PUBLIC PRIVATE PARTNERSHIP – AN IMPERATIVE FOR NIGERIA'S DEVELOPMENT



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November, 2017

What are PPPs? – WBI

Video

Keywords and Sentences from Video

- Traditional public procurement cannot meet all needs
- PPP offers a way out
- Share financing, design and operations with the private sector via PPP
- PPP is not privatization, Government leads on a PPP
- Competitive Tender
- Costs recovered by fees paid by government or users
- Lifecycle planning, Risk Sharing and Allocation
- Complex legal and financial arrangements
- Good governance principles
- Economically warranted, All Stakeholders
- Environmental protection and transparent procurement
- Football Game !!!!

Outline

1. Nigeria….Challenges & Opportunities; Extensive Intro to PPPs

2. Nigeria's PPP Experience

3. Nigeria's Legal and Regulatory Framework for PPPs

4. PPP Procurement Routes and Case Studies

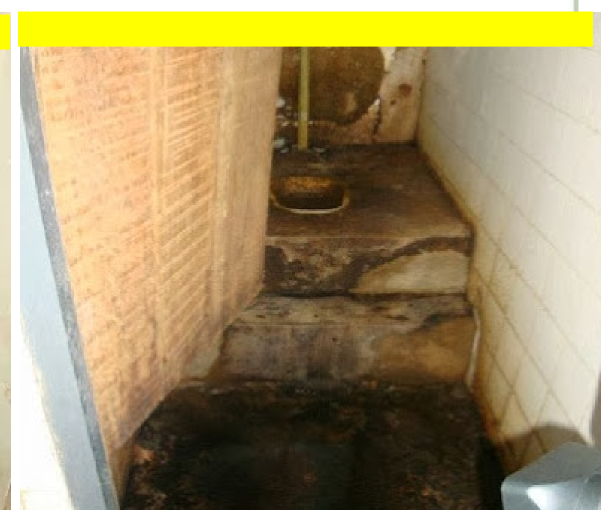
5. Potential PPP Pipeline

6. Key Actions and Conclusions

Small scale IPPs supplied by China

Higher Education Housing in Some Places

Prisons are better than our Hostels…..We need better accommodation….We need better rest rooms



Herdsmen & Farmers Clashes – Transportation Infrastructure Problems

Infrastructure + Nigeria = Progress

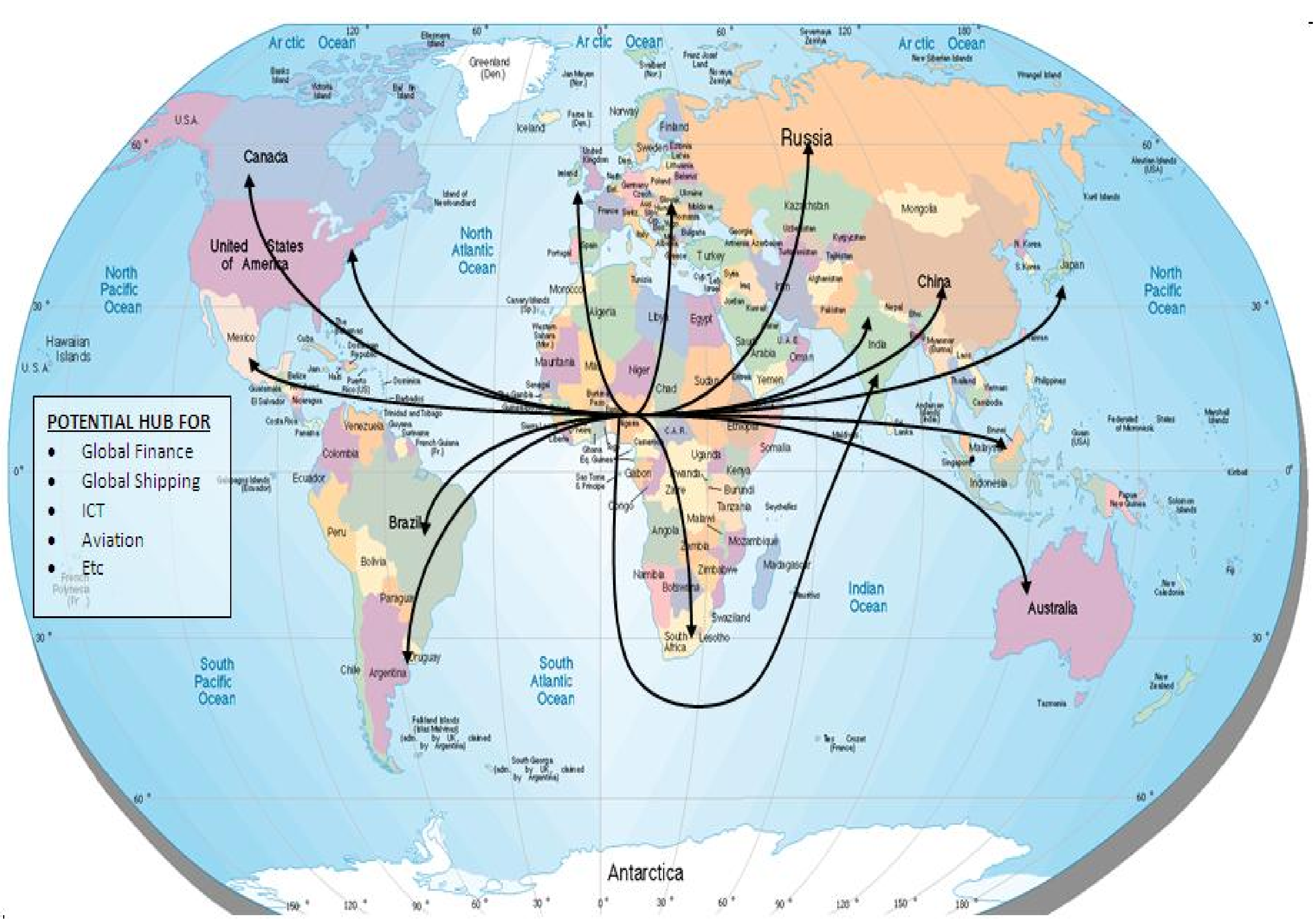
If you want to grow rich – build a road first (Chairman Mao)

"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

Introducing...Nigeria centre of the world



Infrastructure Procurement Options

Procurement Continuum

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

Conventional procurement	Public Private Partnership	Full privatisation

- The procurement of assets by the public sector using conventional funding
- Design, build, finance and transfer (DBFT)
- Build, operate and transfer (BOT)
- Build, operate and own (BOO)
- Design, build, finance and operate (DBFO)
- Publicly regulated but privately owned in perpetuity

Source: KPMG, KLegal

Public Sector ⟷ **Private Sector**

Risk Spectrum

PPP 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

PPPs are Fundamentally Different

<ins>Formal contract</ins> between public and private partner (over the years duration the service will be provided) – usually multiple years duration

Entered through <ins>competitive procurement</ins>

Using <ins>output specification</ins> – government specifies 'what', private sector can define 'how'

With suitable <ins>risk allocation</ins> between parties

Putting <ins>private investment at risk</ins>

With <ins>regulation or contract management of performance</ins> 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

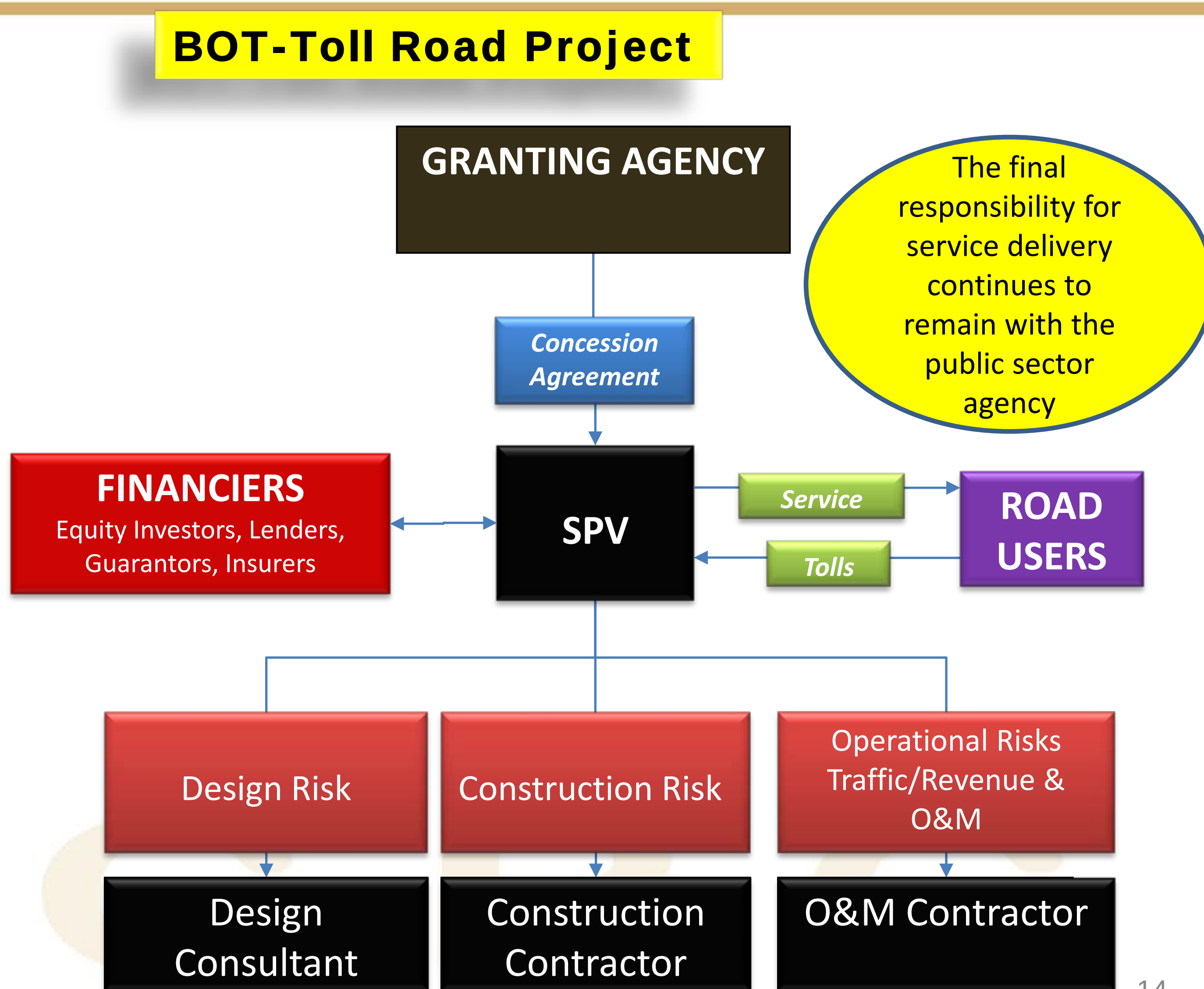
Private company receives payment if the bridge works and is available for traffic

Government checks on safety and availability

If the bridge is closed, or unsafe, the private company looses 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



Why PPPs?

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
- PPPs also promote faster implementation of projects, and reduced lifecycle costs 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

Key Parties in a PPP Procurement

- Private Partner: The private sector partner selected through a competitive procurement process to provide the contractual service to the Public Partner. The Private Partner might be known as Project Company, Consortium, Special Purpose Vehicle, Concessionaire or Contractor.

- Public Partner: The public sector entity which enters into the Project Contract. This may be a federal, state or local government, ministry, department or agency, or an end user such as a hospital or school board.

