



# Transportation Infrastructure as a Catalyst for Economic Diversification & Inclusive National Development

## WHAT ROLE CAN PPPS PLAY?

BEING A PRESENTATION BY THE INFRASTRUCTURE CONCESSION REGULATORY COMMISSION (ICRC)  
AT THE 2017 ENGR. OTIS ANYAEJI ANNUAL DISTINGUISHED LECTURE BY THE NIGERIAN SOCIETY OF ENGINEERS



Engr. Chidi K. C. Izuwah, Snr.  
**ACTING DIRECTOR GENERAL**

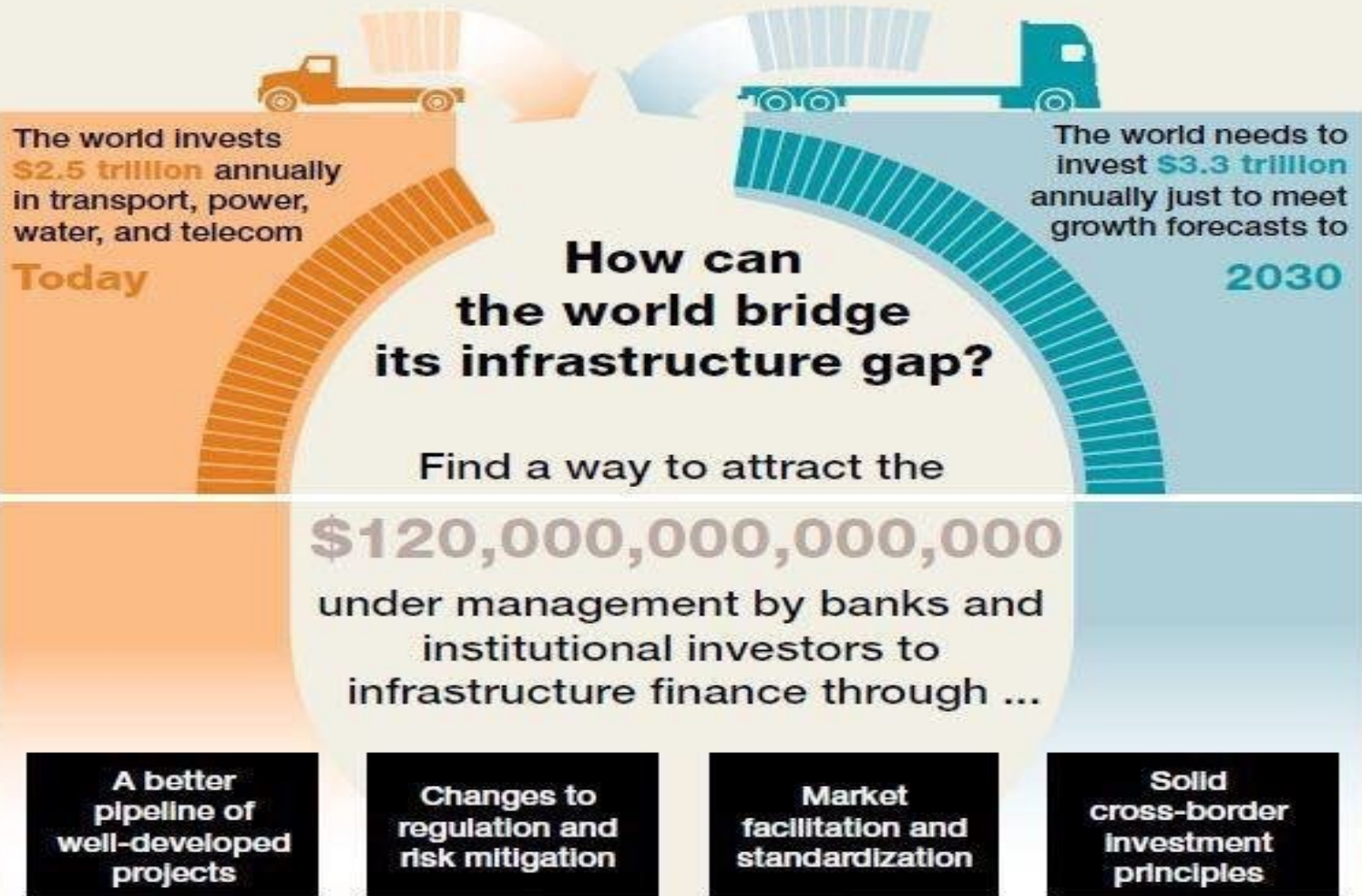
**INFRASTRUCTURE CONCESSION REGULATORY COMMISSION**

6<sup>th</sup> September, 2017

# Myth Bursting

ICRC

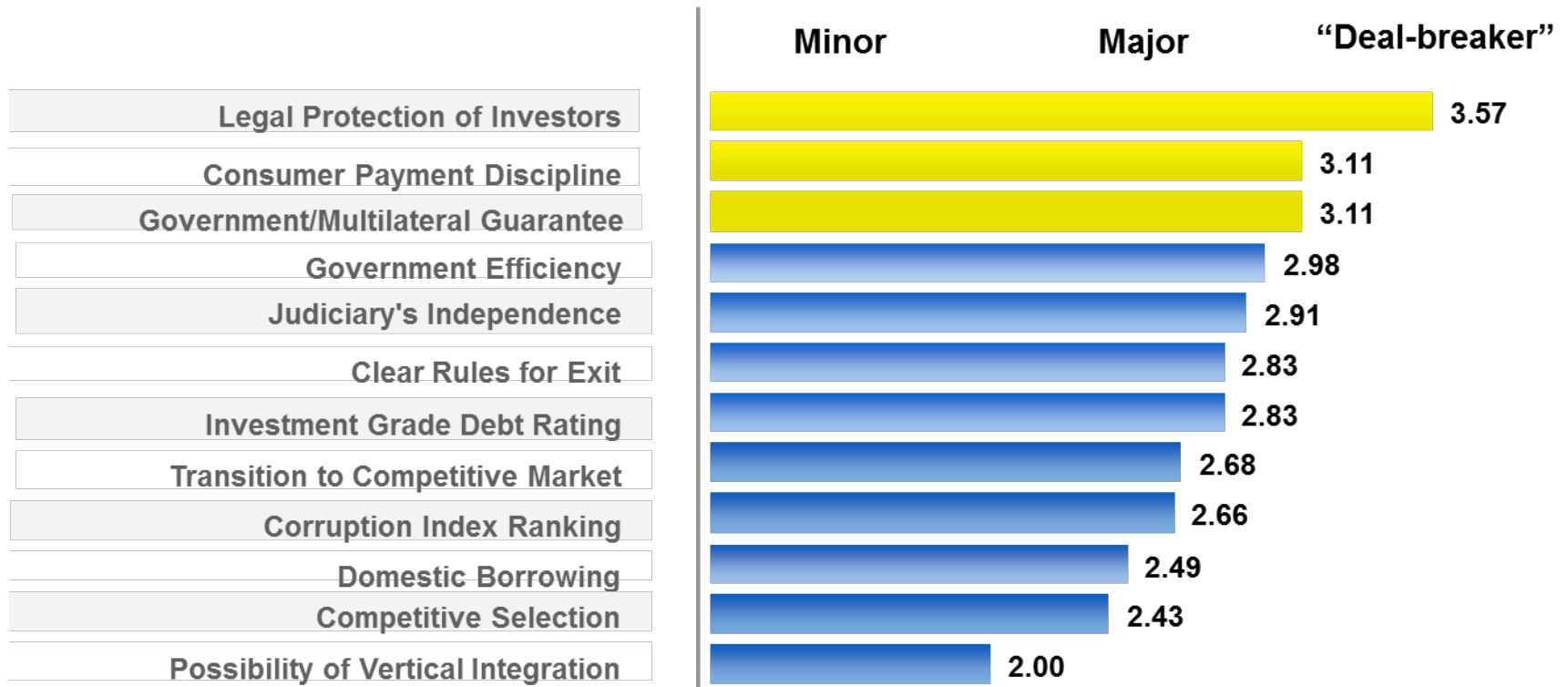
# Money is not the problem?



# Legal Framework key

## General Principles – Focus on Addressing Killer Risks

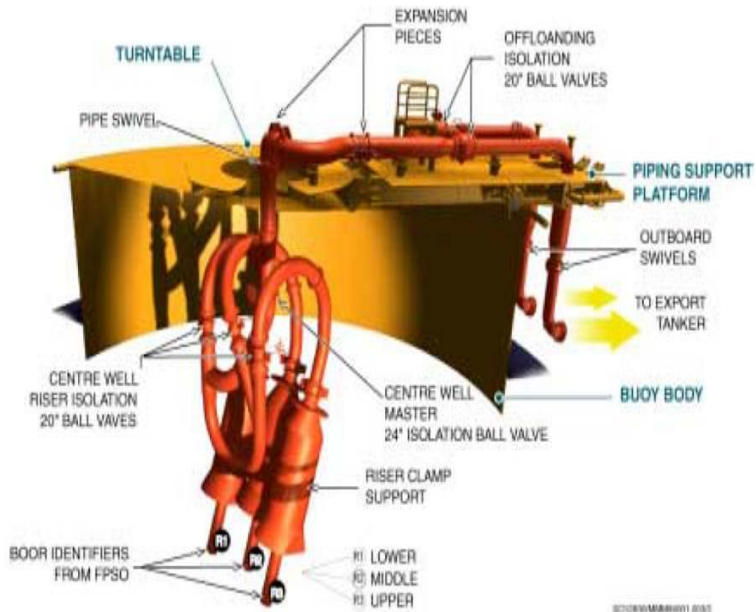
- World Bank surveys of investors have repeatedly shown that the issue of 'protection of legal rights' is the primary concern in making decisions as to where to undertake major infrastructure projects



# Bonga SPM Buoy



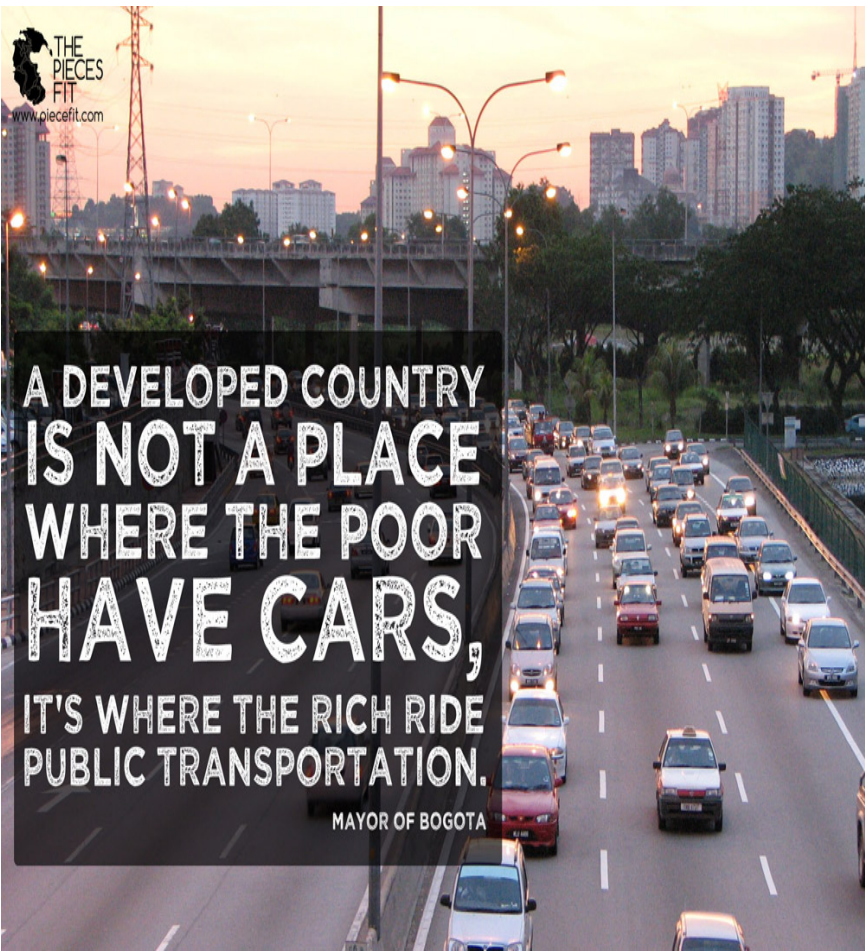
# Bonga FPSO and SPM Buoy



# Herdsmen & Farmers Clashes – Transportation Infrastructure Problems



# Mayor of Bogota





# Outline



- Myth Bursting
- Lessons from Others
- Introducing Nigeria
- Nexus between Transportation Infrastructure and Economic Diversification & Inclusive Development
- Challenges and Opportunities
- PPP Imperative
- Case Study
- Way Forward and Conclusion

ICRC

# Lessons from Senegal

ICRC

# Multi Modal and Connected



## Senegal

### 4 Major Infrastructure Projects in 2 Years



**The Bank financed EUR 185m directly,  
facilitating EUR 1.3 billion in investment**

# Benefits



## Senegal

### Synergies & Catalytic Effects on Economic Development



# Lessons from Malaysia

ICRC

## Infrastructure Leadership Quote from Other Lands

We told them we will give them roads to bring their products on, schools to send their children to, hospitals and clinics to improve their health.

We cannot waste our time.

