge

The power sector is critical to Nigeria’s economy. But in recent years, the lack of constant electricity supply has driven businesses to rely on expensive and highly polluting off-grid self-generation alternatives. Compounding this problem, inefficiencies in the value chain have led to requests by the Discos for tariff increases in order to improve foster financial viability and attract investment into the sector.

The Solution

The Federal Government Economic and Recovery Growth Plan 2017-2020 sets out the medium-term structural reforms to diversify Nigeria’s economy, including expanding power sector infrastructure as one of the top priorities.


The Power Sector Recovery Programme is a series of policy actions, operational, governance and financial interventions to be implemented by Federal Government of Nigeria over the next five (5) years to RESET the Nigerian Electricity Supply Industry for future growth.

The objective of the Programme is to renew Nigeria’s economy by rebuilding a functioning, fair power system through:

1. Restoring the sector's financial viability;
2. Improving power supply reliability to meet growing demand;
3. Strengthening the sector's institutional framework and increase transparency;
4. Implementing policies that promote and encourage investor confidence in the sector;
5. Institutionalizing a contract-based electricity market.
The Power Sector Recovery Programme begins with a plan to put Nigeria’s power sector on the right financial path.

- The annual Federal Government budgets will include provisions for fully funding historical and future sector deficits from 2017-2021, but this is only part of the financial plan. The Programme will also ensure Ministries, Departments, and Agencies debts are paid and implement a payment mechanism for future electricity bills.

- Cost-reflective tariffs will be established across the board over the next 5 years and sooner on a bilateral willing buyer/willing seller basis for premium customers. A review of the tariff setting methodology will be conducted. In the past, distorted energy pricing has led to unsustainable costs to the economy. The responsible thing to do for Nigeria’s future is to remove cost distortions while protecting the poorest citizens from the impacts of price increases.

- A Payment Assurance Facility is being established with support from the Central Bank of Nigeria to assist NBET in meeting its payment obligations. And the World Bank Group has indicated potential support of up to US$2.5 billion for the Power Sector Recovery Program, with additional IFC and MIGA investments to unlock an additional US$2.7 billion in private investment.

The Programme will also prioritize operational and technical interventions that will ensure the stability of Nigeria’s grid.

- Under the Programme, the minimum baseline power generation of 4,500MWH/H will be guaranteed and distributed daily from 2018.
- The performance of distribution companies will also be improved by, among other strategies like customer enumeration, ensuring their financial restructuring and recapitalization, establishing a metering program, and implementing credible Business Continuity Plans.

An equally important step in the Power Sector Recovery Programme is to strengthen the governance of Nigeria’s power sector.

- The appointment of qualified Boards to government agencies and qualified government representatives to the boards of distribution companies will be critical to restoring proper sector governance.
- Sector transparency will be improved by establishing data driven processes for decision making across the sector’s value chain – and ensuring that Nigerians are aware of the decisions made.

Finally, the Programme calls for putting the right policies in place to enable the improvements needed in Nigeria’s power sector and market.
• Fiscal and monetary policies will address duty waivers, pioneer status, capital importation, and foreign exchange policy in order to encourage private sector investments.

• Electricity access will be increased by implementing off-grid renewable energy solutions.

• Private sector investments will be encouraged by clarifying the terms and conditions of government support for private sector investment in generation, transmission and distribution. Importantly, this will include a timetable for transitioning to the competitive procurement of generation.

A dedicated team has been established to coordinate and monitor the implementation of the Program. The PSRP Implementation Monitoring Team reports to the Economic Management Team chaired by His Excellency, The Vice President.

Learn more at www.mypower.ng