...role of the different parties

The underlying elements of public-private partnerships are as follows:

- The public sector contracts with the private sector to deliver services on its behalf
- A new special purpose vehicle/entity (SPV/E) is formed, and is financed and owned by the private sector
- The SPV/E develops, finances and completes the infrastructure necessary to deliver the service
- The SPV/E delivers the service and receives agreed-upon compensation
- Compensation can be in the form of tariffs paid by service users or directly by the government, or a combination
- Title to the asset remains with the public sector
- Full operational control is transferred to the public sector at the end of the agreed "concessionary" period

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

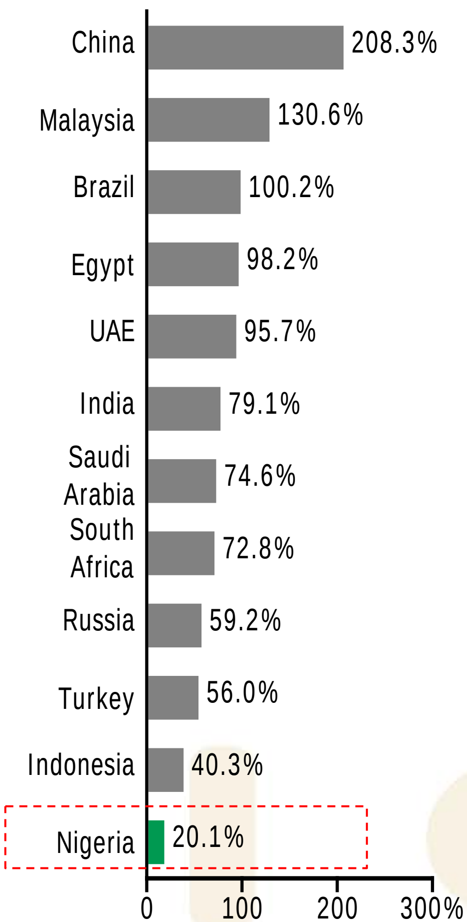
... no longer operates ports but provides port services through world class operators

... No longer builds power plants but purchases power

Domestic financial depth: The low performance across key categories of money supply translates to a low domestic financial depth

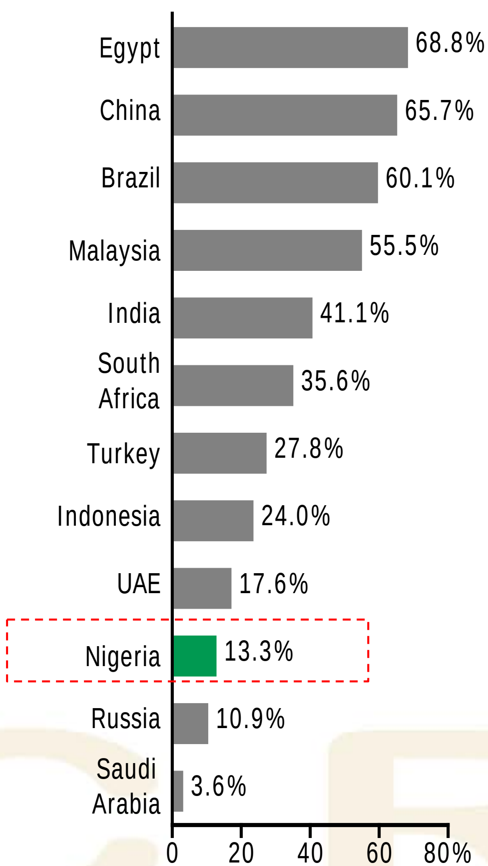
Broad Money

Broad Money in % of GDP



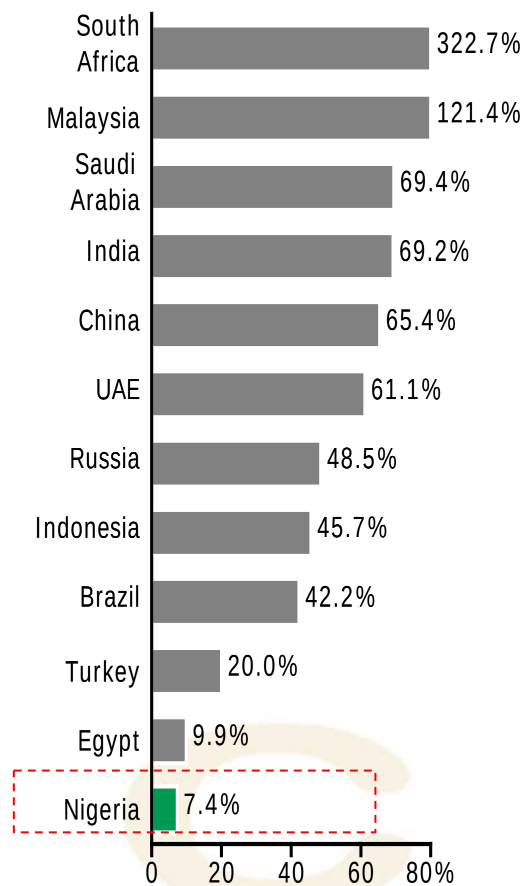
Government Bonds

Government Bonds in % of GDP



Stock Market Capitalization

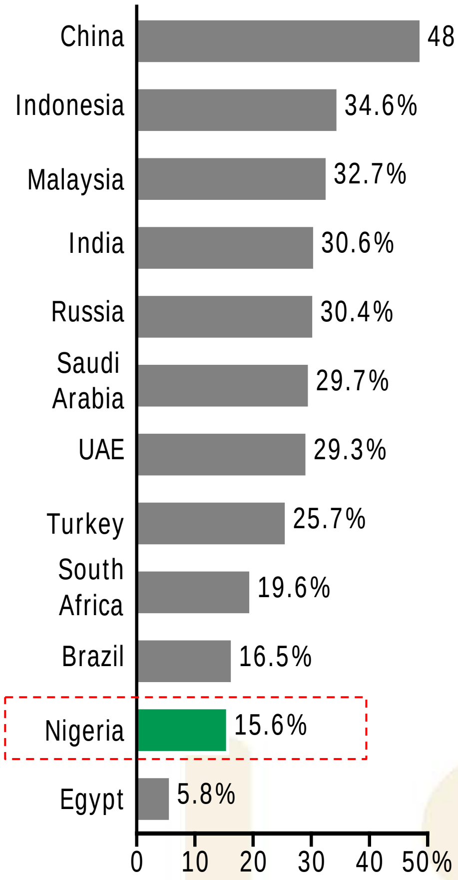
Stock Market Capitalization in % of GDP



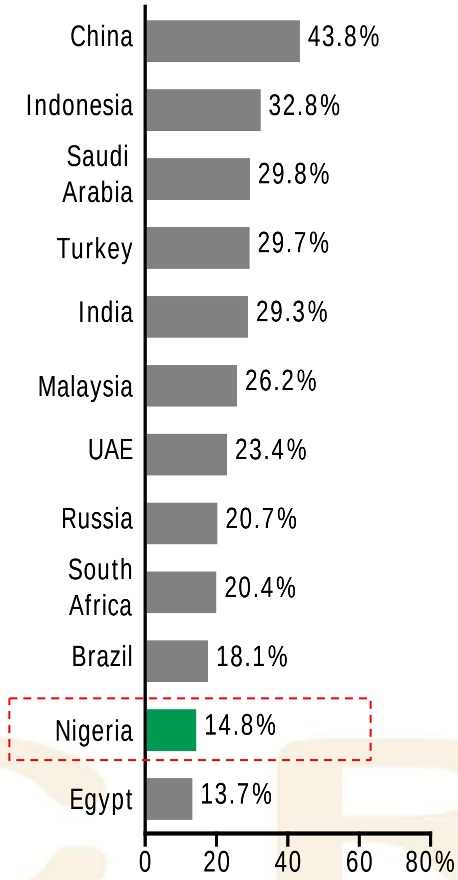
Domestic financial depth: Nigeria fairs poorly on domestic savings, investments and government spending vs peers

Domestic Savings	Investment	Government Spending

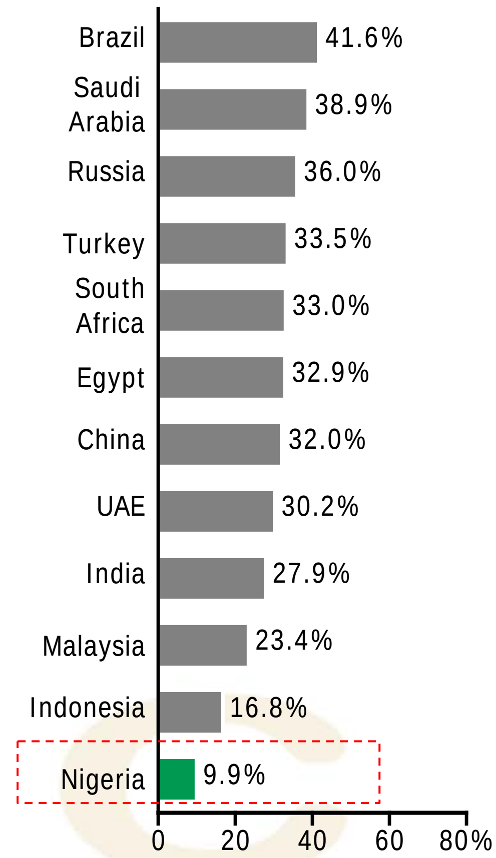
Domestic Savings 2015, % of GDP



Investment 2015, % of GDP



Gov. Spending 2016, % of GDP



Leadership 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."

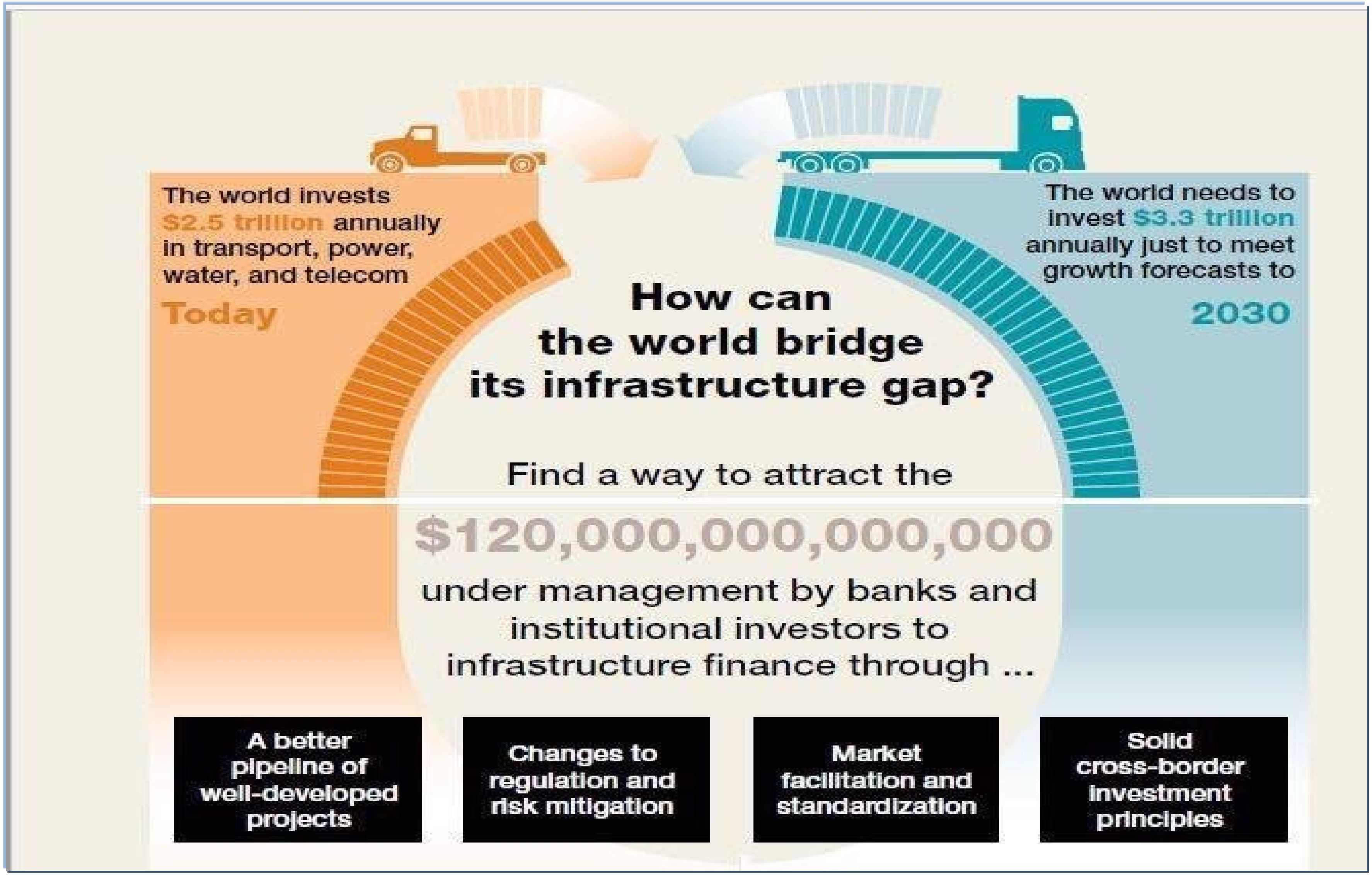
Leadership Commitment

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.