We have to work fast to show results for we are judged by our performance, not what we promise

**Tun Abdul Razak Hussein – Prime Minister of Malaysia 1970 - 1976**

# MALAYSIAN ROADS : 1970 – 1980



Source: Plus Malaysia Berhad, 2015

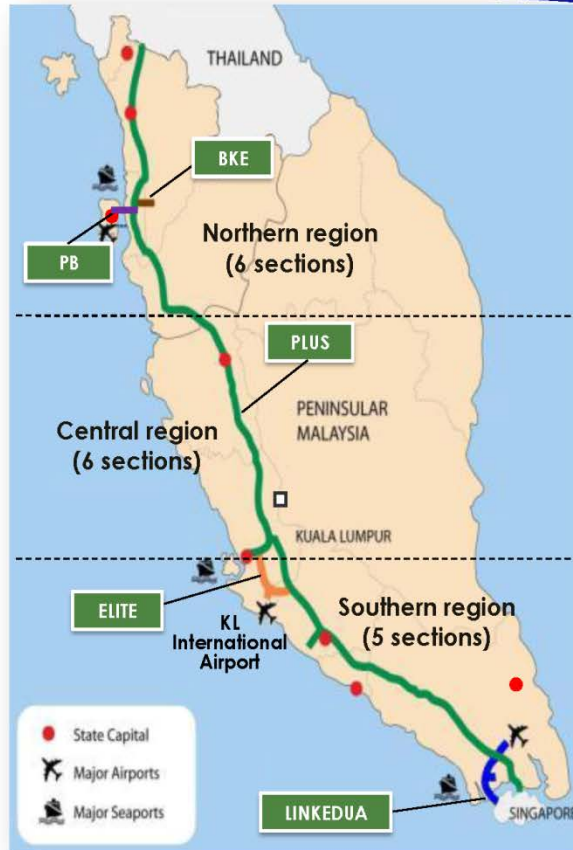
Presentation by Plus Berhad to Engr. Chidi Izuwah November 2015

Malaysian economy literally transformed by PPP execution of the North-South Expressway which was converted to a PPP in response to their 1980s financial crises

- Development Stage 1986 – 1988
- Construction 1989 – 1994
- Operation and Maintenance 1994 onwards



# AVERAGE GDP GROWTH OF STATES Along North-South Expressway (NSE)

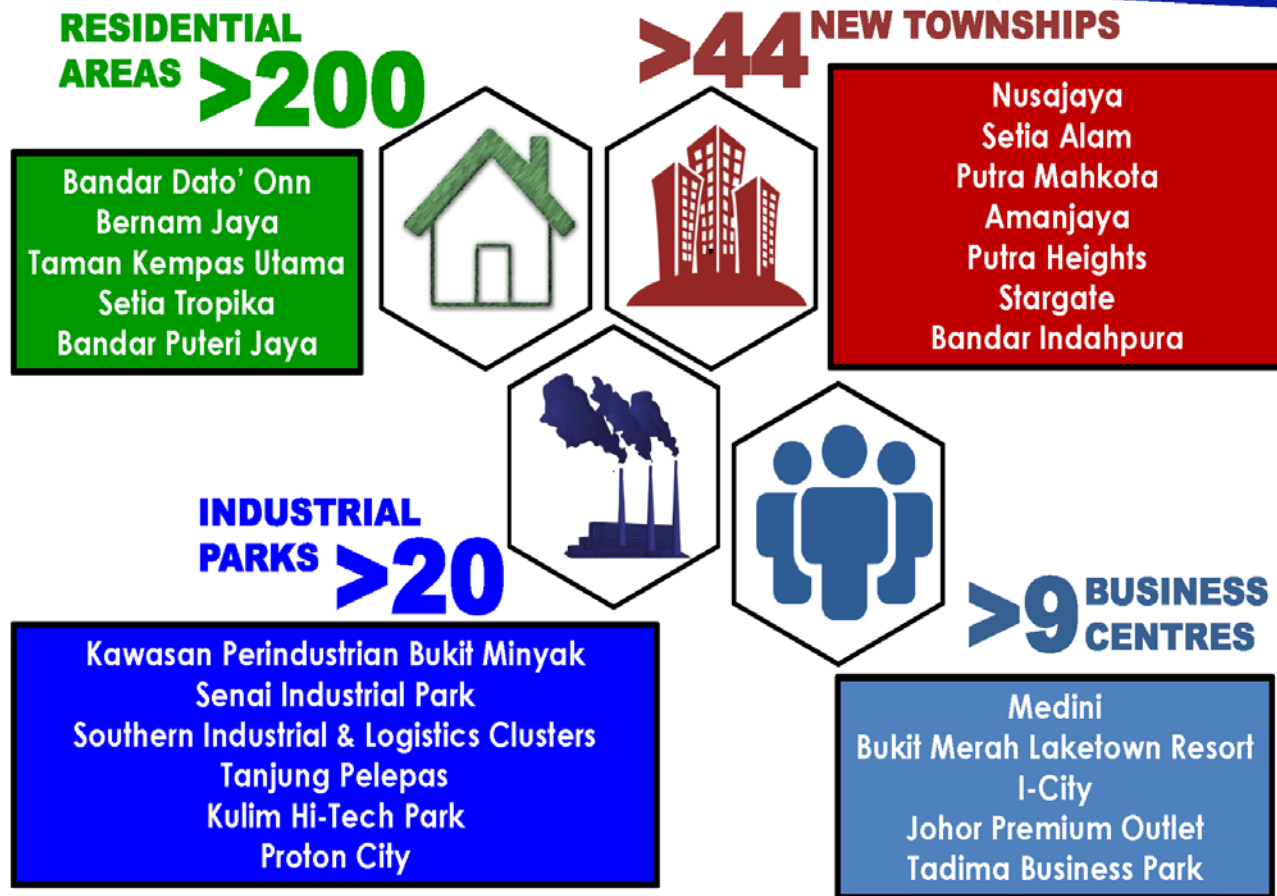


States	GDP GROWTH	
	1989 - 1993	2000 - 2013
	Before	After
Kedah	4.7%	<b>7.5%</b>
Penang	4.5%	<b>7.5%</b>
Perak	4.7%	<b>7.3%</b>
Selangor	5.4%	<b>7.7%</b>
N. Sembilan	3.9%	<b>7.1%</b>
Melaka	4.5%	<b>7.3%</b>
Johor	5.0%	<b>7.7%</b>

Source: Plus Malaysia Berhad, Nov 2015

Presentation by Plus Berhad to Engr. Chidi Izuwah November 2015

# NEW TOWNSHIP, INDUSTRIAL PARK, BUSINESS CENTER AND RESIDENTIAL ALONG NSE



Source: Plus Malaysia Berhad, Nov. 2015

# Lessons from SA

ICRC

# South Africa

- South Africa as leading PPP hub in Africa
- Gautrain Rapid Rail Link project – the biggest PPP project in Africa

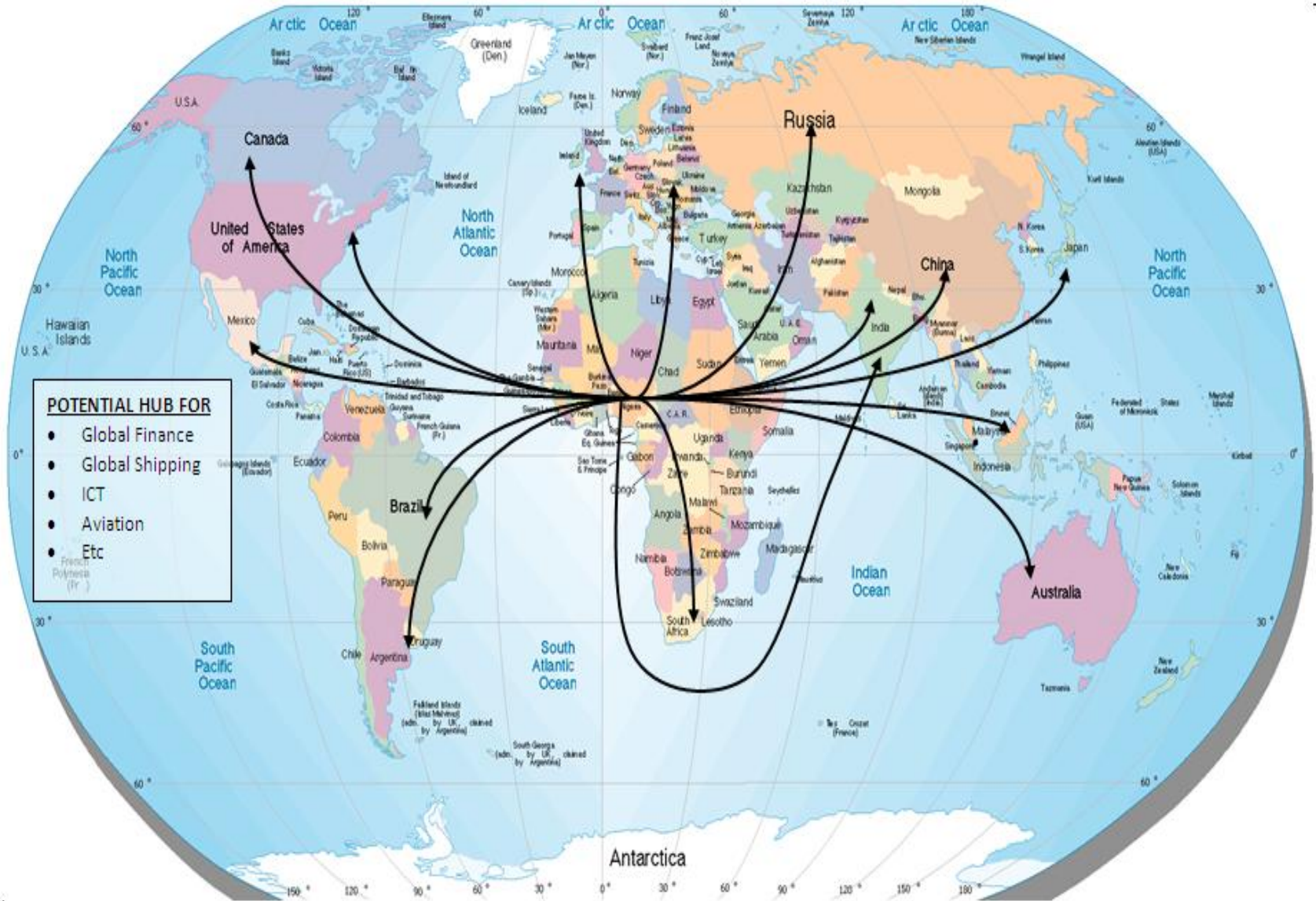


Source: Africa PPP Conference and Showcase  
2016 - Presentation by Mr. Jack van de Merwe,  
CEO Gautrain Management Agency

# Nigeria

ICRC

# Introducing...Nigeria centre of the world



# Africa's Most Formidable CV – Past and Present



- Largest Economy in Africa, 26<sup>th</sup> Largest Economy in the World, Half a Trillion GDP
- First TV Broadcast in Africa
- Mandela hid in Nigeria for 6 months to escape the Apartheid Regime
- Previous longest Bridge in Africa (11.8 Kms) – Egypt now
- Largest Black Country in the World – 170 Million (1/5<sup>th</sup> of Africa's Population)
- Largest Entrepreneurial Population in Africa, Large Mobile Phone User Base
- Third Largest Movie Industry in the World – Now 2nd
- Diversifying Economy With Growing Non Oil Sector – 51% Services, Agric 22%, Industry 26%, Oil 15%
- Richest Man in Africa – Aliko Dangote
- Leading Destination for Investment in Africa – UNCTAD
- IF YOU ARE NOT IN NIGERIA, YOU ARE NOT IN AFRICA

# Nigeria !!! – Case for Action



- Nigeria is rich in natural resources and boasts a large young ambitious and entrepreneur population.
- Harnessed properly, those advantages could usher in a period of sustained economic growth.
- Unable to translate endowments into efficient essential services such as electricity, water, roads, railways, ports, communications, etc.
- Poor physical infrastructure stymie's attraction of FDI, growth, and competitiveness.
- Nigeria is a monoculture economy - exporting primarily crude oil.
- Advice – Nigeria must address several critical challenges including transportation in order to prosper over the long term -

BCG

ICRC



# Nigeria – The Potential



## Forecast for Nigeria's GDP growth over the next 30 years

X% 2012–43 compounded annual growth

### Nigeria real GDP,<sup>1</sup>

USD billions (2012 constant prices)



Few countries ever grew by this much in a 30-year frame. Examples:

-  Equatorial Guinea
-  China
-  Macau
-  Qatar
-  Monaco

<sup>1</sup> Country comparisons from 2013 (IMF): Netherlands – USD 800 billion, Canada – USD 1,825 billion, France – USD 2,737 billion  
 Note: Growth rate of 7.3% until 2020; Gradual convergence towards a 5.0% growth rate after 2031  
 SOURCE: NPC; IMF; UN World Population prospects; McKinsey Global Institute; Team analysis

# Nigeria Nigeria Nigeria



Goldman Sachs projections places Nigeria as;

- the 20th largest economy by 2025 on the basis of GDP
- 21st on per Capita Income (2025).
- 12<sup>th</sup> largest economy if Nigeria maintains its growth trajectory to 2050, overtaking Korea, Italy and Canada on GDP.