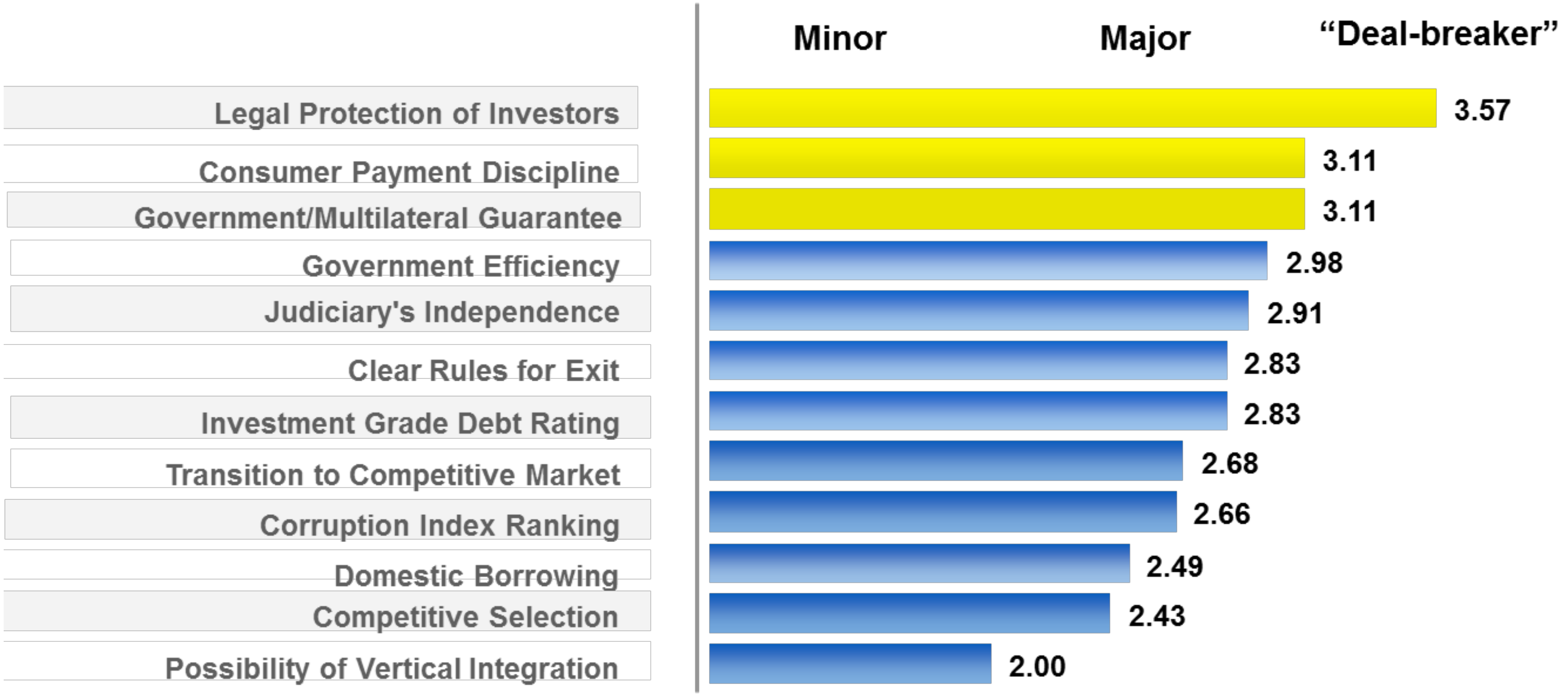
Myth Bursting

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



Types and features of PPPs

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

Forms of PPP (Cont…)

- **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 Technical Benefits of PPPs Procurement

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)

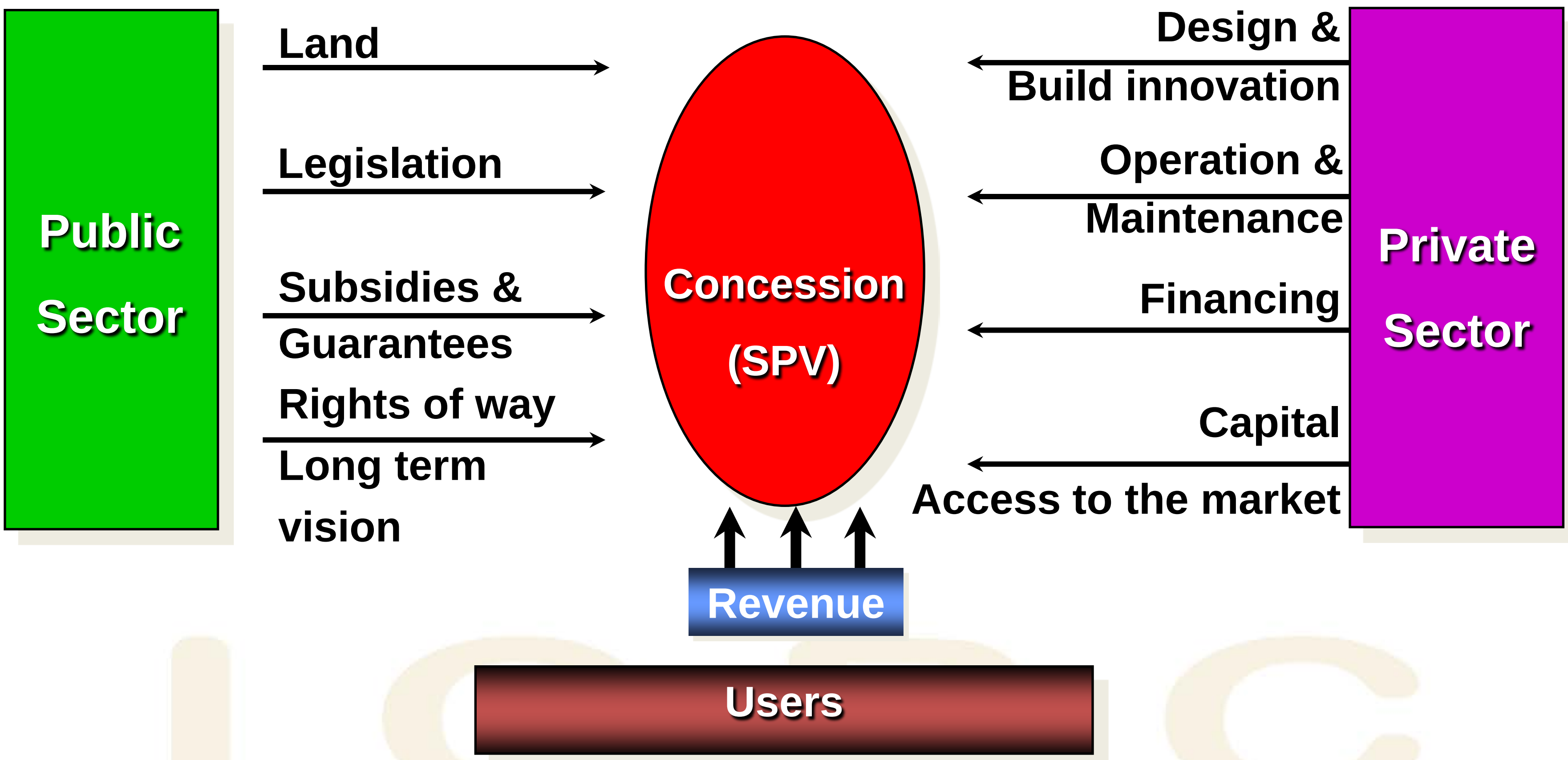
3. Focus shifts to service delivery – construction responsibility is integrated with O&M obligations and together with appropriate quality monitoring and service delivery-linked payments such an arrangement could enhance the levels of service delivery

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

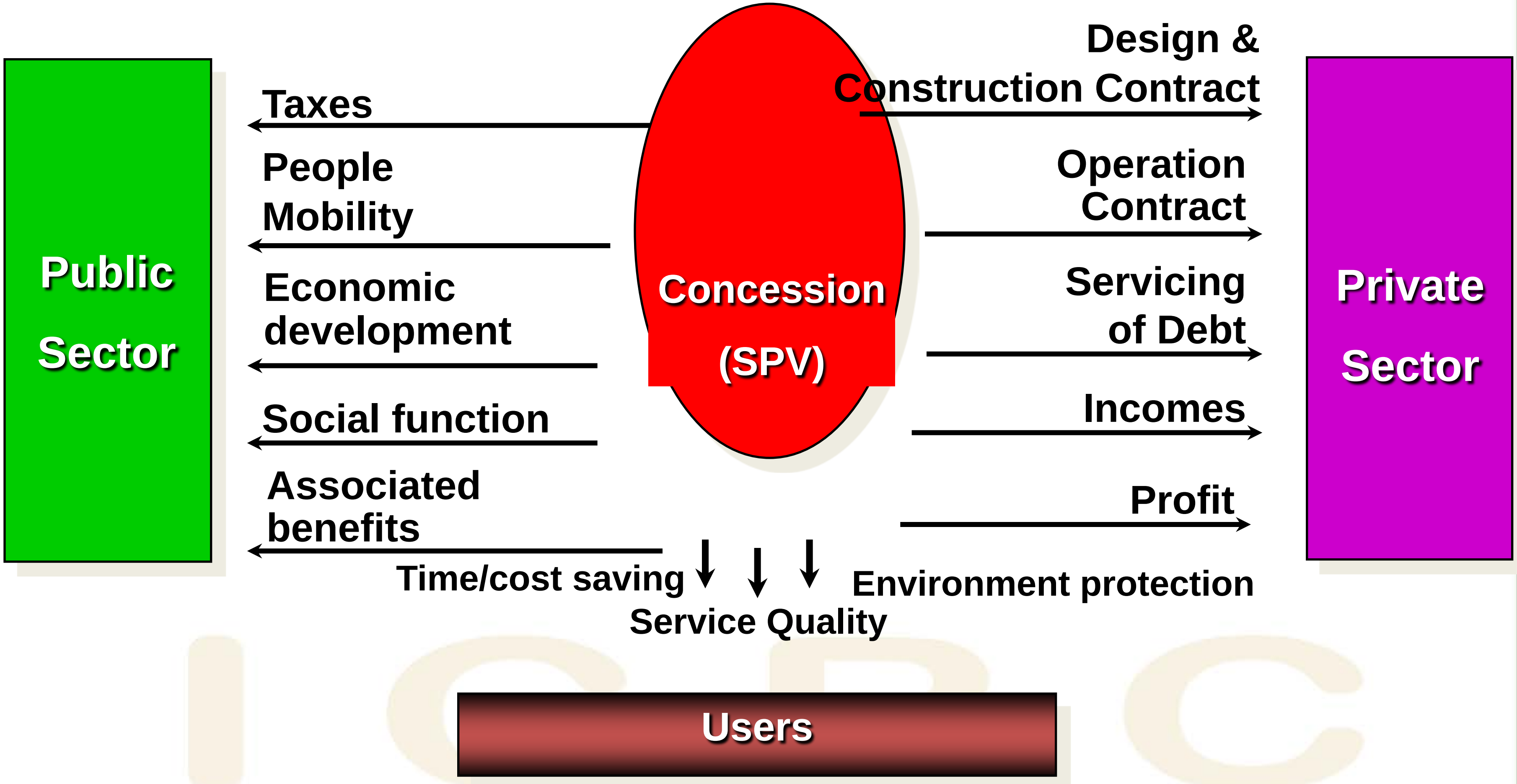
PPP Advantages (1)

- What each party brings to a PPP



PPP Advantages (2)

- What each party gets from a PPP



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

Suitable Candidates for PPP's

- **Transport** (road, rail, ports, airports)
- **Fixed links** (bridges, tunnels)
- **Water resources** (filtration plants, irrigation, sewage treatment, pipelines)
- **Tourism** (facility development)
- **Health** (hospitals and specialized health services)
- **Specialized accommodation** facilities (courts, police stations)
- **Educational facilities** (schools, museums, libraries)
- **Correctional services** (prisons, remand and detention centers)
- **Arts, sport and recreational facilities**
- **Convention centers**
- **Government office accommodation**
- **Social housing**

Experience is transferable - "Lessons learned from one . . ."

Public procurement: Traditional v/s PPP

Characteristic	Public procurement	PPP
Focus	Procuring Assets	Procuring Services
Project management	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.
Service Delivery	Public sector directly responsible for service delivery to users	Private sector directly responsible for service delivery to users
Financing	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
Risk Sharing	Public sector bears all project risks. Risk sharing limited to the extent of warranties.	Risks allocated to parties which can manage them most efficiently
Contractual Arrangement	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

	Privatisation	PPPs
Accountability/ Responsibility	Responsibility and accountability for **delivery and funding** service rests with the private sector	Responsibility and accountability for **service delivery lies with the public sector**
Ownership	Ownership rights and associated costs and benefits are sold **to the private sector**	Legal ownership of assets **retained by government**
Nature of Service	**Private sector** determines the **nature and scope** of services	**Both public (govt.) and private sector** 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

PPPs: Common Myths/Concerns

Myth/Concern	Clarification
• Profit motive of private sector is incompatible with the service motive of public sector	**No.** The key is to harness private sector's profit motive, by incentivizing them to provide better quality service and earn ***reasonable return***.
• PPPs increase user tariffs	**Not Necessarily.** When appropriate safeguards like effective regulation and/or adequate competition are in place. However in sectors where existing tariffs are inadequate to cover costs of specified level of service tariffs may initially require some upward adjustment. Over time efficiency gains expected to rationalize tariffs.
• Money for PPPs comes from private sector "pockets"	**Initially, YES.** But private sector would make those investments provided they can recover those investments either from users or the government with reasonable return.
• Once a private sector partner is brought in, there is little or no role for the public sector	**No.** Public sector's role changes from direct involvement in construction and service provision, to ensuring that the PPP delivers value for money for the government and better services for users.

Small Pro Poor PPP Procurement

Public Conveniences

(Cont…)

Some PPP Experience From Nigeria

MMA2 Airport Concession

- BOT contract agreement between the Federal Airports Authority of Nigeria (FAAN) and Bi-Courtney Limited (BCL)
- Original agreement signed in April 2003 (mainly granting concession to BCL)
- A supplementary agreement signed in June 2004 (mainly increasing construction period from 18months to 33months)
- An addendum Agreement signed in February 2007 (mainly extending concession period from 12 to 36 years)
- Main areas of Dispute:
  - Operation of the GAT by FAAN
  - The Tenure of the Concession (36 Years)
  - The Exclusivity Clause in the agreement

Lessons

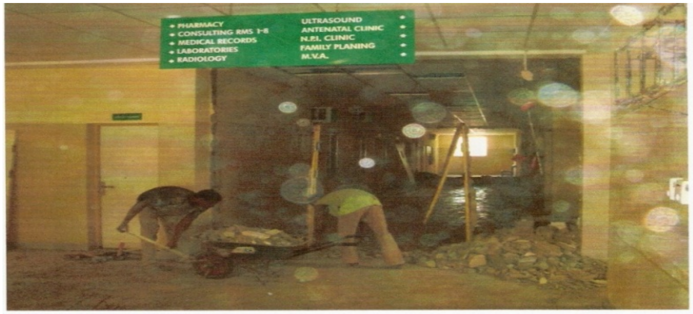
- Inadequate Experience in Public and Private sectors
- Political Involvement at the implementation level.
- Asymmetry of knowledge between concessionaire and Government; No financial model and traffic risks not properly evaluated
- Not enough due diligence by contracting authority
- Project Development not thorough

Garki Hospital Abuja

- **Client: FCT Health and Human Services**
- **Sector**: Social Infrastructure~ Health Sector
- **Year the project was signed**: 2007
- This was concession to NISA Premier Hospital Ltd in 2007 for a period of fifteen years (15yrs).
- The introduction of a public private partnership (PPP) arrangement in the hospital has been very effective in the delivery of services. The hospital performed its first successful heart surgery in July 2013 and also performed three (3) successful kidney transplants on the same day in November 2013. The hospital ranks in the top 50 of all evaluated hospitals in Nigeria.

(Cont...)

AFTER



BEFORE

Pre PPP Theatre

Garki Hospital Abuja

PPP Theatre: One Of Our 3 Theatres (June 2015 Cardiac Surgery)

Garki Hospital Abuja

PPP: ICU During June 2015 Cardiac Surgery

Garki Hospital Abuja

Pre PPP Radiology

Garki Hospital Abuja

PPP Radiology (CT Scanner)

Garki Hospital Abuja

Pre PPP Laboratory

PPP – One of our laboratories

Garki Hospital Abuja

Ports

- Major Ports reform in 2004, to improve clogged, inefficient, and very expensive ports.
- Experienced private operators engaged through Concessions to rehabilitate and Manage 26 ports.
- 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 an estimated $200 million a year.
- Goal of concession yet to be fully achieved due to external factors and actors

Lessons

- Transaction activities should not be targeted at the signing of concession contracts
- Risk allocation should consider Government Capacity to deliver (channel depth, wrecks, RoW)
- The transaction lead agency should be the grantor who remains accountable for services
- “Political Clock” not the same as Project time
- Success requires an integrated approach (Roads, Customs, Rail, Security, State Govts)

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

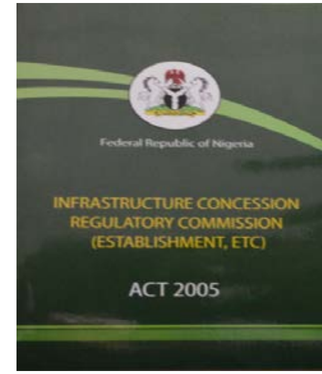
General Lessons Learned: Project Procurement & Contracts

- **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

Nigerian Legal and Regulatory Framework for PPPs

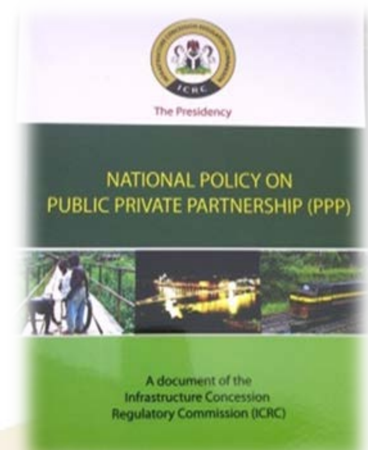
Framework for PPP

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.

Presidential Circular of September 2013 directing All MDAs to engage with the FMoF and ICRC PRIOR to commencing PPP projects. MDAs to establish PPP units



Annual Report to the President presented every year in June.

Transparency and Competition

Framework for PPP

ICRC's Functions:

- Regulate Public Private Partnership (PPP) procurement by:
  a. Guiding MDAs in structuring PPP transactions for both **green field** and **brown field** infrastructure – Pre Contract regulation
  b. Taking custody of all executed agreements and ensuring compliance-Post Contract Regulation
- Issue PPP regulations and guidelines
- Collaborate with state governments to develop a sustainable national framework

Framework for PPP

What others do :

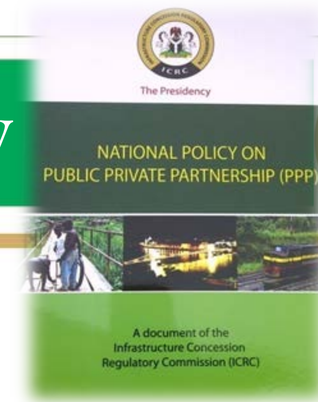
- Initiate PPP projects – **MDA responsibility**
- Develop the Projects – **MDA responsibility**
- Approve PPP projects – **FEC approves**
- Enforce court judgments over PPP transactions – **Courts' Mandate**

Framework for PPP

The PPP Process:

- Knowledge, experience and skills required to go through PPP phases:~
  1. PPP Project Initiation,
  2. PPP Project Development,
  3. PPP Project Procurement,
  4. PPP Project Implementation
  5. Asset return

PPP Lifecycle in line with National Policy



Preliminaries

- *Project Identification*
- *Project Prioritization*
- *Project Selection*

Development Phase → **Procurement Phase** → **Implementation Phase**

Development Phase

TRANSACTION ADVISER
NEEDS ANALYSIS
PPP OPTIONS APPRAISAL
VALUE FOR MONEY
AFFORDABILITY
SUSTAINABILITY
PRELIM RISK MATRIX
VIABILITY/BANKABILITY
VGF
OBC
OBC APPROVAL BY FEC

Procurement Phase

TRANSACTION ADVISER
EoI/RFQ Phase AND RFP BIDDING
BIDDERS CONFERENCE
BID EVALUATION
VALUE FOR MONEY TEST
PREFERRED BIDDER
FULL BUSINESS CASE BY FEC

Implementation Phase

INDEPENDENT ENGINEER
MONITOR DESIGN AND CONSTRUCTION
COMMISSIONING TEST
VERIFY OUTPUT REQUIREMENTS
CONTRACT MANAGEMENT

PREPARING AND IMPLEMENTING EFFICIENT AND EFFECTIVE PPP TRANSACTIONS

PPP Projects must be Bankable & Affordable

- IRR > Weighted Average Cost of Capital
- RoE > Shareholders Requirement
- Debt Service Cover Ratio > Bankers or Lenders Requirements
- Loan Life Cover Ratio > Bankers or Lenders Requirements

Focus on not just comparative but competitive advantage !!!

Ideas don't get funded bankable projects get funded.

You must take to market projects with robust cash flows and cost reflective returns

N4P Principles

- **Value for Money**

  Ensure project appraisals take into account not only cost but also risks and service quality

- **Public interest**

  Adequate and prior consultation with stakeholders.

- **Output requirements**

  The Concept of **"verifiable service standards"** to be used as basis for output or performance based specifications.

- **Transparency**

  Transparency in all procurements is key requirement of the law.

- **Risk allocation**

  Risks allocated to the party best able to manage them.

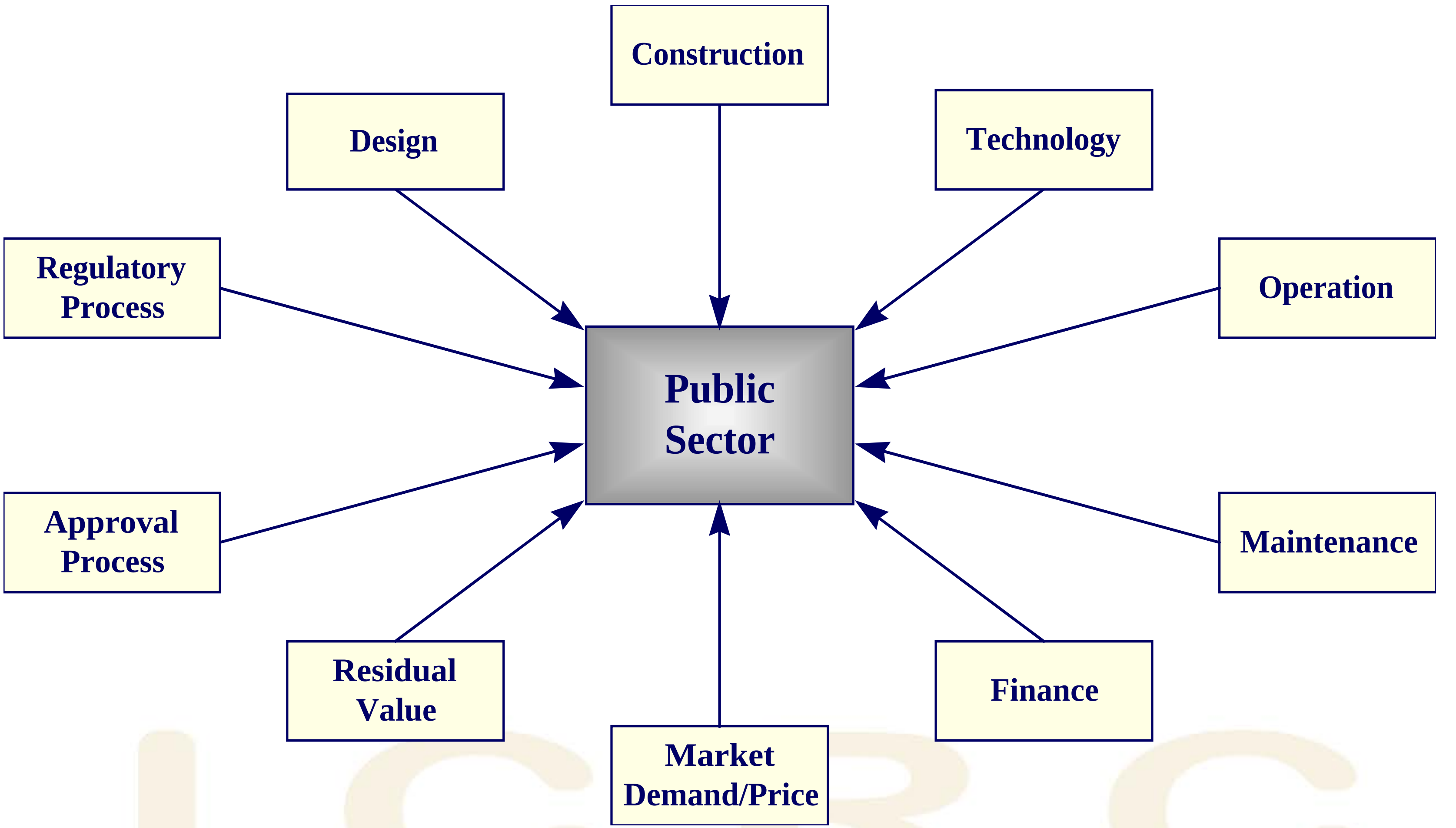
- **Competition**

  The law requires that no project is procured without subjecting it to competition.