# Background

I C R C

# Infrastructure + Nigeria = Progress



**If you want to grow rich – build a road first (Chairman Mao)**

*“If Nigeria was a three legged stool I would say its stability and future depends on how well and how fast we tackle the infrastructure problem – the shaky leg of the stool”*

**World Bank Official**



**1% increase in infrastructure stock results in a 1% increase in GDP – World Bank**

# Transportation Infra as a Catalyst



- Infrastructure's contribution to GDP in Emerging Economies is between 11 to 16% in Nigeria it's between, 1 to 3 % - Unknown
- Transportation Infrastructure is the cornerstone of civilization - Nile
- Need for transportation infrastructure is a derived one, because it depends on the demand for the goods and services who's production is made possible by the existence of infrastructure
- Absence of robust transportation infrastructure - hampers economic activities to enhance growth, wealth and job creation and overall national development.
- The World Bank has indeed described Transportation Infrastructure stock in emerging economies - missing link with respect to achieving the Sustainable Development Goals (SDGs).

# Transportation Infrastructure as Catalyst



Transportation Infrastructure affects economic diversification, growth & national development through:

- reductions in costs
- competitiveness in the international market
- domestic market development
- Economic Diversification & Structural Changes
- improvement in welfare and living conditions

ICRC

# Poverty, Dev. & Transp. Infrastructure



- “Transport plays a key role in the economic and social development of any nation. A well-functioning and integrated Transport System will amongst other things:
  - Stimulate national development and enhances the quality of life for all;
  - Allow markets to operate by enabling the seamless movement of goods and people;
  - Provide vital links between spatially separated facilities and enable social contact and interaction;
  - Provide access to employment, health, education and services;

(1993 Draft National Transport Policy of Nigeria)

## **A good Transport Infrastructure System:**

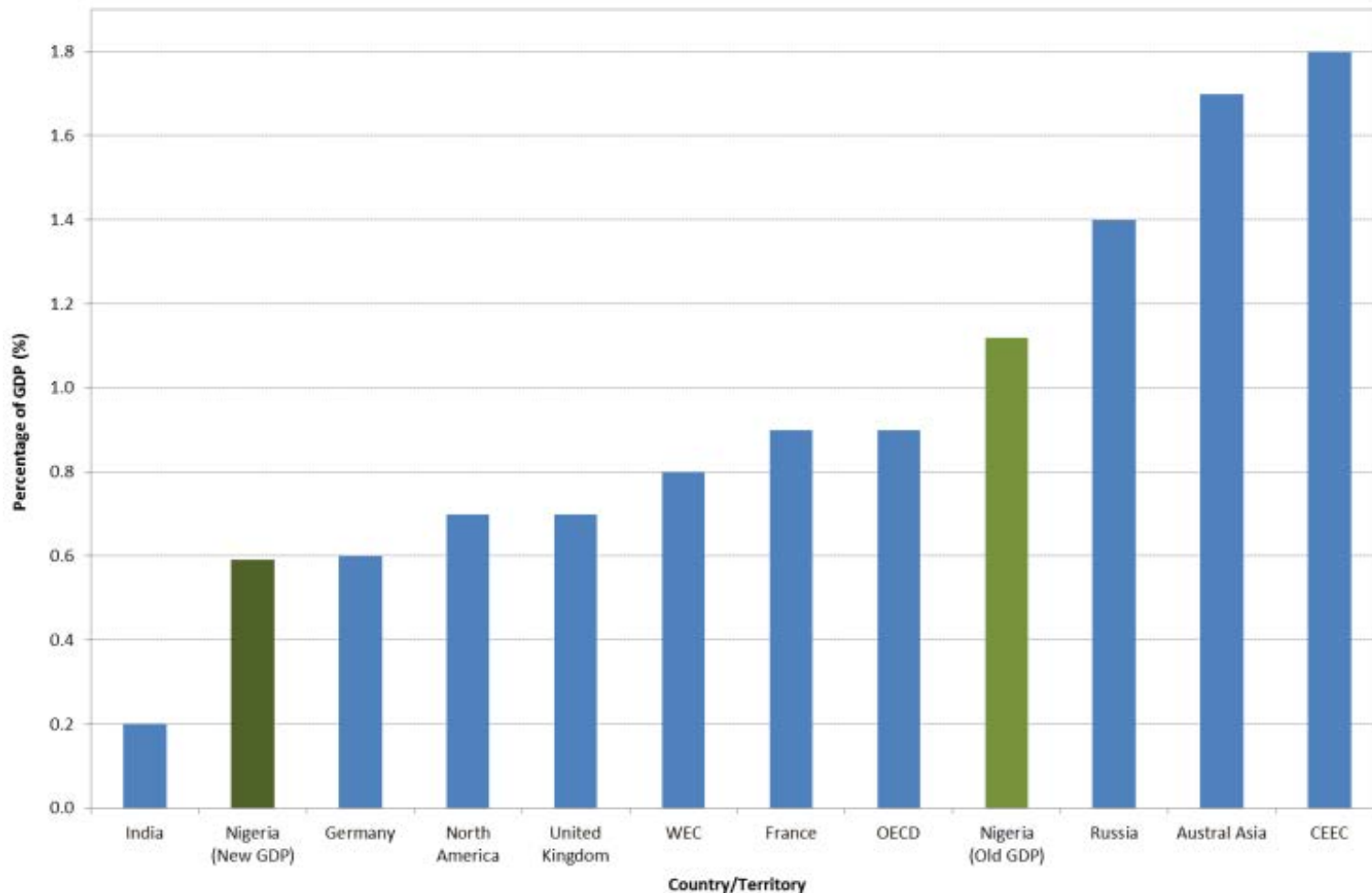
- Provide access to employment, health, education and services;
- Alleviates regional inequality and fosters national integration;
- Increases access to markets and links local, regional, national and international markets; and
- Promote economic development by increasing access to labour and physical resources thus facilitating the realization of our country's, comparative and competitive advantages.
- The different Transport modes (road, rail, maritime, air and waterways) have specific features and advantages.
- The overall efficiency and effectiveness of the Transport system depends on the development of these modes and their interfacing/integration.



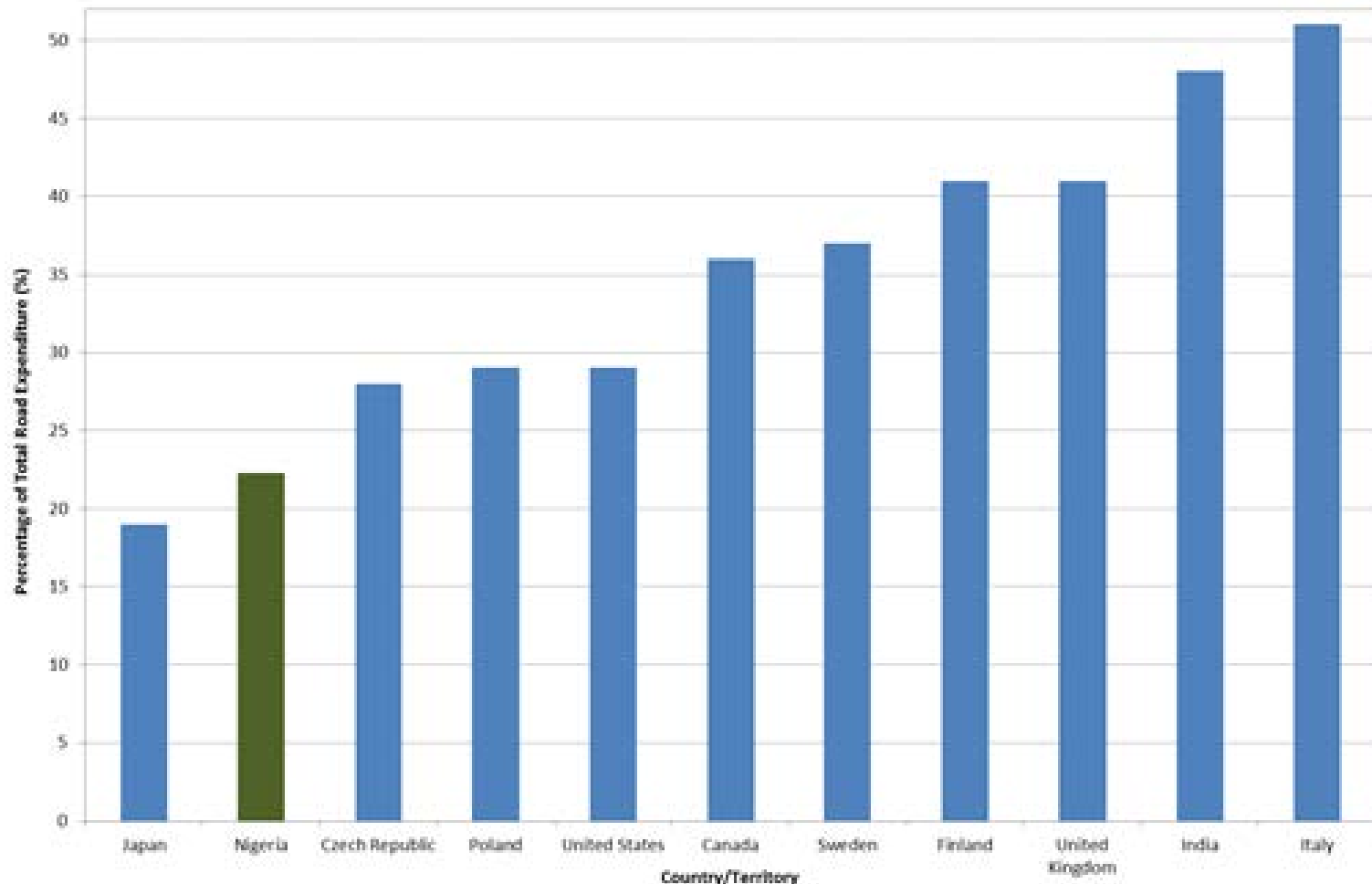
# Investment Wise Where Do we Stand

I C R C

# Analysis of Transport Infrastructure Investments as a Share of GDP (%)



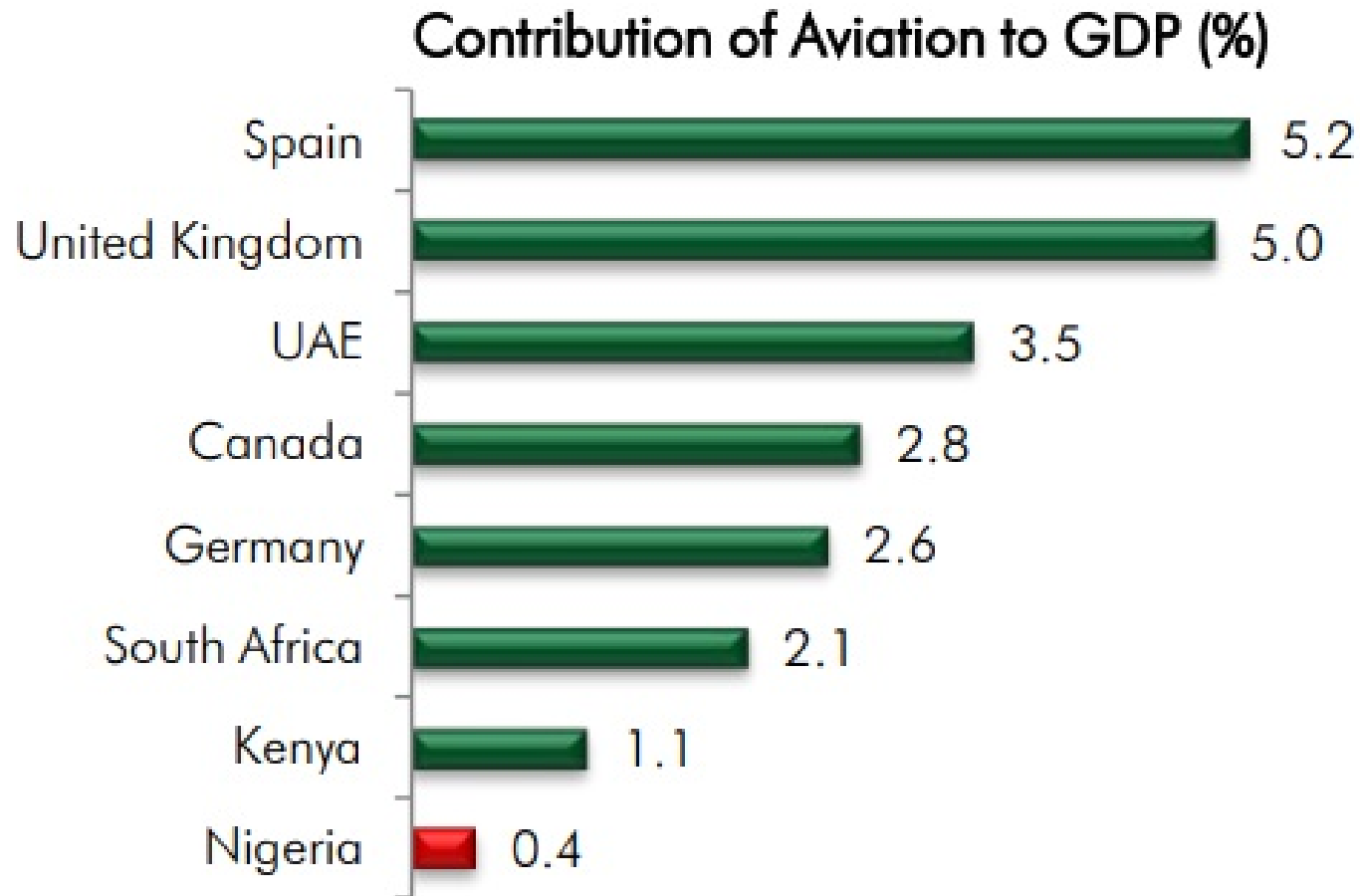
# Analysis of Road Maintenance as a Share of Total Road Expenditure (%)



# Aviation Sector Contributions Comparison

I C R C

# The Aviation Industry



Comparison of the contribution of the aviation industry to the GDP of different countries (Philips Consulting).

# The Aviation Industry - Nigeria



## Nigerian Aviation Industry

- In 2015: Aviation industry supports 254,500 jobs
- Contributes US\$940 million (N184.7 billion) to national GDP.
- Of this sum, 49% (i.e. US\$462 million or N90.8 billion) is a direct output of the aviation sector (via airports, airlines and ground services)
- Indirectly jobs, 51% (via the supply chain).
- Additional US\$464 million (N91.2 billion) is derived from tourism, which raises the overall contribution to US\$1.4 billion (N275.9 billion).
- In 2010 - Total Passengers: 8.3 m (4.2m domestic passengers; Contribution to GDP – 0.4%

Sources: ATAG – Aviation Benefits Beyond Borders, 2014; Oxford Economics: Economic Benefits from Air Transport in Nigeria, 2012

# The Aviation Industry - Dubai



## Dubai (2 Airports)

- In 2012: Total Passengers processed 57.7 m
- Aviation industry contribution to GDP - 20%; estimated to rise to 32% in 2020
- In 2013: Passengers processed rose to 65.4%
- Connects to 149 cities all over the world
- Generated revenue of \$10.2 billion
- Supported 157,000 jobs
- Industry estimated contribution to GDP to rise to 32% in 2020

Sources: ATAG – Aviation Benefits Beyond Borders, 2014; Oxford Economics: Economic Benefits from Air Transport in Nigeria, 2012

ICRC

# Our Challenges and Opportunities

ICRC



# Time & Cost Comparisons

## UNITED STATES



## NIGERIA



## BURKINA FASO-GHANA



IMPORTS

5 days

\$1,958 USD

19.5 days

\$4,737 USD

7-14 days

\$3,192 USD

EXPORTS

3 days

\$1,583 USD

12.5 days

\$3,041 USD

4-5 days

\$2,451 USD

Units - TEUs (Twenty-foot Equivalent Units)

# 70%

***“Logistics is not our business  
but it is our problem ....”***

- chorus of major investors in Ikeja, Lagos

ICRC

# Transportation Infrastructure Challenges



- Major problems of the Nigerian transport system include among others; very very bad roads; nonexistent mass transit systems eg. trains, overcrowded and inefficient airports and congested ports
- There is an absence of suitably-trained transport managers and planners, including capital investment challenges.
- There are also institutional and structural problems and ineffective regulation.
- This situation has stymied the economic development in an emerging economy like Nigeria.
- It has indeed created an abnormal and ineffective system for resource distribution leading to wastages, stunted growth...that's not commensurate with our rich natural resource endowments,,,, *including accelerating inequality rather than accelerating economic growth.*

I C R C

# Transportation Infrastructure Challenges – GCR 2014 to 2015



- Nigeria currently ranks 125 with a score of 2.7 for Roads and rank of 100 with a score of 1.5 for Railroad Infrastructure.
- IAir Transportation Infrastructure the report ranked Nigeria 121 with a score of 3.2.
- With this level of nation's Infrastructure stock, especially in the areas of Railroad Infrastructure (1.5) and Roads (2.7) the country would continue to stagnate and burden our actions to develop our economy, create jobs and banish poverty from our Land.
- The inadequate physical infrastruc-ture stock condition of our country especially with respect to transportation infrastructure is a major constraint to sustained and broad-based economic growth.

ICRC

# Transportation - Roads



- Nigeria had about 195,500 km road network. Out of the whole, a proportion of about 32,000km are federal roads while 31,000km are state roads.
- Out of this only about 60,000 km are paved. Of the paved roads a large proportion are in very poor unacceptable condition due to insufficient investment and lack of adequate maintenance.
- Private capital and management expertise will help in this area as has happened in Malaysia, India and South Africa.

I C R C

# Ilorin Kaduna Expressway !!!









**Transformation needed for a congested highway, otherwise....**



**...when you succeed  
- you fail !**

# CURRENT ROAD NETWORK

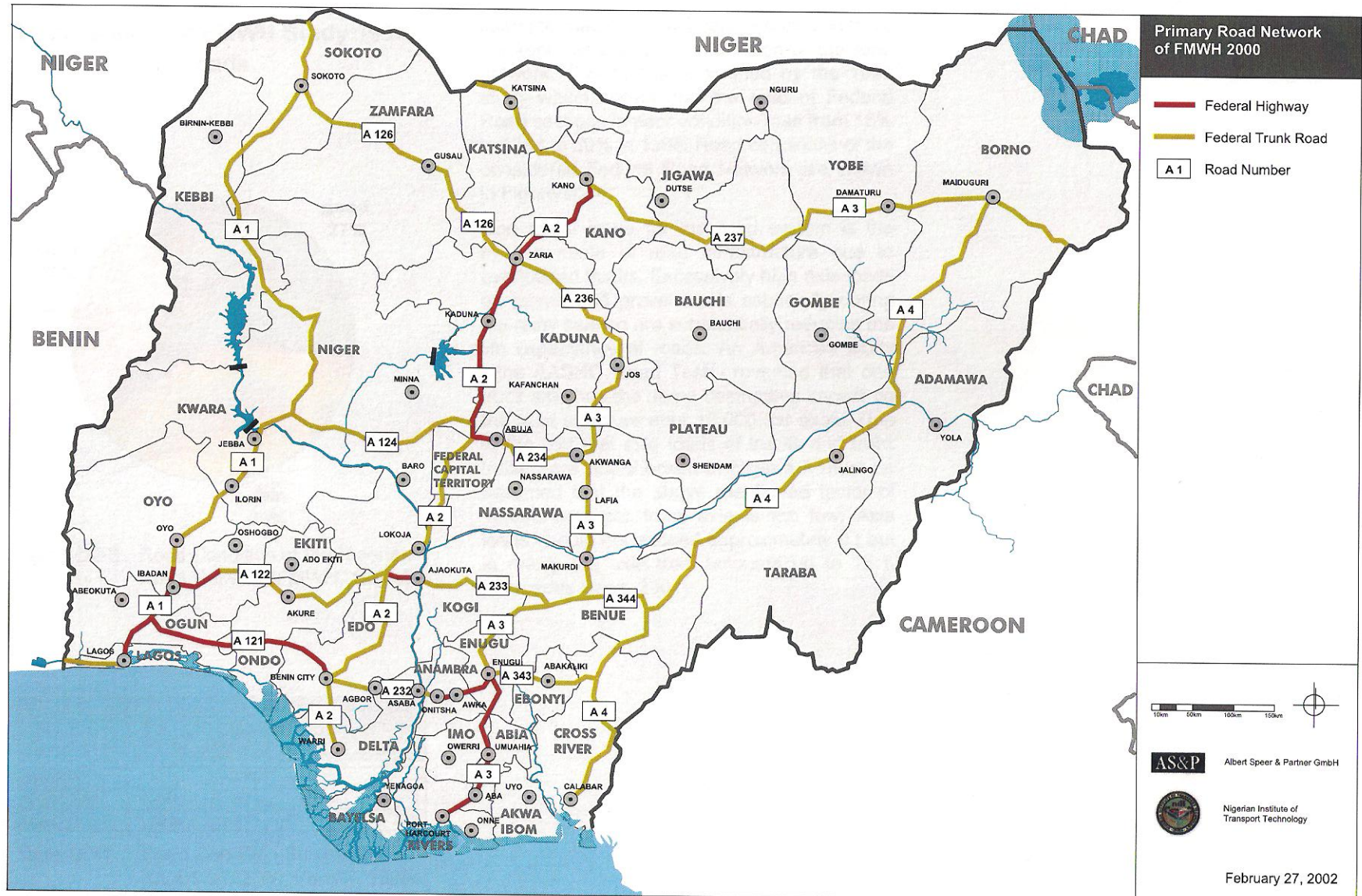


Figure D2-2: Primary Road Network of FMWH 2000

# Transportation - Airports



- Our airports in terms of terminal buildings and aviation critical facilities are not much good. We recently had problems with the FAA Audit visit.
- Turkey is currently building the 3<sup>rd</sup> Istanbul Airport with 200 Million passenger capacity costing over 4 Billion USD (no penny of government money) for her 77 million people through private capital and expertise.
- This can be replicated in Nigeria for the benefit of our 180 Million people. Currently MMA2 can easily be recognized as our best airport in Nigeria. How was it built? How is it operated?

ICRC

# AIR DESTINATIONS IN NIGERIA

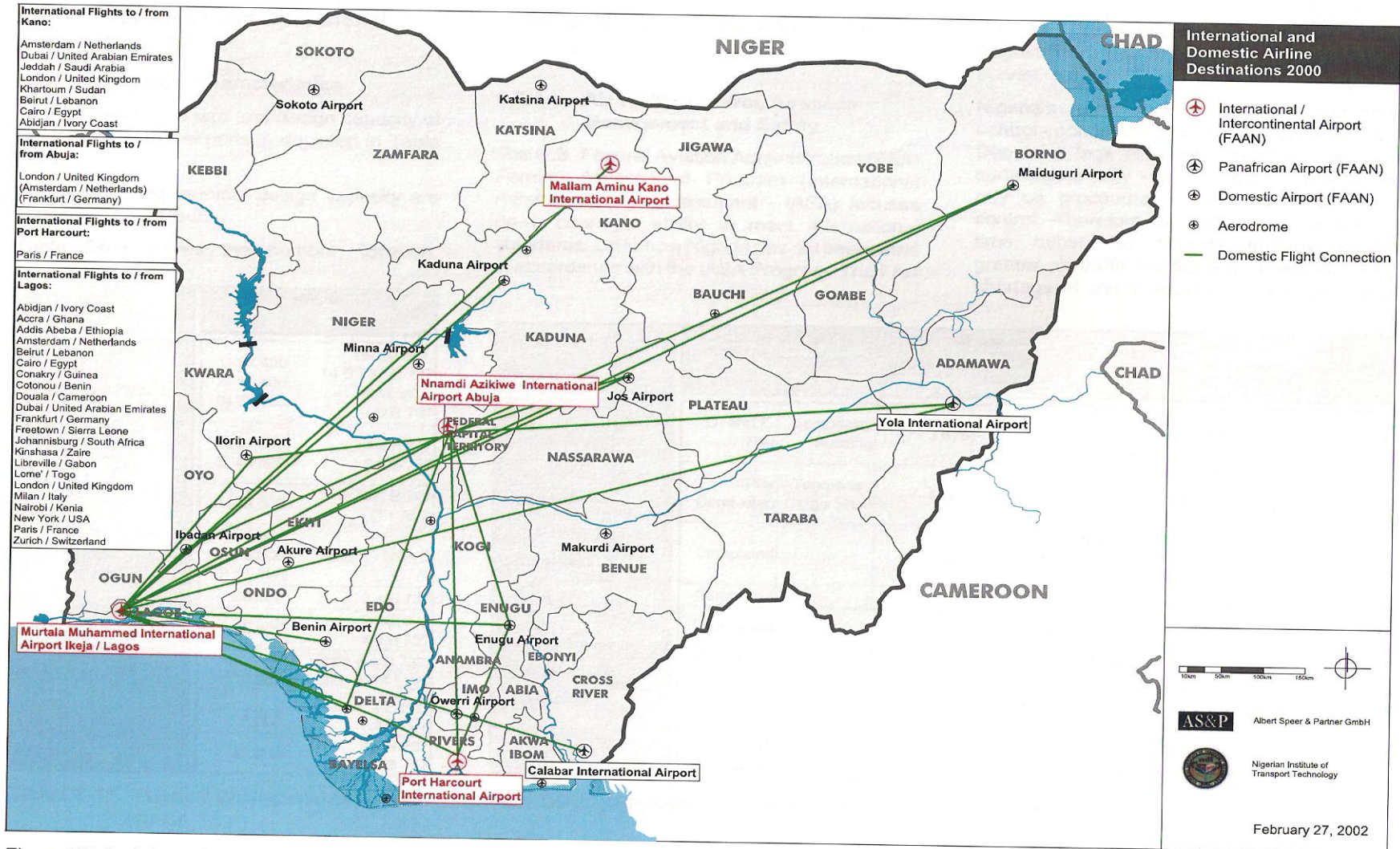


Figure D6-2: International and Domestic Airline Destinations 2000 [FAAN]

# Transportation - Rail



- The Nigerian Rail transport system consists mainly of 3 feet 6 inches narrow-gauge single track lanes extending from South-West to North-East and from South-East to North-West and the newly build standard guage lines.
- We have just completed and put into use the Kaduna Abuja Rail Line.
- We have a 25 year Railway Master plan to connect the entire country.