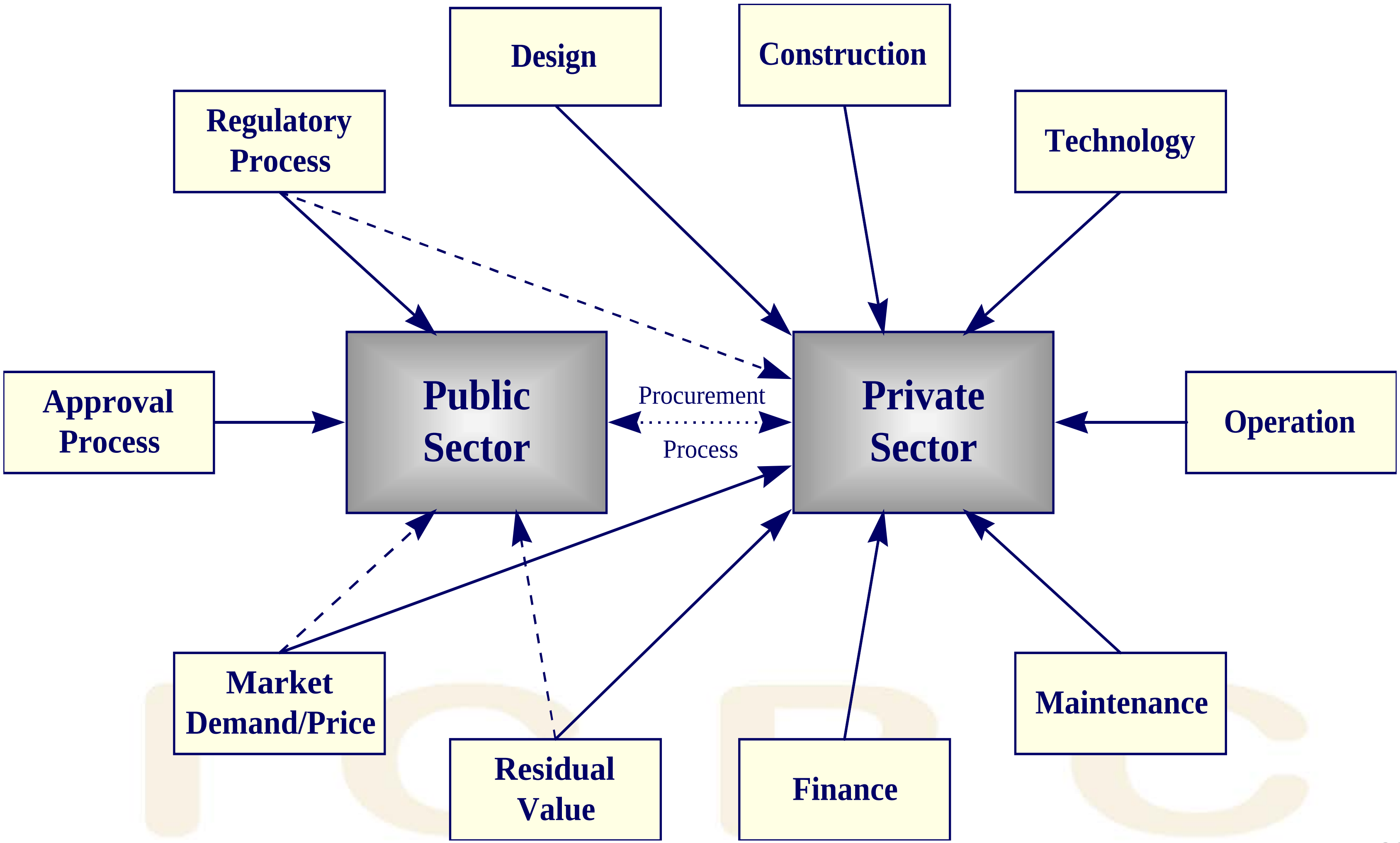
- **Capacity to deliver**

  Ensure Project Proponents wishing to partner with government to deliver and operate infrastructure have the capacity to handle the responsibility.

Traditional Risk Allocation



PPP- Risk Allocation



PPP Procurement Routes

SOLICITED ROUTE

- Well prepared bankable projects to Market
- Transparent and Competitive Bidding
- May Require Government Funding Support
- Timely Financial Closure Required

UNSOLICITED ROUTE

- Bankable Business Case by Project Proponent
- Must be part of strategic plan of government
- Indicative Funding Available
- Negotiate or Subject to Competition via Swiss Challenge etc
- No Government Funding Support

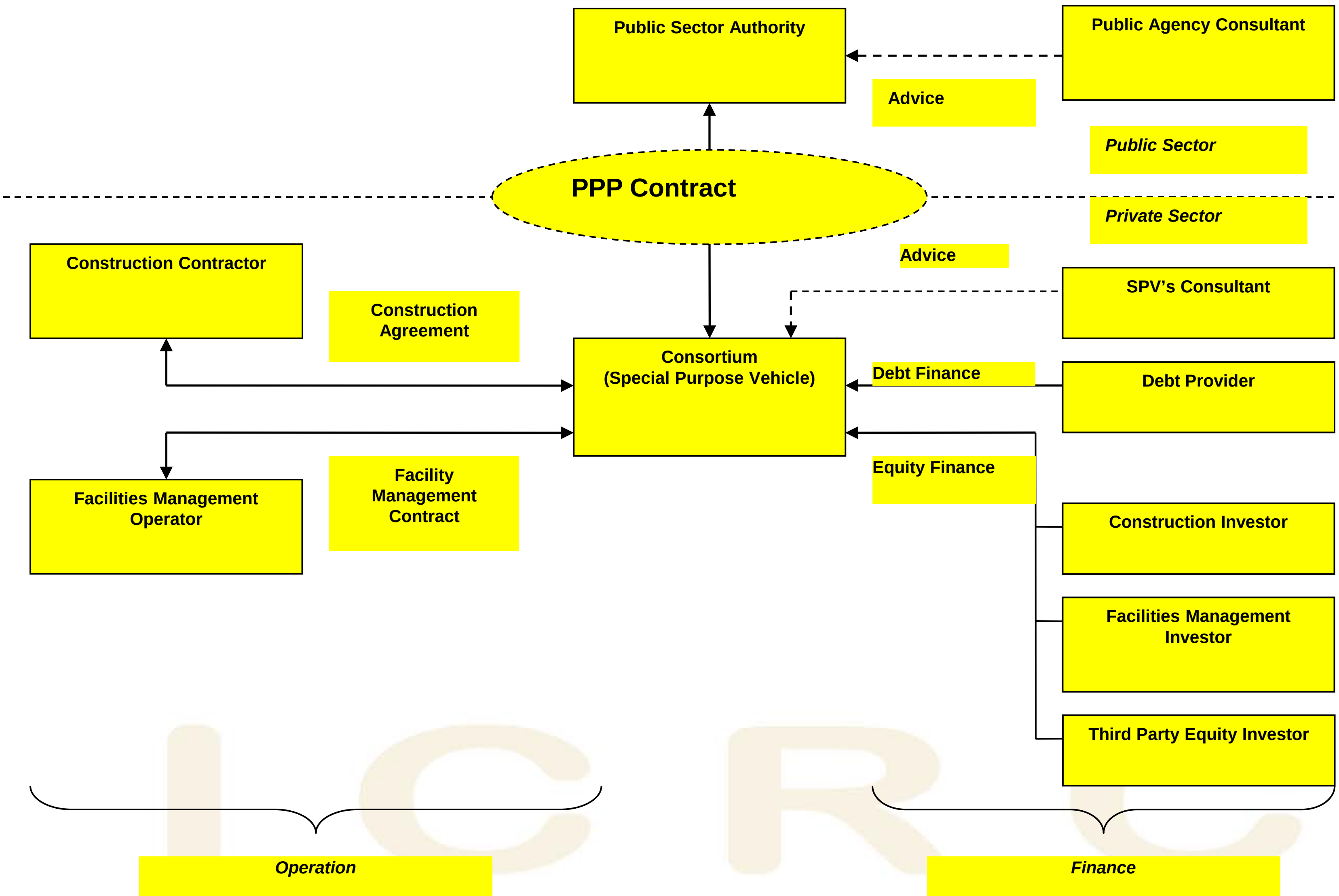
Unsolicited PPP Proposal Route

Initiated by Private Party (must be full proposal with development phase complete or nearly complete ie, bankable OBC)

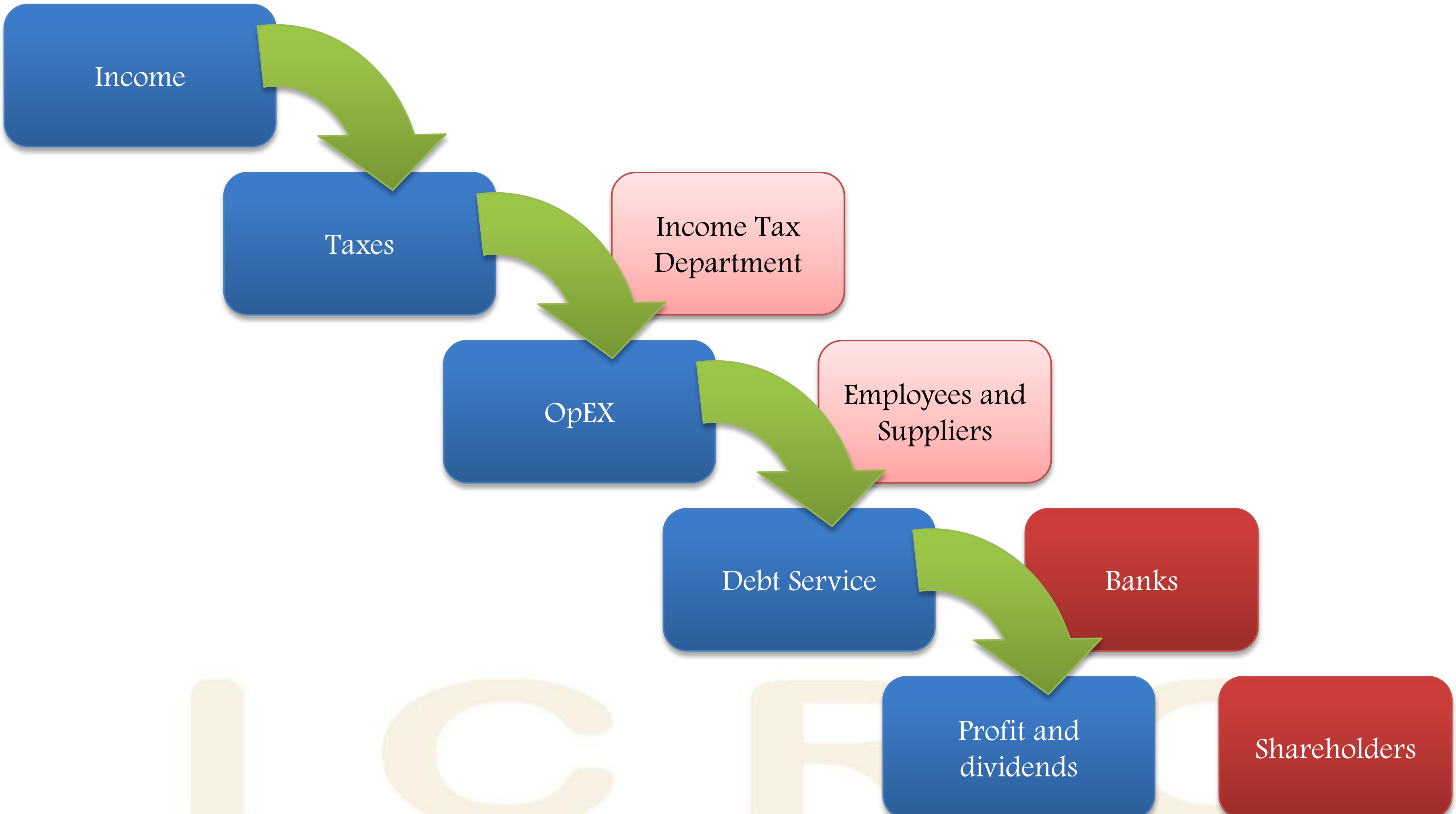
- (Unsolicited proposals means moving straight into PPP procurement phase)
- Contracting Authority Receives and Makes Preliminary Review
- Does proposal certify requirements
- Decision to use Swiss challenge to introduce competition
- Counter proposals requested for
- Review and Award