ICRC







9/6/2017

56



# Nigeria well done – Rail is Back



# RAILWAY NETWORK - NOW

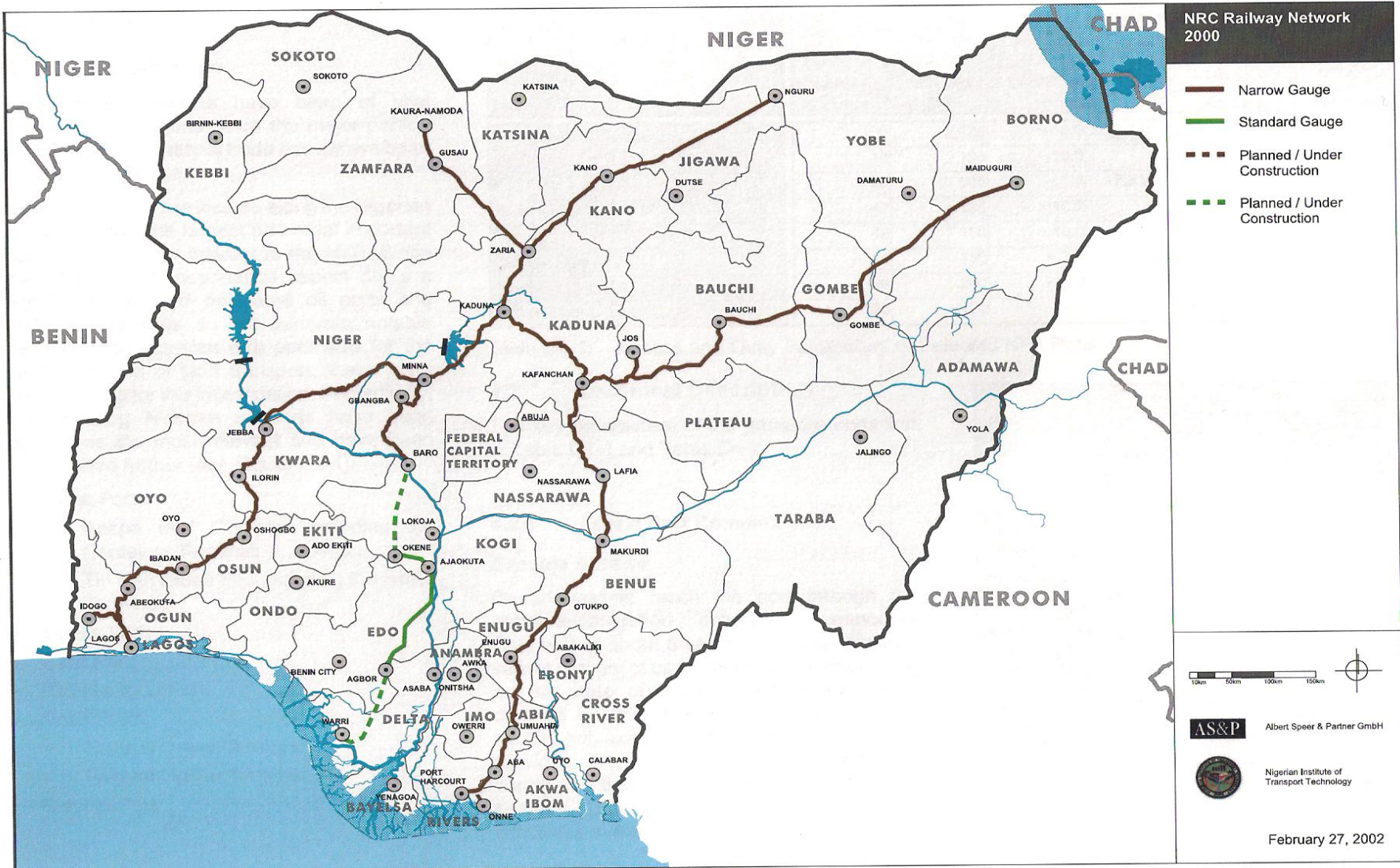


Figure D3-1: NRC Railway Network 2000

# Transportation - Ports



- Our Port Facilities have done better due to the concession of the ports and inflow of private capital due to our major ports reform in 2004 where experienced private operators were engaged through Concessions to rehabilitate and Manage 26 Port Terminals under the Landlord PPP model.
- Months after the concession of the Apapa-Lagos container terminal, delays for berthing space dwindled, and shipping lines reduced congestion surcharge from \$525 to \$75, saving the Nigerian economy an estimated \$200 million a year.
- This progress has continued and needs to be sustained. **We no longer hear about wharf rats etc these thieves made containers vanish into thin air easily in our Ports in years gone by.**

ICRC

# SEAPORTS & INLAND RIVER PORTS - NOW



Figure D5-1: Primary Inland Waterways 2000 [NIWA, 2001]

# PPP Imperative

I C R C

# The PPP Imperative



- Transportation infrastructure is critical to ensuring continued development and economic growth.
- We have significant budgetary constraints
- Private sector efficiency and innovation - telecoms (16 years ago we had 400,000 Nitel lines)

Governments around the world are taking the economic and political decision to accelerate the use of private sector finance and adopt Public Private Partnership to deliver transportation infrastructure projects

ICRC

# The PPP Imperative



- India, South Africa, Malaysia and many developed countries have accelerated their infrastructure provisioning through PPPs.
- With the drastic fall in oil prices and fiscal retrenchment in Nigeria; we must create an enabling environment that would promote PPPs to accelerate transportation infrastructure.
- In the last 18 months Turkey has opened transportation infrastructure projects i.e. third Istanbul bridge, Izmir to Istanbul highway and sea bridge costing over USD 6 Billion.
- These projects would not have been built if the PPP imperative was not adopted by Turkey.

# What are Public Private Partnerships?

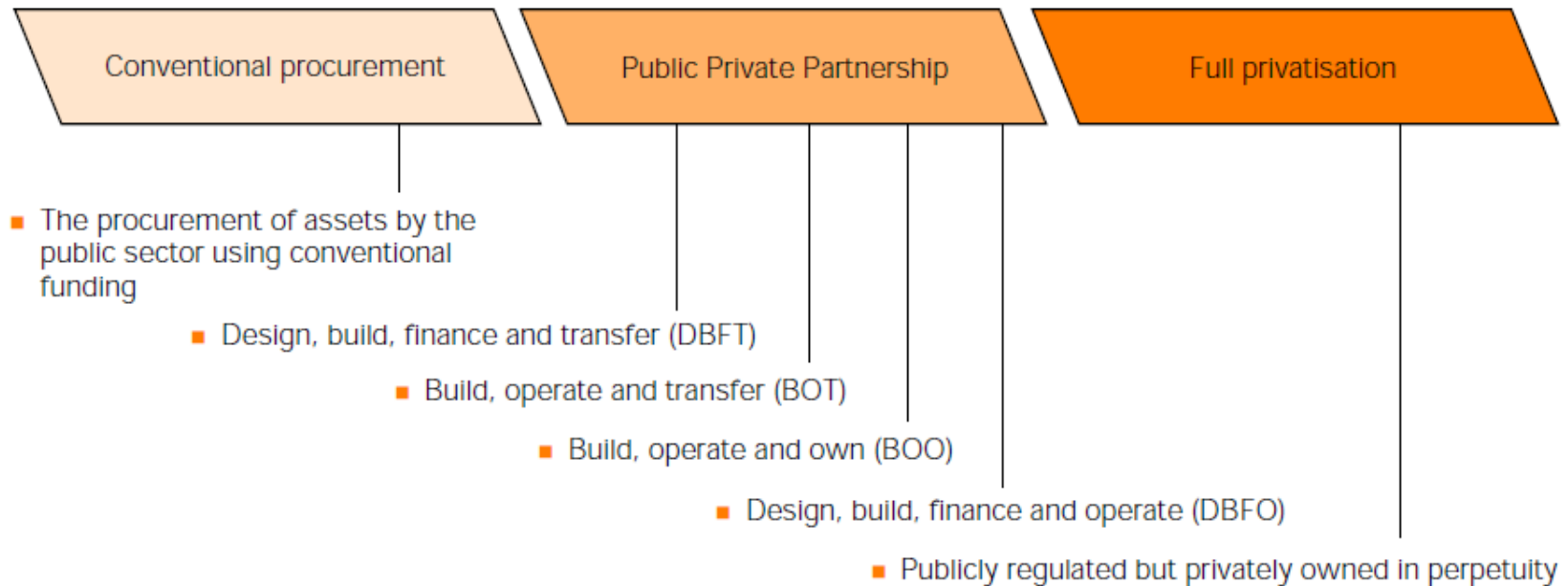
- PPPs are contractual agreements between public and private sector partners to renovate, construct, operate, maintain, and/or manage a facility or system.
- While the public sector usually retains ownership of the facility or system, the private party may be given responsibility for major elements of the facility.
- Nigeria's policy on PPPs is aimed at putting in place a world class regulatory and monitoring institutional framework that enables the private sector play a key role in the provision of infrastructure, whilst ministries and other public authorities focus on planning and structuring projects.
- The private sector will be contracted via PPPs to manage provision of specifically identified infrastructure services, via design, build, and finance and operate mechanisms as applicable and appropriate.



# The PPP Imperative – Procurement Spectrum



PPP represents a balance between state ownership and privatisation as indicated below:



Source: KPMG, KLegal

**Public Sector**



**Risk Spectrum**

**Private Sector**

# The PPP Imperative



## Definition

A Public-Private Partnership is a **contractual agreement** between a **public agency** (federal, state or local) and a **private sector entity**. Through this agreement, the **skills and assets** of each sector (public and private) **are shared** in delivering a service or facility for the use of the general public. In addition to the sharing of resources, **each party shares in the risks and rewards** potential in the delivery of the service and/or facility (Nat. Council on PPP USA)

Wide  
Infrastructure  
Gap

Growing  
demand for  
private sector  
participation in  
infrastructure

Small and  
depleting  
Government  
resources

Urgent need for  
alternative funding of  
Infrastructure

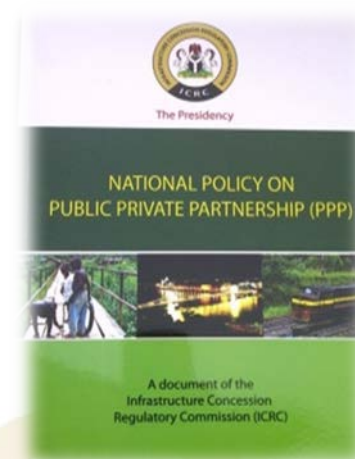
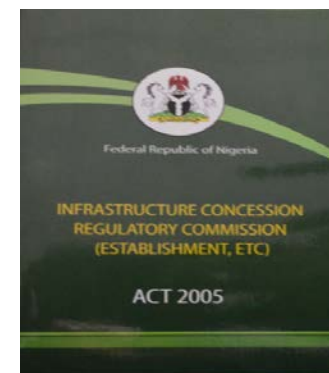
The goal is to combine the best capabilities of the public and private sectors  
for mutual benefit

# PPP as a Viable Option



## Legal, Regulatory & Institutional Framework

- The Infrastructure Concession Regulatory Commission Act (Establishment Etc,) Act 2005
- In 2009, the Federal Executive Council (FEC) approved a **National Policy on PPP** which provides guidance on PPP project structuring.



ICRC

# PPPs are Fundamentally Different

- **Formal contract** between public and private partner (over the years duration the service will be provided) – usually multiple years duration
- Entered through **competitive procurement**
- Using **output specification** – government specifies ‘what’, private sector can define ‘how’
- With suitable **risk allocation** between parties
- Putting **private investment at risk**
- With **regulation or contract management of performance** of the private partner

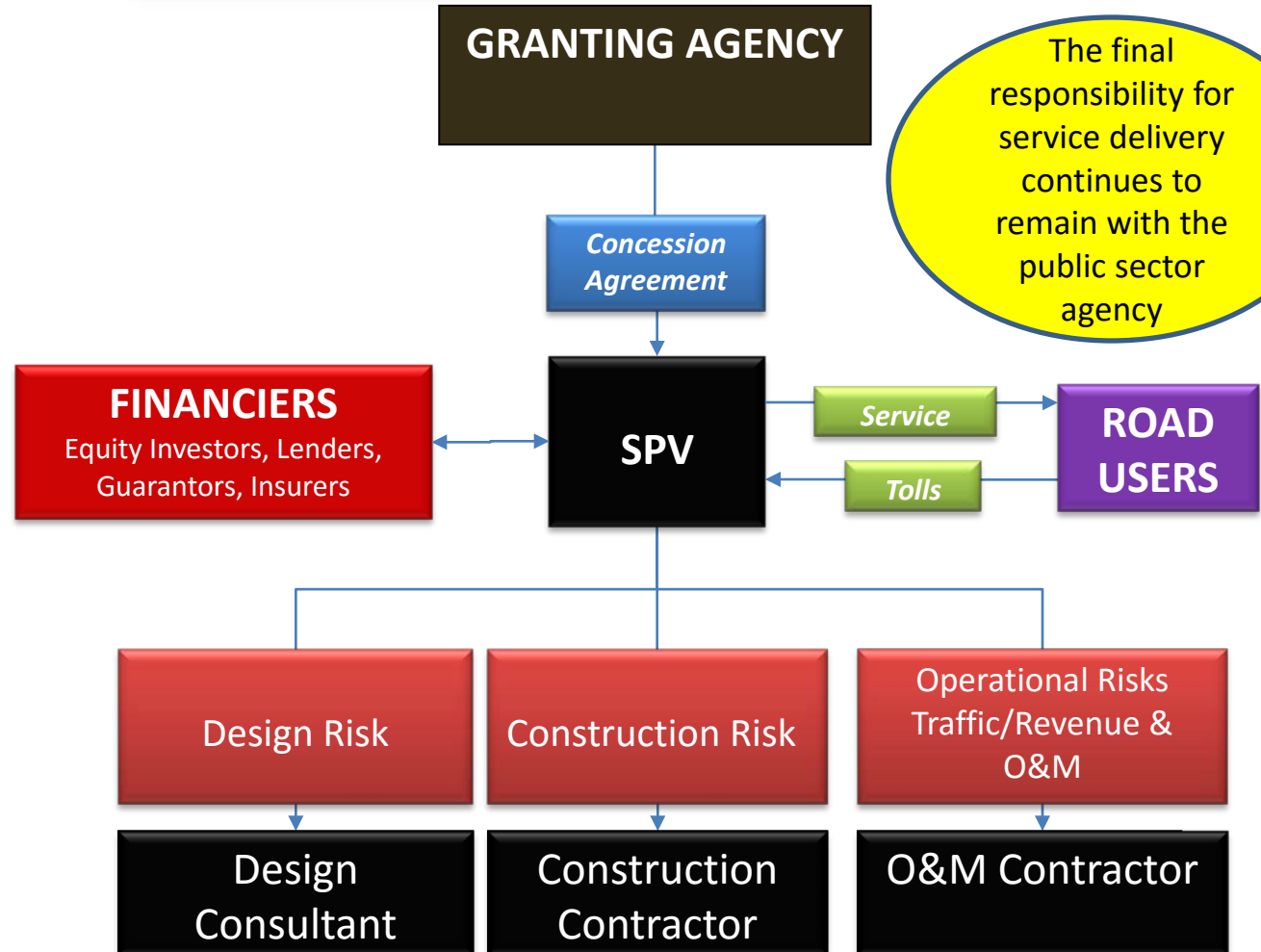
## Example

- Government defines output = connection to let 1,000 vehicles p.d. travel between islands
- Government tenders for best solution over 30 years – e.g. ferry, tunnel, bridge??
- Government enters 30-year contract with private company
- Private company designs, builds, finances bridge, then operates and maintains it for 30-years
- Private company receives payment if the bridge works and is available for traffic
- Government checks on safety and availability
- If the bridge is closed, or unsafe, the private company loses money

# 7 Essential Conditions That Define Public Private Partnerships

- 1 Arrangement**  
Between public & private
- 2 Provision**  
Of services for public benefit by private partner
- 3 Investments**  
In and/or management of public assets by private partner
- 4 Time Period**  
For a specified time
- 5 Risk Sharing**  
Optimally between contracting parties
- 6 Standards**  
Focus on quality of service / performance
- 7 Payments**  
Linked to performance

## BOT-Toll Road Project



# Public procurement: Traditional v/s PPP



Characteristic	Public procurement	PPP
<b>Focus</b>	Procuring Assets	Procuring Services
<b>Project management</b>	Public sector is responsible for all project management roles	Private sector manages overall project - design, construction, operations and maintenance. Focus on project life cycle expected to bring efficiency.
<b>Service Delivery</b>	Public sector directly responsible for service delivery to users	Private sector directly responsible for service delivery to users
<b>Financing</b>	Public sector responsible for financing the project. Thus financing impacted by budgetary allocations and then actual disbursements	Private sector may contribute finance through debt and equity issuances
<b>Risk Sharing</b>	Public sector bears all project risks. Risk sharing limited to the extent of warranties.	Risks allocated to parties which can manage them most efficiently
<b>Contractual Arrangement</b>	Short term, generally segregated contracts for asset creation (BOQ based) and maintenance.	Long term contracts- Public sector/users pay for services linked to performance.

**PPP:**The public sector procures a service, not an asset, from the private sector.

# Key Differences between Privatisation & PPPs



	<b>Privatisation</b>	<b>PPPs</b>
Accountability/ Responsibility	Responsibility and accountability for <b>delivery and funding</b> service rests with the private sector	Responsibility and accountability for <b>service delivery lies with the public sector</b>
Ownership	Ownership rights and associated costs and benefits are sold <b>to the private sector</b>	Legal ownership of assets <b>retained by government</b>
Nature of Service	<b>Private sector</b> determines the <b>nature and scope</b> of services	<b>Both public (govt.) and private sector</b> contractually determine the nature and scope of services
Risk and Reward	Private sector assumes all inherent risks	Public and private sector share risks and rewards

# Why Public Private Partnerships

- PPPs fill a critical resource and expertise gap in infrastructure procurement, delivery and operation
- PPPs engender accelerated procurement of infrastructure and services (additionality)
- PPPs promote faster implementation of projects, and reduced **lifecycle costs and operations /mtce** due to private sector efficiencies
- PPPs provide for better risk allocation between public and private sectors, thus offering a better and sustainable incentive to perform
- PPPs engender accountability in resource utilization and also improve the overall quality of service
- PPPs often lead to the generation of additional revenue and overall value for money for the entire economy



# What characteristics have PPPs got?



## **Characterised by the Public Sector:**

- **Entering into contracts to acquire services, rather than procuring an asset**
- **Specifying the service requirement on the basis of outputs, not inputs**
- **Linking payments to the private sector to the level and quality services actually delivered**
- **Often requiring a 'whole life' approach to the design, building and operation of project assets**
- **Seeking optimal risk transfer to the private sector**
- **Requiring private partner to be responsible for raising some, or all, of investment finance required**
- **Utilising diverse payment mechanisms, such as market revenue, shadow tolls, capacity availability payments and so on**

# What a PPP is & what it is not



## 1. PPP is not privatisation or disinvestment

## 2. PPP is not about borrowing money from the private sector

## 3. PPP is more about creating a structure

... in which greater value for money is achieved for services

... through private sector innovation and management skills

... delivering significant improvement in service efficiency levels

## 4. This means that the public sector

... no longer builds roads, it purchases kilometres of maintained highway

... no longer builds prisons, it buys custodial services

... no longer operates ports but provides port services through world class operators

... No longer builds power plants but purchases power

# Typology of PPPs



## FINANCIALLY FREE STANDING PROJECTS

*Examples* - Toll Roads/ Bridges, Telecom services, Port projects

1. Role of public sector - planning, licensing & statutory approvals
2. No financial support/ payment is made by government
3. Revenues are through levy of user charges by the private sector

## PROJECTS WHERE GOVERNMENT PAYS FOR SERVICES

*Examples* - Roads - annuity/ shadow tolls, power - under PPAs. In UK - prisons, education, health services, defence related services

1. Private sector paid a fee (tipping fee), tariff (shadow toll) or periodical charge (annuity) by Government for providing services
2. The payment is made against performance
3. There may be demand risk transfer – either in part or whole

**Note that:** In both cases, the design, financing, construction and O&M risks are fully that of the private partner

## HYBRID STRUCTURES

*Example* – toll road project with either viability gap payment by government or annuity payment based road contract with tolling rights

1. Combine the financially free standing nature – levy of a user charge – with payment by the public entity
2. Payment could be as a viability gap subsidy or an annuity payment

# Forms of PPP

- **Service contracts:**
  - ✓ Private sector contracted for specific tasks
  - ✓ Capital investment and ownership of the asset is by the public sector
  - ✓ Public entity pays the private company for provision of services but retains the commercial risk
- **Management contracts:**
  - ✓ Private sector manages the utility but does not finance it
  - ✓ Capital investment and ownership are retained by the public
  - ✓ Public entity pays private manager a fixed management fee
  - ✓ Commercial risk is held by the public
- **Lease:**
  - ✓ Private sector manages the utility and finances the O&M
  - ✓ Capital investment and ownership are retained by the public
  - ✓ Private operator collects revenues and pays to the public entity a fixed fee
  - ✓ Commercial risk is shared
- **Concession:**
  - ✓ Private operator manages the utility and finances new investments as well as O&M
  - ✓ Capital investment is made by the private operator but ownership is retained by the public
  - ✓ Private operator collects revenues and may pay a concession fee to the public entity
  - ✓ Commercial risk is borne by the private operator
- **BOT ( and other variations e.g. BOOT, BTO, DBOT, DFBOT, etc)**
  - ✓ Private operator builds new infrastructure, operates it for fixed period and transfers it to public sector
  - ✓ Capital investment is made by the private operator, but ownership is by both at different points in time
  - ✓ Public utility pays private operator for services provided by the new asset
  - ✓ Commercial risk is usually private, but could also be shared

# Types of PPP's – Alphabet Soup

- ▶ **BOT** – Build Operate Transfer
- ▶ **BOO** – Build Own Operate
- ▶ **BOOT** – Build Own Operate Transfer
- ▶ **DBF** – Design Build Finance
- ▶ **DBFO** – Design Build Finance Operate
- ▶ **DBO** – Design Build Operate
- ▶ **BLT** – Build Lease Transfer
- ▶ **BTO** - Build Transfer Operate
- ▶ **DBFOM** – Design Build Finance Operate Manage
- ▶ **Leasing**
- ▶ **Operations or Management Contracts**
- ▶ **Cooperative Arrangements**
- ▶ **LROT** – Lease Renovate Operate Transfer
- ▶ **DCMF** – Design Construct Manage Finance
- ▶ **BOOR** - Build Own Operate Remove

# Key Benefits of PPPs



1. Rigorous project preparation – since the focus shifts to developing bankable projects
2. Delivery of a whole life solution – going beyond asset creation and including Operation and Maintenance (O&M)
3. Focus shifts to service delivery – construction responsibility is integrated with O&M obligations and together with appropriate quality monitoring and service delivery-linked payments such an arrangement could enhance the levels of service delivery
4. It is possible to adopt a programmatic approach to infrastructure development and service delivery – various time bound projects can be integrated under a programme and have a time-bound implementation plan
5. Can lead to better overall management of public services – transparency in selection and ongoing implementation

I C R C

# Advantages of PPPs

- Maximizes the use of each sector's strength
- Reduces development risk
- Reduces public capital investment
- Mobilizes excess or underutilized assets
- Improves efficiencies/quicker completion
- Improves service to the community
- Improves cost effectiveness
- Shares resources
- Shares/allocates risks
- Mutual rewards

# PPPs are about !!!



1. Mobilizing private sector's money, expertise and capacities for infrastructure development
2. Long- term relationship between government and private sector (usually>10years)
3. Sharing of Risks and Rewards (*no lop-sided agreements-privatizing the profits, nationalizing the loses*)
4. Private sector performs to agreed KPIs
5. Life cycle focus (*operations and maintenance*)

Government is moving from role of Developer & Operator to Facilitator

Developer &  
Operator



Facilitator



# General Lessons Learned: Project Development



- **Project Preparation:** A well prepared project will attract funding and support during implementation. A poorly prepared project will ultimately fail, no matter how well funded.
  - There is Need for **experienced transaction advisers** and thorough project Preparation (**time spent in preparation is always regained during smooth and effective implementation**)
- **Operating Environment:** Only a conducive, transparent, and competitive environment can attract the right partners
- **Data:** Technical and Economic data are critical for thorough project preparation. Data gathering must be a continuous programme
- **Transaction Management:** Agency responsible for implementation must take ***Ownership and Responsibility from inception to completion***
- **Stakeholder Consultation:** Engagement should include all stakeholders that will be directly or indirectly affected throughout the life of the project

# General Lessons Learned: Procurement and Contracts



- **Procurement** is **Most Critical** to ensuring a vibrant PPP market. Procurement processes must be **Transparent and Competitive**
- Govt. must **understand, in totality**, what they are committing to, with clear roles and responsibilities (conditions of contracts)
- In-depth **due diligence** (Legal, Technical, Financial, Environmental and Social) must be captured at the OBC level of all potential PPP projects
- **Risks** must be thoroughly assessed and shared between parties, with clear **Understanding of the responsibilities**
- Public partners must understand that PPPs imply a **Loss of Management Control** to the Private sector
- True **Partnership** implies **equality in the relationship**. Govts must appreciate and imbibe the qualities of partnership in a PPP environment
- **PPP Procurement** can be **Lengthy and Costly**. MDAs must appreciate this fact, and exercise **Patience and Discipline**, to maintain best practices

# Political Commitment



## EXCERPTS OF SPEECH OF PRESIDENT MUHAMMADU BUHARI ON AUGUST 23, 2015

“.....We also have a **huge infrastructure deficit** for which we **require foreign capital and expertise to supplement** whatever resources we can marshal at home. In essence, **we seek public private partnerships** in our quest for enhanced capital and expertise.”

ICRC

# Leadership Commitment



Excerpts of speech of His Excellency  
Vice President Yemi Osinbajo  
AT 10th Year Anniversary Lecture of Crescent University,  
Abeokuta, Ogun State  
June 11, 2016

.....the Buhari Administration will tackle corruption in all sectors of the economy and establish a sufficient tax culture. The Administration will encourage **Public-Private Partnerships** ensuring a **transparent framework** that reduces the bottlenecks in doing business.

# PPP Success in Nigeria

ICRC

# Port Terminals



- Major Ports reform in 2004, to improve clogged, inefficient, and very expensive ports.
- Experienced private operators engaged through Concessions to rehabilitate and manage 24 port terminals
- Months after the concession of the Apapa-Lagos container terminal, delays for berthing space had dwindled, and shipping lines reduced congestion surcharge from \$525 to \$75, saving the Nigerian economy significant sums
- Goal of concession yet to be fully achieved due to external factors and actors

## Lessons

- Risk allocation should consider Government Capacity to deliver (channel depth, wrecks )
- The transaction lead agency should be the grantor who remains accountable for services
- Success requires an integrated approach (Roads, Customs, Rail, Security, State Government)



ICRC

# Port Terminals Before Concession in 2006



Common User Road



Stacking Area



Common User Road

- ❖ One of the most inefficiency ports globally
- ❖ Average Ship waiting time before berthing was 21 days
- ❖ Vessel turnaround time was 5 days while dwell time for cargo was as high as over 30 days.