PPP Structure

…Structure of a Typical Large PPP Project



Cash Flow Waterfall



Sample PPP Experience From Other Regions

Lesson from Senegal

Multi Modal and Connected

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

Lesson from Senegal … Cont’

Senegal

Synergies & Catalytic Effects on Economic Development

Transport of Goods Complementarity

AIRPORT
Blaise-Diagne International Airport

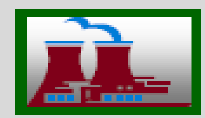
Power Supply

PORT
Dakar Container Terminal

Linkage between the city and the Airport

Coal Transport and Power Supply

POWER PLANT
Sendou Power Project



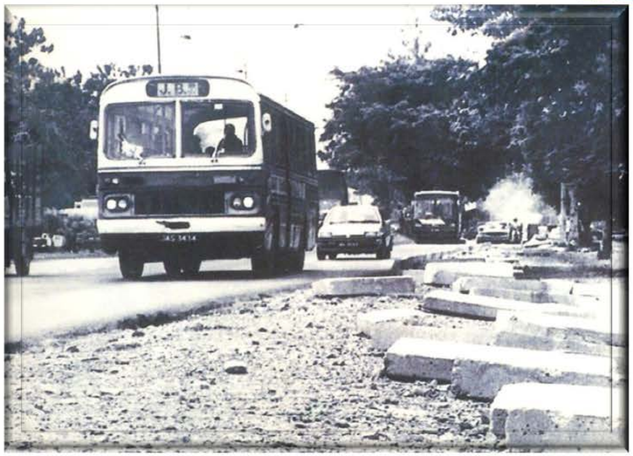
Transport Corridor (e.g. Coal) Connection with Free Economic Zone

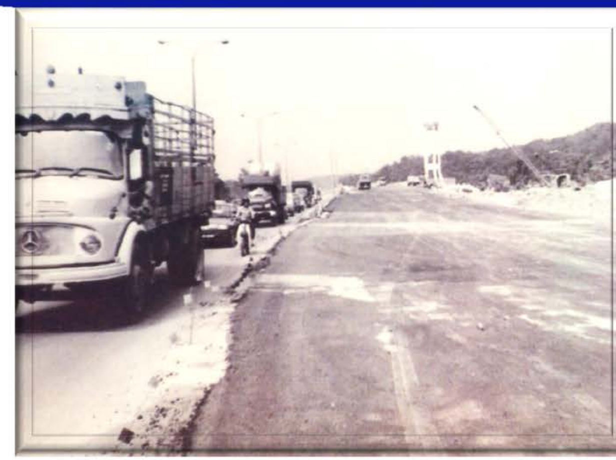
HIGHWAY
Dakar Toll Road

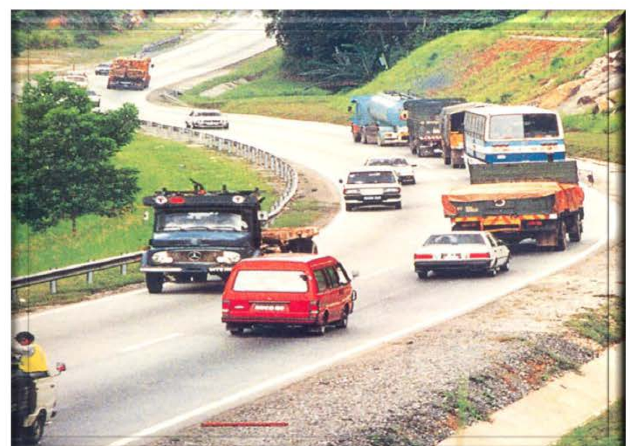
Coal Transport Improved accesses

Lessons from Malaysia

MALAYSIAN ROADS : 1970 – 1980





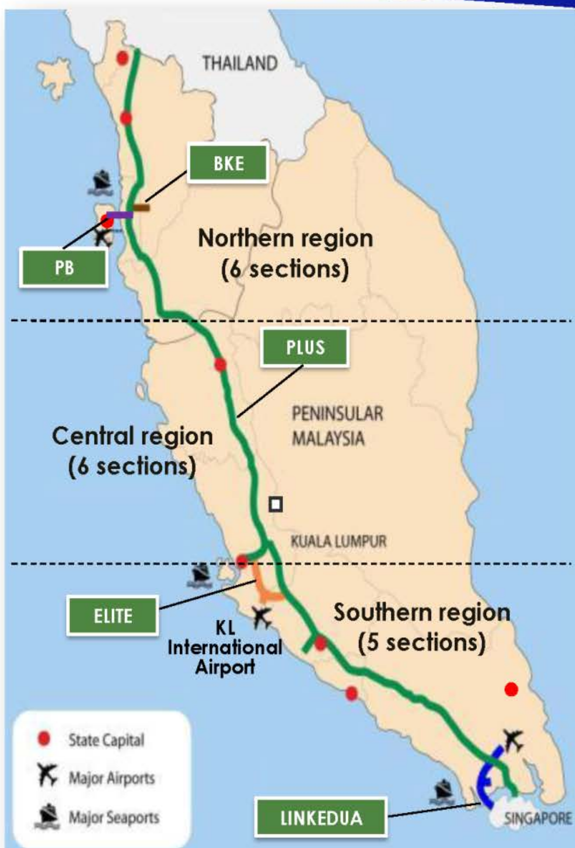


Source: Plus Malaysia Berhad, 2015

Presentation by Plus Berhard to Engr. Chidi Izuwah November 2015

Lesson from Malaysia … Cont’

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



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

Source: Plus Malaysia Berhad, Nov 2015

Presentation by Plus Berhard to Engr. Chidi Izuwah November 2015

Lesson from Malaysia … Cont’

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

RESIDENTIAL AREAS >200

Bandar Dato’ Onn
Bernam Jaya
Taman Kempas Utama
Setia Tropika
Bandar Puteri Jaya

>44 NEW TOWNSHIPS

Nusajaya
Setia Alam
Putra Mahkota
Amanjaya
Putra Heights
Stargate
Bandar Indahpura

INDUSTRIAL PARKS >20

Kawasan Perindustrian Bukit Minyak
Senai Industrial Park
Southern Industrial & Logistics Clusters
Tanjung Pelepas
Kulim Hi-Tech Park
Proton City

>9 BUSINESS CENTRES

Medini
Bukit Merah Laketown Resort
I-City
Johor Premium Outlet
Tadima Business Park

Source: Plus Malaysia Berhad, Nov. 2015

PPP Case Studies – Medical Mobile Units (MMU)

Public Partner – Government of Bihar
Private Partner – Spake Systems (14 MMUs), Jaagran Solutions (12 MMUs), Jain Studio (12 MMUs)

Objective: To provide primary health facilities to people living in the remote areas of the State. Since there is acute shortage of manpower in government hospitals, the state decided to procure MMU through a PPP. A fixed budget is allocated to be paid to each MMU operator by the State. The MMUs provide the same facilities as a basic hospital. PPP Partners were selected by competitive bidding

PPP Opportunities in Nigeria

Flagship PPP Project - National Theatre - Lagos

- Development of 65 hectares fallow land around the 134 hectares theatre complex. Completed in 1976 for FESTAC in 1977.

Nigeria Entertainment City - Lagos

Road PPP Opportunities

1. 2^{nd} 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 - Tegina - 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

The 2nd Niger Bridge – Artist Impression

Ports and ICD Opportunities

- 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 Oppurtunities

- 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

PPP Support Initiatives

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

What's The Road Block to Good PPPs

Awareness & Education, Political Will, Execution Discipline and Due Process

Key Actions

- Transperency - PPP Web Portal and Removal of Fees
- Panel of Advisers and Agreed Pipeline of PPP Projects; Accelerated PPP Process
- PPP Regulations, PPP Manual and Toolkits
- PPP Infrastructure Project Development Fund and PPP Budget Item
- We have a national infrastructure emergency and should declare one immediately
- No. 1 Agenda Item at MDA and FEC meetings etc
- Infrastructure Scorecard for each MDA
- Pull the right resources to address.....war against bad infrastructure (WABI)
- An Executive Legislative Infrastructure Advisory Council (ELIAC) needed
- Presidential Council or National Council on Accelerated Infrastructure Delivery and PPPs – National Consensus, Political Direction...Match words with action

Key Actions … Cont’

- ICRC is working across ministries under the Leadership of HE President Buhari to provide the stable world class regulatory framework that will 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 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.

Roads Focus

Ilorin Kaduna Expressway !!!

Enugu Onitsha Expressway !!!

Enugu Onitsha Expressway !!!

Enugu Onitsha Expressway !!!

Aba PH Expressway !!!

Enugu PHC Expressway !!!

Aba Ikot E Odukpani Road !!!