# Ports and Terminals Operators Ltd before Concession in 2006



**Poor Infrastructure**



Unserviceable Machines



Unserviceable Machines

**Flooded Terminals**



Chapter 1



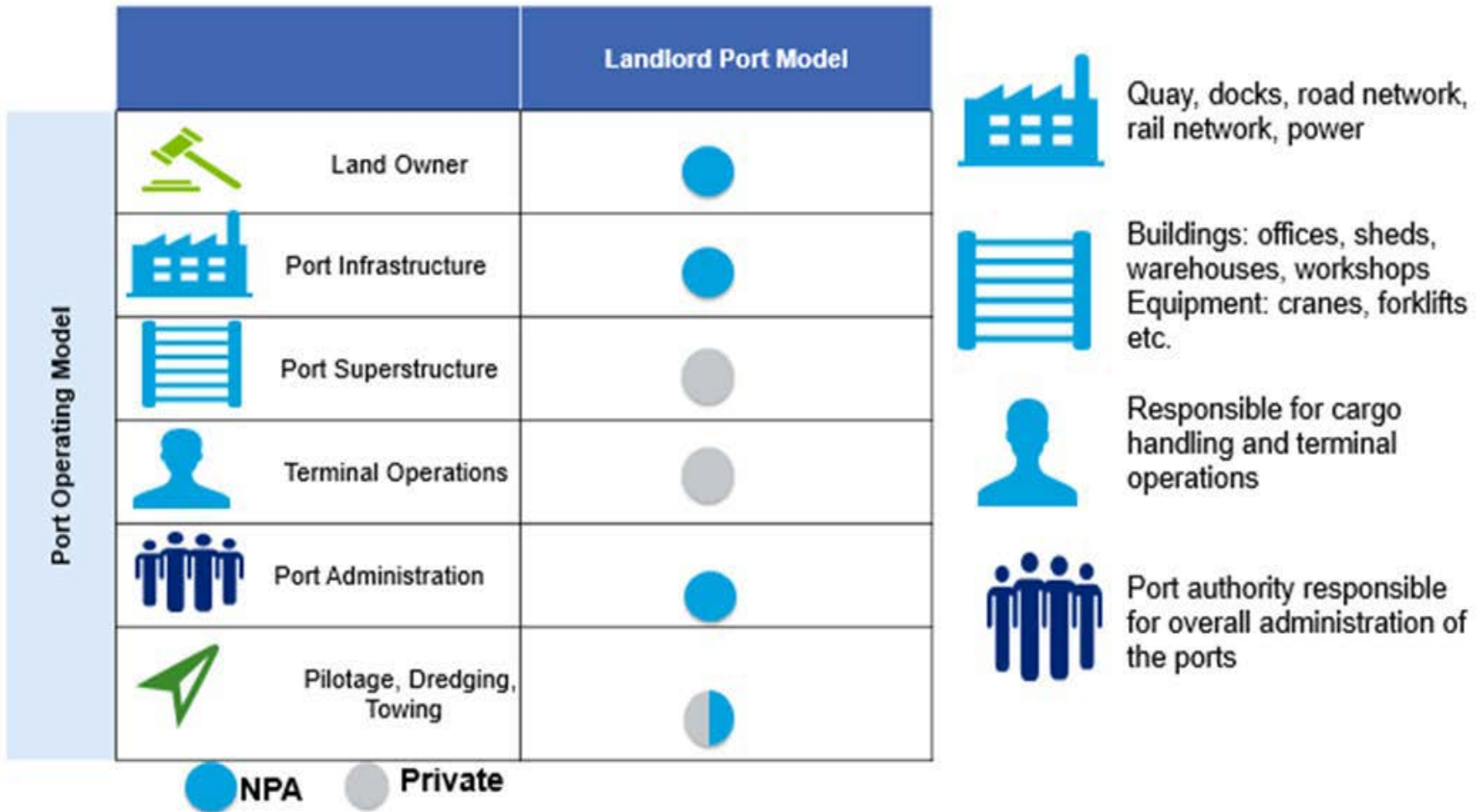
# Objectives of the Ports Concession



The Federal Government's ports reform policy introduced in 2005 was targeted at achieving, inter alia, the following:

- ➔ To increase efficiency of ports operations
- ➔ To reduce cost of services to port users
- ➔ To promote competition in provision of services
- ➔ To make Nigerian ports the hub for international shipping trade in the West and Central African sub- region

# Improvements at the Ports Performance Metrics



# Key Points of the Model



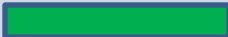

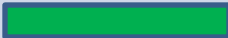

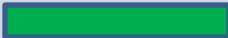











- ❑ The “Land Lord” model reduces the financial burden on the Federal Government :
  - ✓ Terminal Operators are now responsible for both infrastructure development and annual concession fees in the form of lease fees and throughput fees.
  
- ❑ The tenure of the Nigerian concession agreements ranged from 10 to 30 years.
  
- ❑ Estimated revenue to government from the concession agreement is estimated at \$6.54 billion<sup>2</sup> over the period.

# Evaluation of the Port Concession Agreements



*World Conference on Transport Research Society (WCTRS) revealed that the Nigerian port concession agreement conforms to over 80% of the identified elements and risks.*

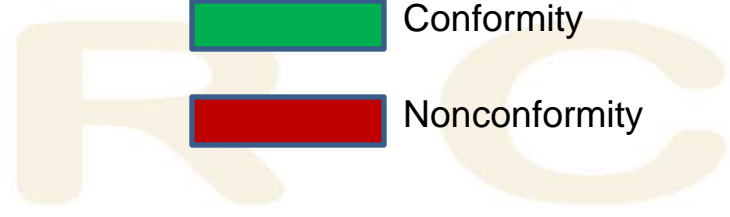
ELEMENTS	CONFORMITY
Package size	
Term	
Ownership	
Service specifications	
Tariff authority	
Payment terms	
Award criteria	
Renegotiation terms	
Performance assurance	
Investment planning	
Network planning	
Exclusiveness	

RISKS	CONFORMITY
Commercial	
Exchange Rate	
Government Policy	
Tariffs	

## Legend:

 Conformity

 Nonconformity



# Performance by Parties



## NPA

- Commendable efforts in direct supervision of Operators performance;
- Provision of updates (Quarterly, Half yearly and Annual Reports) which also aid monitoring activities;
- Appreciable efforts at provision of port facilities;
- Effective cooperation with terminal operators to improve service delivery;

## Concessionaires

- Fulfillment of financial Obligations (Lease fee, throughput fee, etc)
- Commendable Investment efforts in Property, Plant and Equipments;
- Efforts at maintaining good Health, Safety and Environmental situation;
- Considerable compliance with terms and conditions of agreement;
- Implementation of the Development Plans.

# Post Concession~ Investment By Terminal Operators



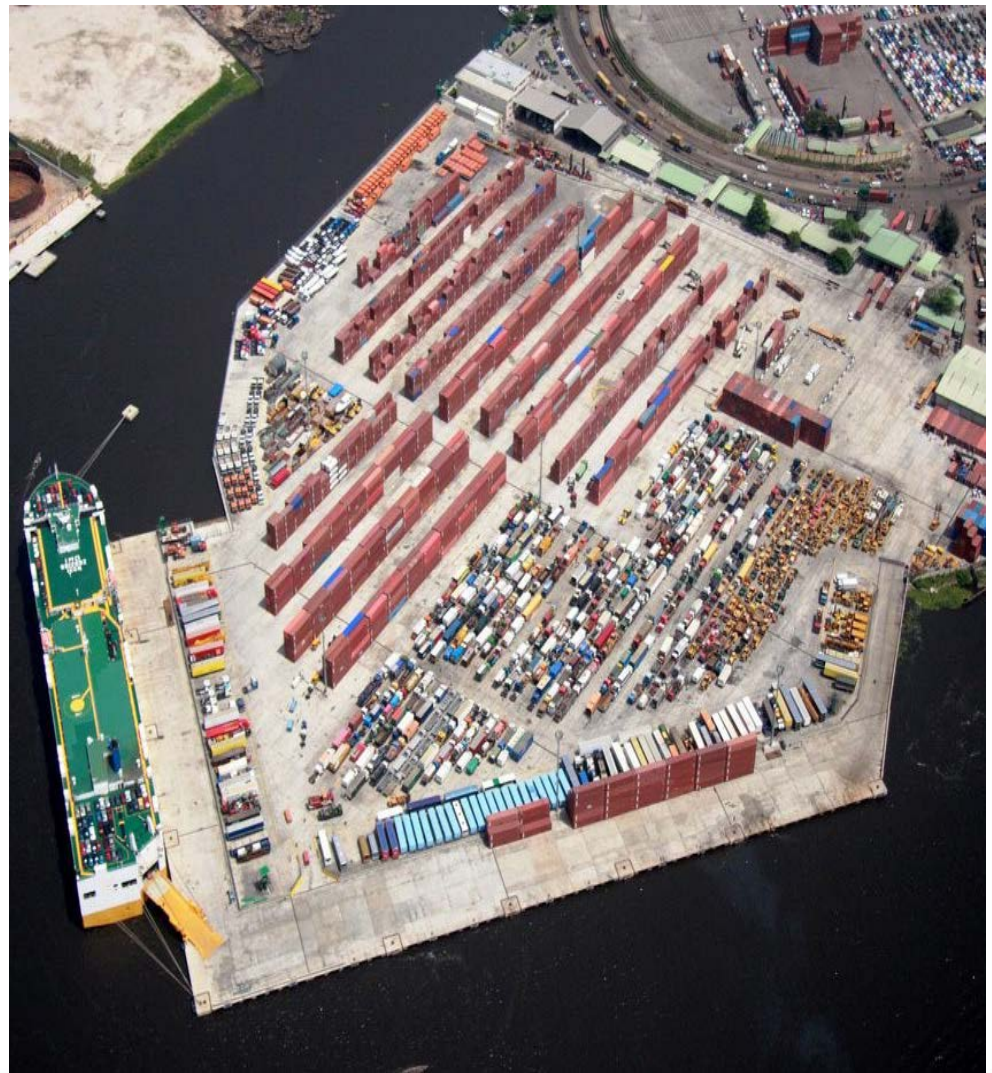
❑ Terminal Operators since 2006 have made significant investments estimated at **N200billion** within a period of 10years.

❑ Estimated investment is said to exceeded the N50billion planned in the concession agreement for the entire period of the concession.

❑ This represents a multiple of about 400% of the planned investments.

❑ Operators are still expected to make additional investments over the remaining years of the concession agreement.

**PTML Terminal built as an extension of the Apapa Port**



# Post Concession ~ Investment By Terminal Operators



The investments made by the Terminal Operators have been spent majorly on:

- ✓ Equipment (such as Rubber Tyred Gantry, Mobile Harbor Cranes, Trucks)
- ✓ Infrastructure (such as Buildings, Quay, Yard and Inland Container Depot)
- ✓ Lighting of the terminals
- ✓ Automated tracking system
- ✓ RTG training simulation system
- ✓ Generators, plants and machinery

## Investments in RTG



# Tin-Can Island Container Terminal (TICT)



**Before 2006**



**After 2006**





# Tin-Can Island Container Terminal (TICT)



**Before 2006**



**After 2006**



# Tin-Can Island Container Terminal (TICT)



June 2006



Sep 2007



# Port Terminals Before Concession in 2006



Heavily Congested

Traffic Gridlock



# Impact on the Nigerian Economy



- ❑ The Federal Government's decision to concession the most of the port terminals was a step in the right direction;
- ❑ Particularly container terminals has generated positive impact on the economy as a whole, especially in the areas of :
  - i. Job creation,
  - ii. Skills transfer and development,
  - iii. Contribution to Gross Domestic Product (GDP),
  - iv. Increased business opportunities in and around the ports, amongst others.
- ❑ Provided a multiplier effect across the whole value chain with impact on other services such as freight forwarding, insurance and banking, haulage and logistics services, etc.

# Impact on the Nigerian Economy ....Cont



- ❑ Port efficiency have saved the Nigerian economy an estimated **\$800million** annually in congestion fees alone.
- ❑ On average over **3,000 containers** are transferred everyday which support local businesses and manufacturers.
- ❑ An estimated **1 million** jobs have been created directly and indirectly in communities across Nigeria both for skilled and unskilled workers.

ICRC

# Way Forward

ICRC

# World Class Highways



# World Class High Speed Rail





# WORLD CLASS AIRPORT HUB



# Modern TTP Facility



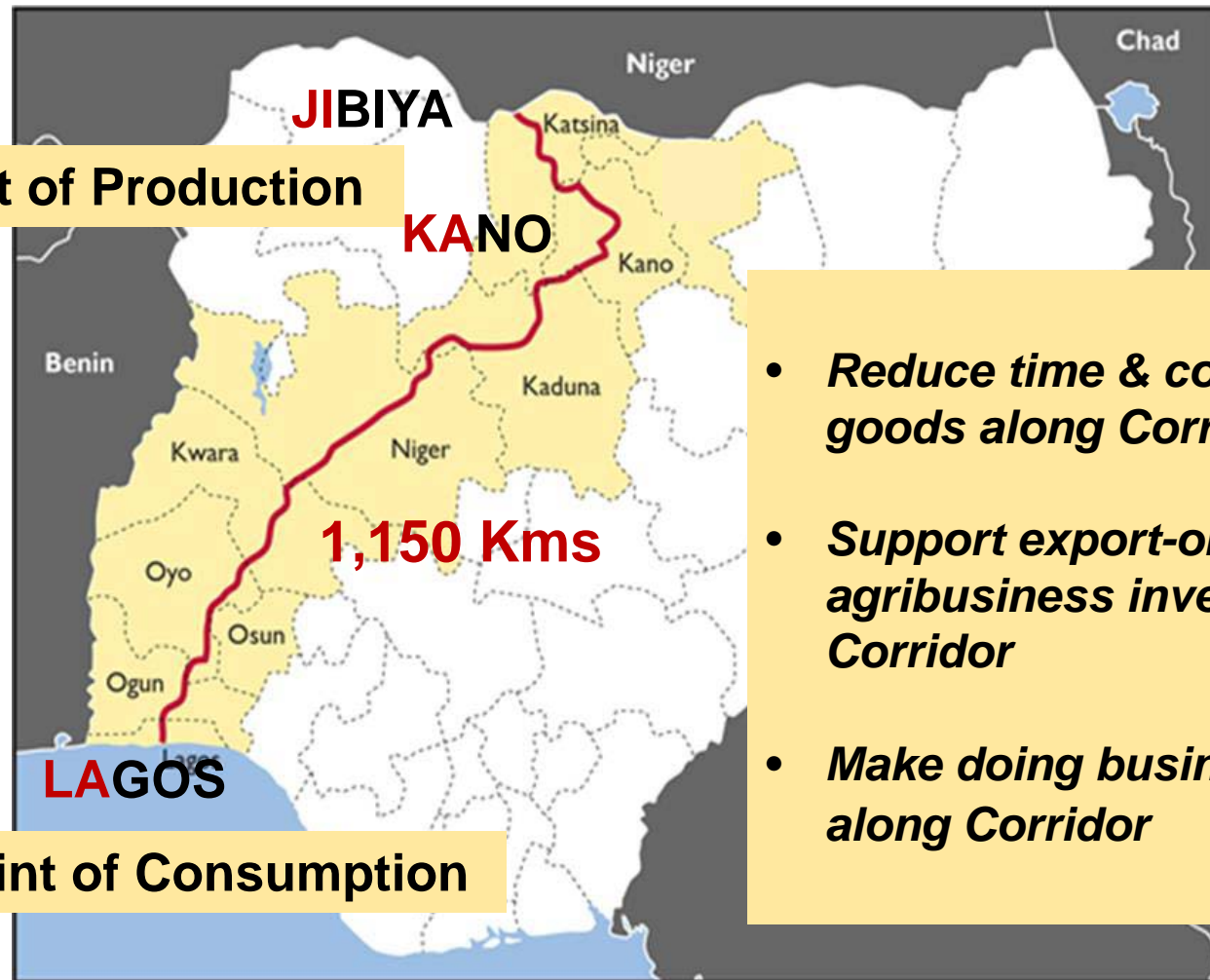
ICRC

# Planned Road PPP Projects



1. 2<sup>nd</sup> Niger Bridge
2. Lagos Ibadan Expressway
3. Rehabilitation and upgrade of 368 Km Shagamu~Benin~Asaba Expressway
4. Reconstruction and Upgrade of Abuja – Kaduna – Kano Dual Carriage Road
5. Reconstruction and Full Dualization of Ibadan – Ilorin ~ Tegna ~ Kaduna Highway
6. Reconstruction and Upgrade of Enugu to Port Harcourt Expressway
7. Reconstruction and Upgrade of East West Road
8. Reconstruction and Upgrade of Aba~Ikot Ekpene ~ Calabar

# LAKAJI Corridor



- *Reduce time & cost to transit goods along Corridor*
- *Support export-oriented agribusiness investment along Corridor*
- *Make doing business easier along Corridor*

# LAKAJI CORRIDOR - transformation



## To - Multimodal Trade Expressway

**Designated  
Zone**

Freight-only  
airport/s



**State Junction/Cluster**  
Silos, Cold Storage etc.

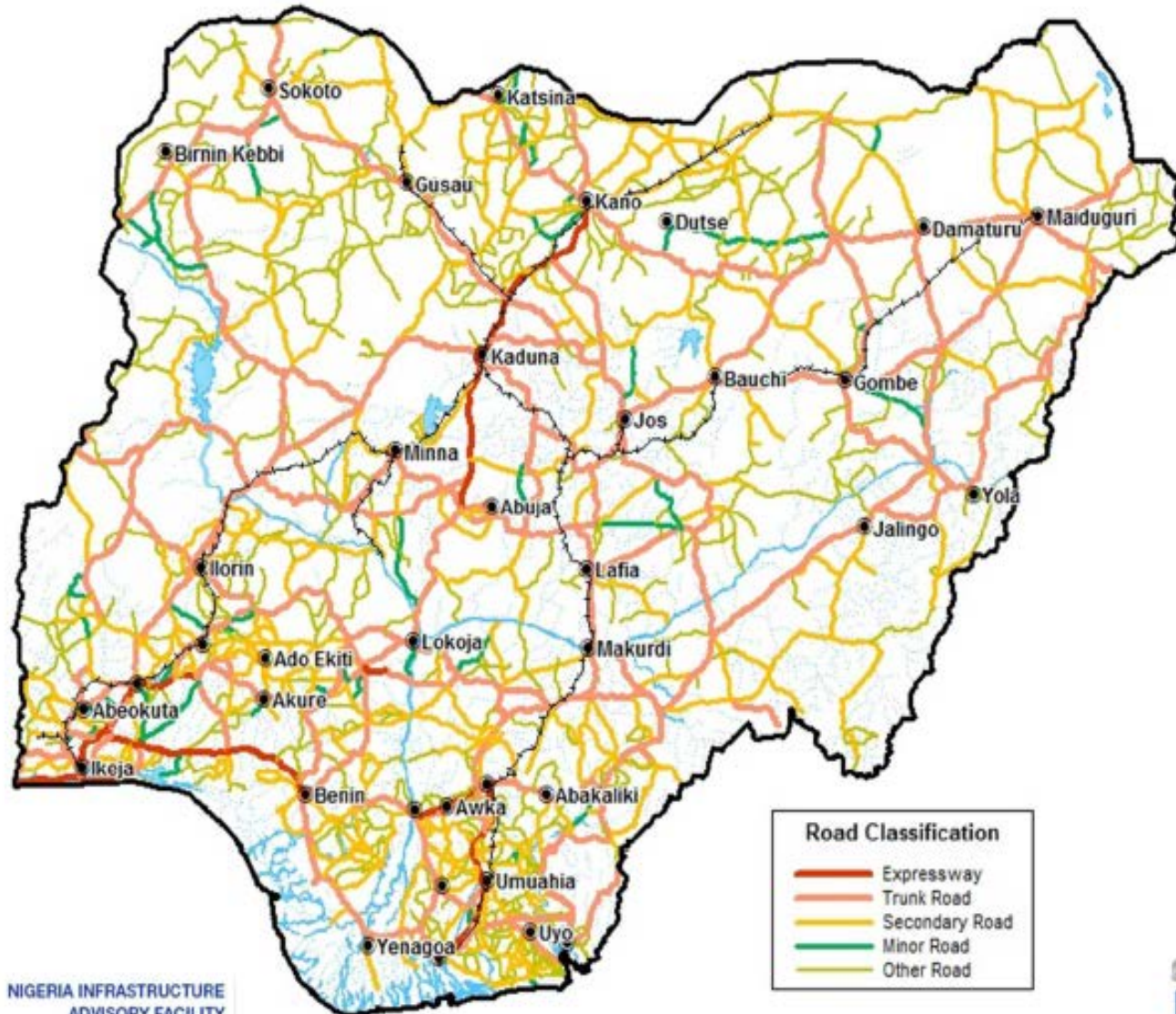
**ROI - Nigeria; 35 %**  
4<sup>th</sup> highest in the world !

World average; 7.7%  
- UN figures

# Location of Appraised Ongoing Road & Bridge Projects



# Nigerian Integrated Accessibility Model Network Coverage



# Ports and ICDs



- Kirikiri Port Lighter Terminal I & II, Lagos.
- Lekki Deep Water Port
- Ibom and Bakassi Deepwater Ports
- Badagry Deep Sea Port
- Ontisha Inland Container Depot (ICD), Anambra State
- Asaba Container Freight Station (CFS), Delta State
- Nnewi Inland Container Depot, Anambra State
- Gombe CFS, Gombe State
- Dagbolu Inland Container Depot, Osun State
- Lolo Inland Container Depot, Kebbi State



# Rail, Aviation and FCT and Pipelines



- NRC Narrow Guage
- New Standard Guage Lines
- Abuja Light Rail Lots 1A and 3
- Bus Rapid Transit for Cities
- Lagos, Abuja, Kano and Port Harcourt Airports
- Aircraft MRO Facility
- NNPC Pipeline and Depot Syatem

ICRC

# PPP Support Initiatives



- Nigeria Integrated Infrastructure Masterplan
- Nigeria Infrastructure Development Fund
- Annuity PPPs
- Nigerian Sovereign Investment Authority (NSIA) and Infra Credit Guarantee Fund
- New PPP Law
- PPP Units in MDAs
- Federal Roads and Bridges Tolling Policy
- Standardization Efforts (Business Case, Contracts etc)

# PPP Success in other Jurisdictions



- PPPs have been used to develop large transportation infrastructure projects, including roads, railways, transit systems, seaports and airports. Examples are abound in the United Kingdom, United States of America, Australia, Canada, India, to mention a few.
- The Canadian Council on Public Private Partnerships in their publications, “**PPPs what the world can learn from Canada**” provide the following thought leadership with respect to the PPP imperative:

ICRC

# Conditions for PPP Success



## PPP Success in other Jurisdictions - India

- A stable policy & regulatory framework – competition/ clear entry criteria, clear role for the private sector, setting of tariffs, use of real estate as incentive
- Contract sanctity
- Long term vision, strategy and plan owned by the government.
- Adequate PPP project development – capacity to develop PPP projects of requisite scale
- Equitable PPP contractual framework – fair risk allocation to all parties
- Transparent selection process ie. competitive bidding
- Reliable revenue sources - sustainability
- Managing the unexpected – implementation & monitoring/ partnership in practice

# Conclusion



- Government plans to partner with the private sector to transform our transportation system.
- Partnership with Government will rapidly industrialize Nigeria and create good quality jobs.
- We may need an Executive Legislative Infrastructure Advisory Council (ELIAC), Presidential Infrastructure Coordinating Council (PICC) like in SA and a National Council on PPPs
- ICRC will work across ministries under the Leadership of President Buhari to drive and accomplish our major Infrastructure Delivery Objectives.
- DO NOT ASK WHAT NIGERIA'S INFRASTRUCTURE CAN DO FOR YOU...BUT ASK HOW WE CAN PARTNER AND UPSCALE NIGERIA'S TRANSPORTATION INFRASTRUTURE STOCK.
- Remember that 1% increase in a nation's infrastructure increases GDP by 1%.
- The fastest way to accelerate economic growth in Nigeria is by developing infrastructure.
- Partnership with Govt. will create a world class fully networked inter modal transportation infrastructure system for Nigeria using transparent world class bankable PPPs.



**“THE PROBLEMS OF THE WORLD CANNOT POSSIBLY BE SOLVED BY SCEPTICS OR CYNICS WHOSE HORIZONS ARE LIMITED BY THE OBVIOUS REALITIES. WE NEED MEN WHO CAN DREAM OF THINGS THAT NEVER WERE”**

**-JFK-**

**So it is with addressing Nigeria’s Transportation Infrastructure Deficit**

**ICRC**

# CONGRATULATIONS TO ENGR. OTIS ANYAEJI



**There is a mysterious cycle in human events. To some generations much is given. Of other generations much is expected. Engr.Otis Anyaeji you both have a rendezvous with destiny....led Nigerian Engineers to Transform our National Infrastructure Stock Including Transportation Infrastructure**

**Modified speech of Franklin Delano Roosevelt US President 1936**

# Bekos Tabugbo...I have a dream

- Like Martin Luther King Jnr
- I have a dream that very soon every valley of infrastructural challenge in Nigeria shall be overcome and every hill and mountain of infrastructure problem made low, the rough places made plain and crooked winding and pot marked roads made good and straight so that Nigerians can travel from Abeokuta to Ogoja then onto Enugu and Katsina Ala to visit friends in a few hours; I have a dream that very soon Nigerians will take high speed trains from Sokoto to go to Bar Beach, Lagos, Tinapa, Calabar and holiday over weekends; I also have a dream that the North-East region of Nigeria, a region sweltering today from the heat of terror, will one day, be transformed into an oasis of freedom, with constant electricity...I have a dream that then the real glory and possibilities of Nigerian will be revealed for all to see.
- It took America 45 years to put a black man in the white house; I hope we have the Nigeria of our dream in 45 months (**Thanks ML/BB**)





**INFRASTRUCTURE CONCESSION REGULATORY COMMISSION**

Plot 1270 Ayangba Street, Near FCDA Headquarters,

Area 11, Garki, Abuja – Federal Capital City.

Phone: +234 9-4604900, E-mail: [info@icrc.gov.ng](mailto:info@icrc.gov.ng)

Website: [www.icrc.gov.ng](http://www.icrc.gov.ng)