TURNING AN OLD MERCEDES INTO NEW ONES – OUR APPROACH TO ROAD REPAIRS

ROADS

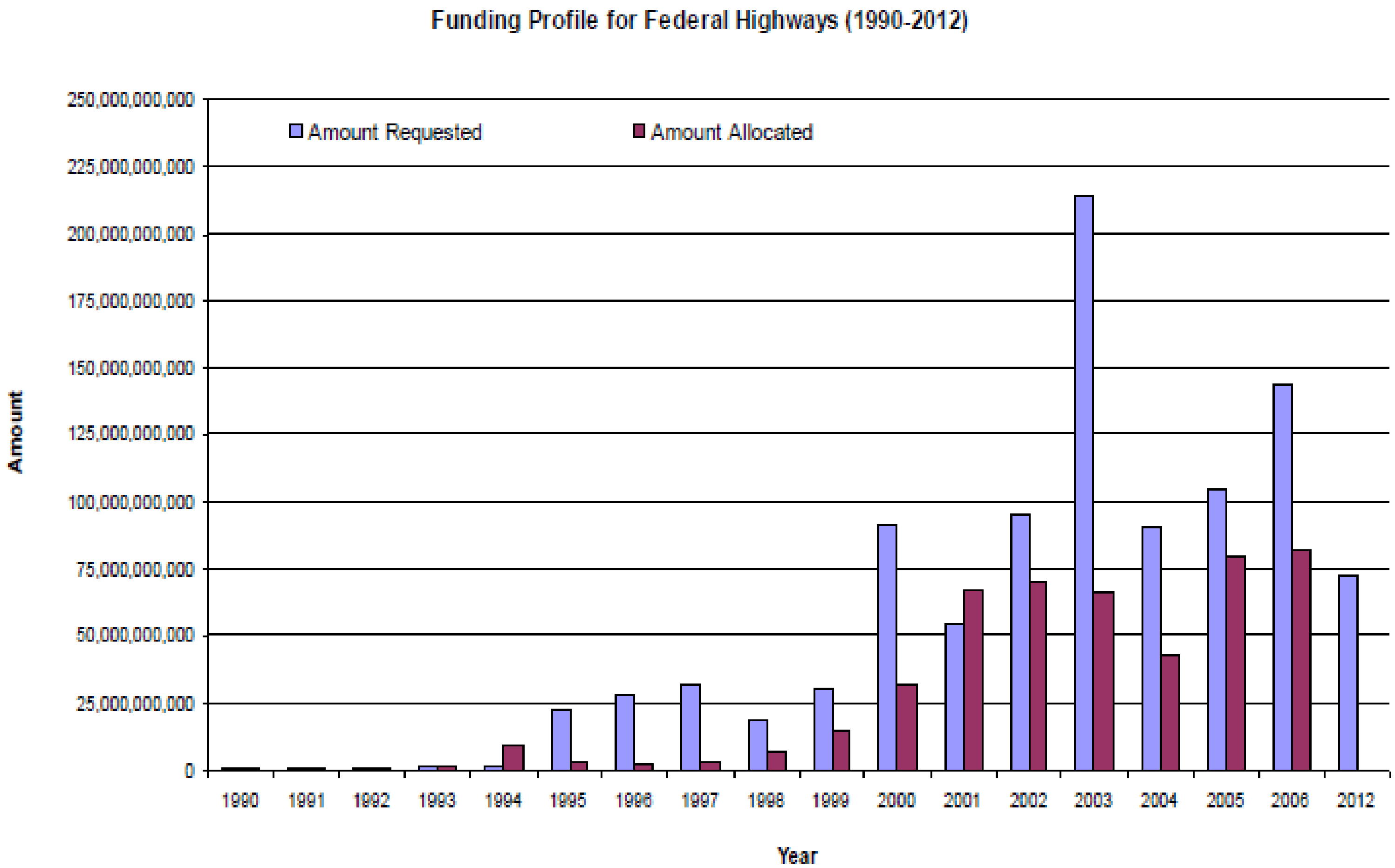
THE CHALLENGES

roughton international

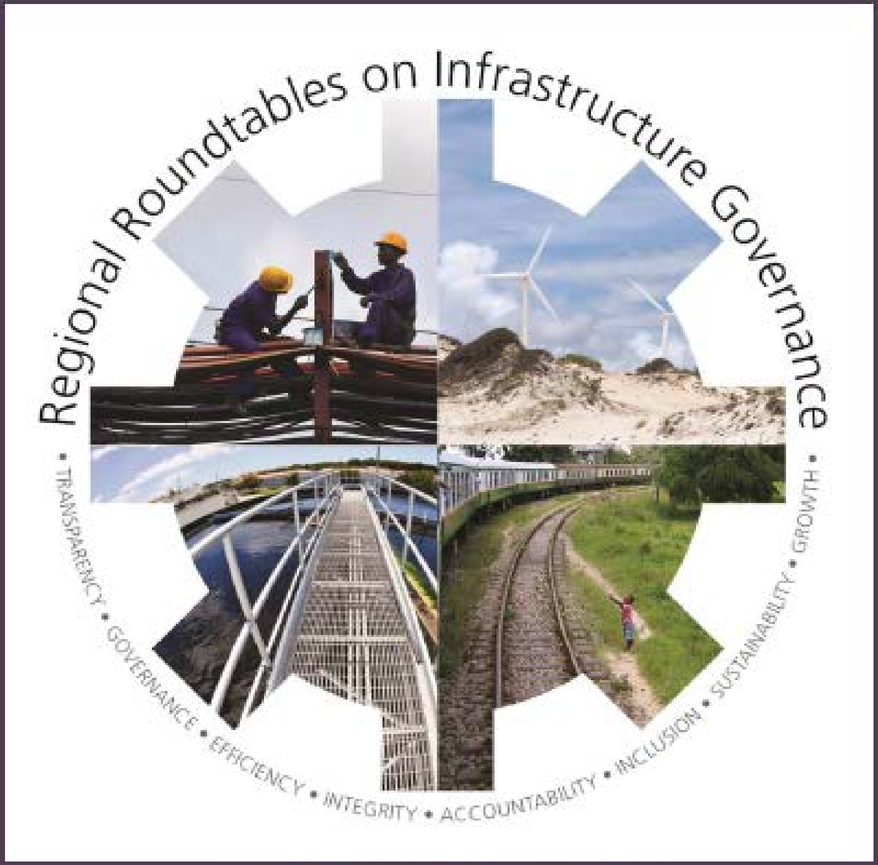
To Sustain Current Economic growth and meet 20 20:20 projection

- Total road network of 193,000 km needs to increase to CIRC. 300,000 km by 2020
- The paved road network needs to increase from current 60,000 km to 200,000 km by 2020.
- This requires:
  - New construction or paving of over 14,000 km roads every year costing an estimated 630 bn Naira per annum
  - In addition to funding required to meet maintenance and rehabilitation of existing paved network estimated at 252 bn Naira per annum

Historical funding profile



• TRANSPARENCY • GOVERNANCE • EFFICIENCY • INTEGRITY • ACCOUNTABILITY • INCLUSION • SUSTAINABILITY • GROWTH •



Cape Town, South Africa // November 2-3, 2017

Integrity: Leadership, Technology & Collaboration

Peter M. Sullivan

Head of Public Sector Africa

citi

Road Infrastructure - Expansion & Maintenance

Background

- As part of a National Development Plan, Govt has embarked on a Roads network expansion and rehabilitation program that will require the deployment and management of multiple Contractors, both international and domestic.
- The Govt program will be administered by its Annuity Roads Fund (ARF)

Objectives

- Ensure quality roads by pushing performance and design risk to the contractors.
- Raise enough funds to ensure construction does not stop due to lack of funding.
- Avoid / defer a material increase in the sovereign's external debt level.
- Develop the most efficient, transparent and cost-effective structure to monitor and manage the documents, invoices, payments and performance of multiple contractors.
- Establish the optimal mix of international and domestic contractors that can execute the program on-budget and on-time, bring cost-effective funding, create domestic jobs , offer value for money and be accountable for their quality of work.

Road Infrastructure - Expansion & Maintenance

Proposed Structure

Establish an automated and flexible payment platform that delivers robust levels of transparency, control and verification for progress and performance against commercial contracts and allows for timely and authenticated cash disbursements from multiple sources of funding.

Leveraging CitiDirect Platform and its agency and funding capabilities, Citi will link the Govt with the approved contractors to facilitate document flow and authentication on the front end while establishing and managing escrow accounts for earmarked, contract-specific third party funding, and structuring and arranging appropriate external funding facilities.

Road Infrastructure - Expansion & Maintenance

Proposed Structure

Front-End:

Once Contractors complete a defined section of roadwork and are eligible for progression payments pursuant to the respective commercial contract, they will electronically submit invoices and supporting document, subject to the prescribed criteria, to the Govt's Authorizing Parties.

The Authorizing Parties will review, verify and authenticate the work completed and the associated invoices. A dual or multi control can be implemented for the authentication of the invoices, e.g., approval subject to review and acceptance by ARF's Independent Engineer and the Contracting Authority.

Once the invoices have been properly authenticated, the Authorizing Parties can electronically issue a payment order with the attached accepted invoice to Citi to effect payment.

Payments will then be initiated to the respective contractors for all approved invoices via its CitiDirect Platform.

Back-End:

Payments to Contractors can be funded through multiple sources. The Govt envisions the following main sources of funding for the Annuity Roads Fund (ARF):

Budgetary Allocation

Tax & Levy Receipts

Income from Investments of Balances

Grants & Donations

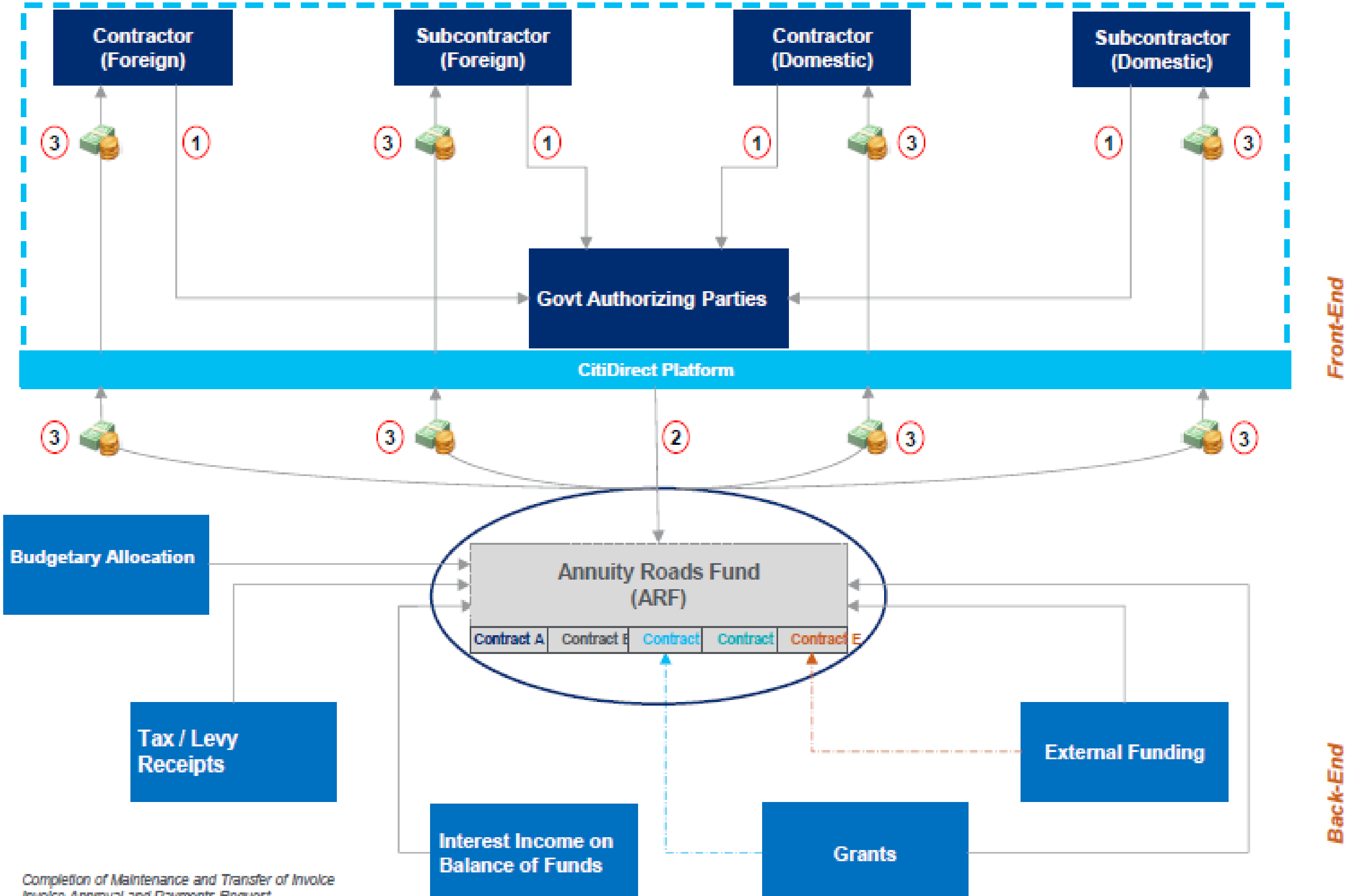
External Funding

Road Infrastructure - Expansion & Maintenance

Benefits of the Structure

- Enhances control, transparency and accountability of the document and cash flows between the Govt and Contractors
- Providers for efficient dual control of the verification and authentication of documents and invoices
- Creates and maintains a robust, automated and auditable database for the administration of the program
- Accommodates multiple sources of funding on one platform that promotes standardization and efficiency
- Leverages the credit of the Govt to secure the cheapest domestic funding rates
- Allows the domestic contractors to source cost-effective funding on behalf of the government and to compete with international contractors.
- Does not crowd out the local bank risk capacity for domestic contractors
- Does not materially increase the levels of external foreign currency debt during the implementation of the program and retains a degree of flexibility in undertaking the appropriate strategy for medium-term refinancing.
- Allows the Govt to implement the program quickly through trade payables
- Provides the potential to link and manage the performance guarantees to the respective commercial contracts and contractors

Annuity Roads Fund Platform



1. *Completion of Maintenance and Transfer of Invoice*
2. *Invoice Approval and Payments Request*
3. *Payment through CitiDirect from ARF of Approved Invoices within [xx] days*

Note: Contracts A-E represent tied or earmarked, funds segregated in discreet Escrow Account to be used for qualified payments to specific Contractors for specific projects

Proposed PPP Scheme

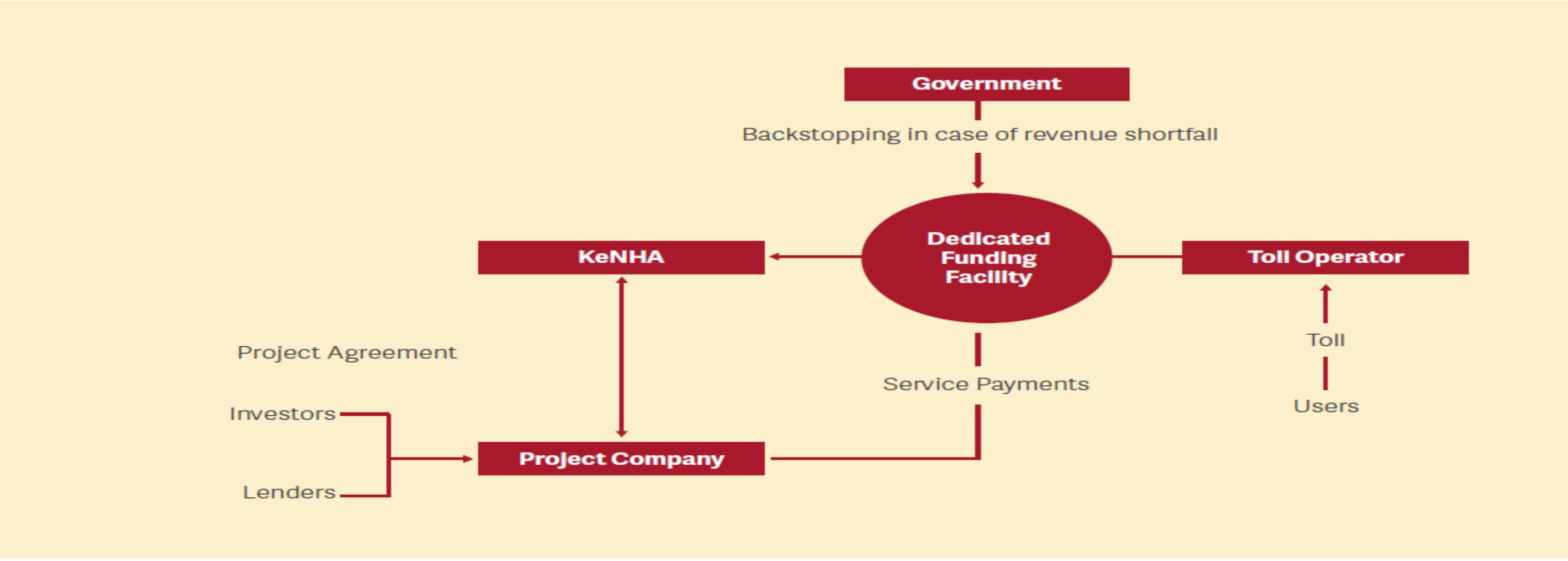
3.1 Structure in accordance with International Practices

KeNHA intends to procure the works and services through a 30-year Design Build Finance Operate Maintain Transfer PPP scheme which will involve the Successful Bidder establishing a dedicated Special Purpose Vehicle which will enter into a Project Agreement with KeNHA all under the provisions of Kenya's PPP Act, 2013.

Payments to the Project Company will be in the form of performance-related Service Payments largely linked to Project Road availability

In order to fund the Project Road, tolling will be introduced. A third party private toll operator will be contracted for the purpose o establishing the tolling systems and subsequently collecting the tolls. The tolling revenues will be used to fund the Service Payments Preliminary assessments indicate that the proceeds from tolling over the life of the project should be sufficient to cover the Service Payment obligations but in the event of a shortfall, Government will make good any deficit.

It is anticipated that the project's construction costs will be financed by the Project Company through a mix of shareholder equity contributions and long term bank/ financial institution debt. The Government has already engaged with development and commercia banks to gauge interest and facilitate financing support.



3PUCF Monitoring and Evaluation Exercise

Background/Introduction:

- The Office of Head of Civil Service of the Federation (OHCSF) established the Public Private Partnership (PPP) Units in selected MDAs following the Circular approved by Mr. President on the 29th November 2012. In 2014, the Infrastructure Concession Regulatory Commission (ICRC), in collaboration with OHCSF established the PPP Unit Consultative Forum (3PUCF) to provide a platform for knowledge and experience sharing among Heads of PPP Units in MDAs.

- At the 2016 1st Quarter meeting of the 3PUCF hosted by the OHCSF on 3rd March 2016, members agreed that a Monitoring and Evaluation (M&E) Committee comprising of the OHCSF, ICRC, Federal Ministry of Finance (FMoF) and Ministry of Budget & National Planning (MNBP) should be constituted to engage PPP Units and assess their mandates and performance in order to identify possible opportunities for improvement.

Mandate of the 3PUCF M&E Committee

The M&E team was inaugurated on Thursday 30th June, 2016 to do the following:

1. Assess the level of compliance of MDAs with the OHCSF Circular on the establishment of PPP Units
2. Assess the PPP Unit Structure and competencies of the staff
3. Undertake needs assessment to generate potential PPP project pipeline
4. Undertake any other issue(s) related to PPP as may arise

3PUCF M&E Visits to PPP Units in all MDAs

- The Monitoring and Evaluation Team visited the PPP Units of MDAs in Lagos from 16^{th} – 19^{th} May 2017. The following MDAs were visited: Nigerian Airspace Management Agency (NAMA), Nigerian Railway Corporation (NRC), Nigerian Ports Authority (NPA), Nigerian Maritime Administration and Safety Agency (NIMASA), Nigerian Shippers' Council (NSC), National Arts Theatre and Centre for Management Development (CMD).

- The Visit to Abuja PPP Units commenced on 18th of October 2017 with Federal Ministry of Education.

- The schedule for visits to other MDAs in Abuja is shown below; however, the dates will be adjusted where necessary and prior notification will be given before the visit. The list may not be exhaustive, but are for those that attend the 3PUCF:

Proposed Schedule of Monitoring & Evaluation Visit to PPP Units in Abuja

1	Nigeria Prison Service		**Team A**
2	University of Abuja	Abuja	**7^{th} November 2017**
3	Federal Ministry Of Power, Works & Housing	Abuja	**Team B**
4	Federal Ministry Of Environment	Abuja	**9^{th} November 2017**
5	Federal Ministry Of Industry, Trade & Investment	Abuja	**Team A**
6	Federal Ministry Of interior	Abuja	**14^{th} November 2017**
7	Federal Ministry of Water Resources	Abuja	**Team B**
8	Federal Ministry Of Information, Culture & Tourism	Abuja	**16^{th} November 2017**
9	Federal Ministry Of Communication Technology	Abuja	**Team A**
10	Federal Ministry Of Mines & Steel Development	Abuja	**21^{st} November 2017**
11	National Automotive Council	Abuja	**Team B**
12	Small & Medium Enterprises Development Agency	Abuja	**23^{rd} November 2017**
13	Fede`ral Ministry Of Agriculture & Rural Development	Abuja	**Team A**
14	Federal Ministry of Science and Technology	Abuja	**28^{th} November 2017**

Proposed Schedule of Monitoring & Evaluation Visit to PPP Units in Abuja …Cont'd

23	Federal Ministry of Sports & Youth Development	Abuja	Team B 30th November 2017
24	Federal Capital Territory	Abuja	
25	Federal Ministry Of Transportation	Abuja	Team A 5th December 2017
26	Federal Ministry of Defence	Abuja	
27	Federal Ministry Of Petroleum Resources	Abuja	Team B 5th December 2017
28	Abuja Infrastructure Investment Company	Abuja	
29	Border Communities Development Agency	Abuja	Team A 12th December 2017
30	National Open University of Nigeria	Abuja	
31	Federal Ministry Of Health	Abuja	Team B 14th December 2017
32	National Mathematical Centre	Abuja	

OBCs Yet to be Submitted to FEC

OUTLINE BUSINESS CASES (OBCs)

S/N	Project Name	Ministry, Department, Agency	Date Issued
1	Concession of the irrigation components of the Gurara 1 dam	Federal Ministry of Water Resources	24th Oct 2014
2	Setting up an electronic based national crime and criminal tracking system for the Nigeria Police through PPP	Federal Ministry of Interior / Nigerian Police Affairs	22nd May 2015
3	UN Contingent-Owned-Equipment (COE) for Peace Support Operations for Nigerian Army	Federal Ministry of Defence	7th July 2015
4	National Public Security Communication System	Federal Ministry of Interior	31st Oct 2016
5	Construction of COREN head office complex, Abuja	Council for the Regulation of Engineering in Nigeria (COREN)	8th Nov 2016
6	Expansion & operation of Nigerian Prison Service Shoe factory in Aba	Federal Ministry of Interior / Nigerian Prison Service	30th Dec 2016

OBCs Yet to be Submitted To FEC

OUTLINE BUSINESS CASES (OBCs) ~ Continued			
14	Transformer Repair Services	Federal Ministry of Power, Works & Housing (Power)	21st Aug 2017
15	Owena Small Hydro Power Dam	Federal Ministry of Water Resources	10th Mar 2017

FBCs Yet to be Submitted to FEC

FULL BUSINESS CASES (FBCs)

S/N	Project Name	Ministry	Date Issued
1	Onne Port IPP 144MW, Rivers State	Federal Ministry of Transportation	26th Sept 2012
2	Lagos Port Complex IPP 36MW, Lagos State	Federal Ministry of Transportation	24th April 2013
3	Contingent-Owned-Equipment (COE) for Peace Support Operations for Nigerian Police	Federal Ministry of Interior/ Nigerian Police Force	20th July 2017 (Certificate Revalidation)
4	Concession/ development of the Fallow Land in the National Theatre	Federal Ministry of Information and Culture	5th Sep 2017 (2nd Certificate Revalidation)

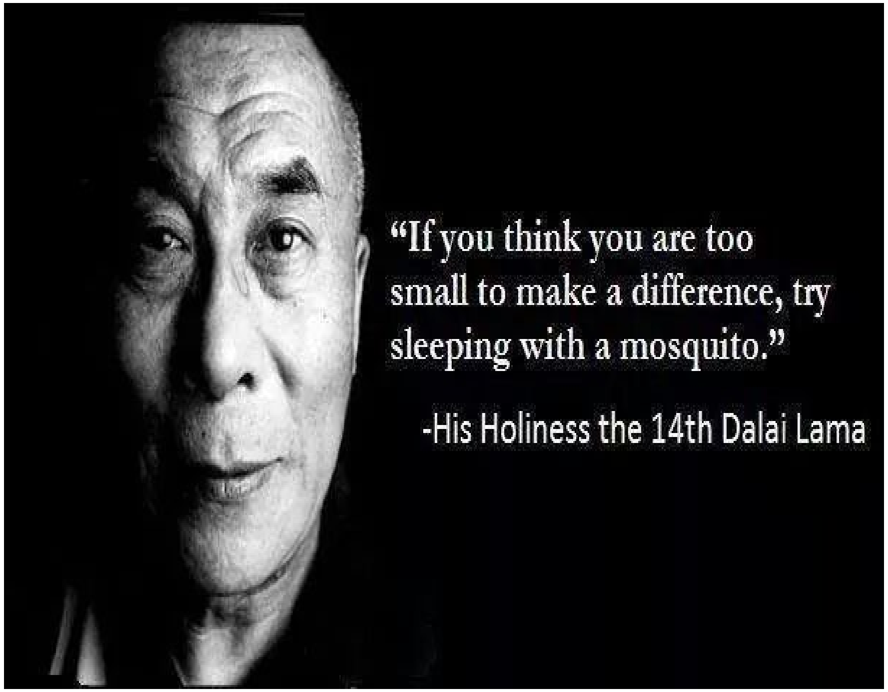
… in Conclusion

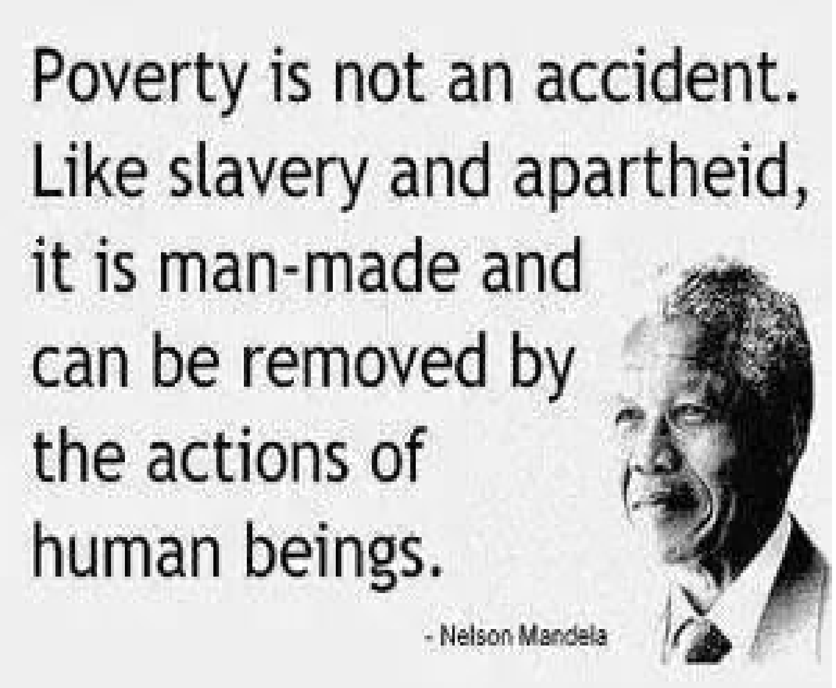
- PPPs offer Nigeria a dependable and sustainable funding option, increased accountability, accelerated infrastructure provision and faster implementation of projects.

- Nigeria's huge infrastructure deficit is an opportunity to partner on a win win basis with the private sector in virtually all economic and social infrastructure spaces.

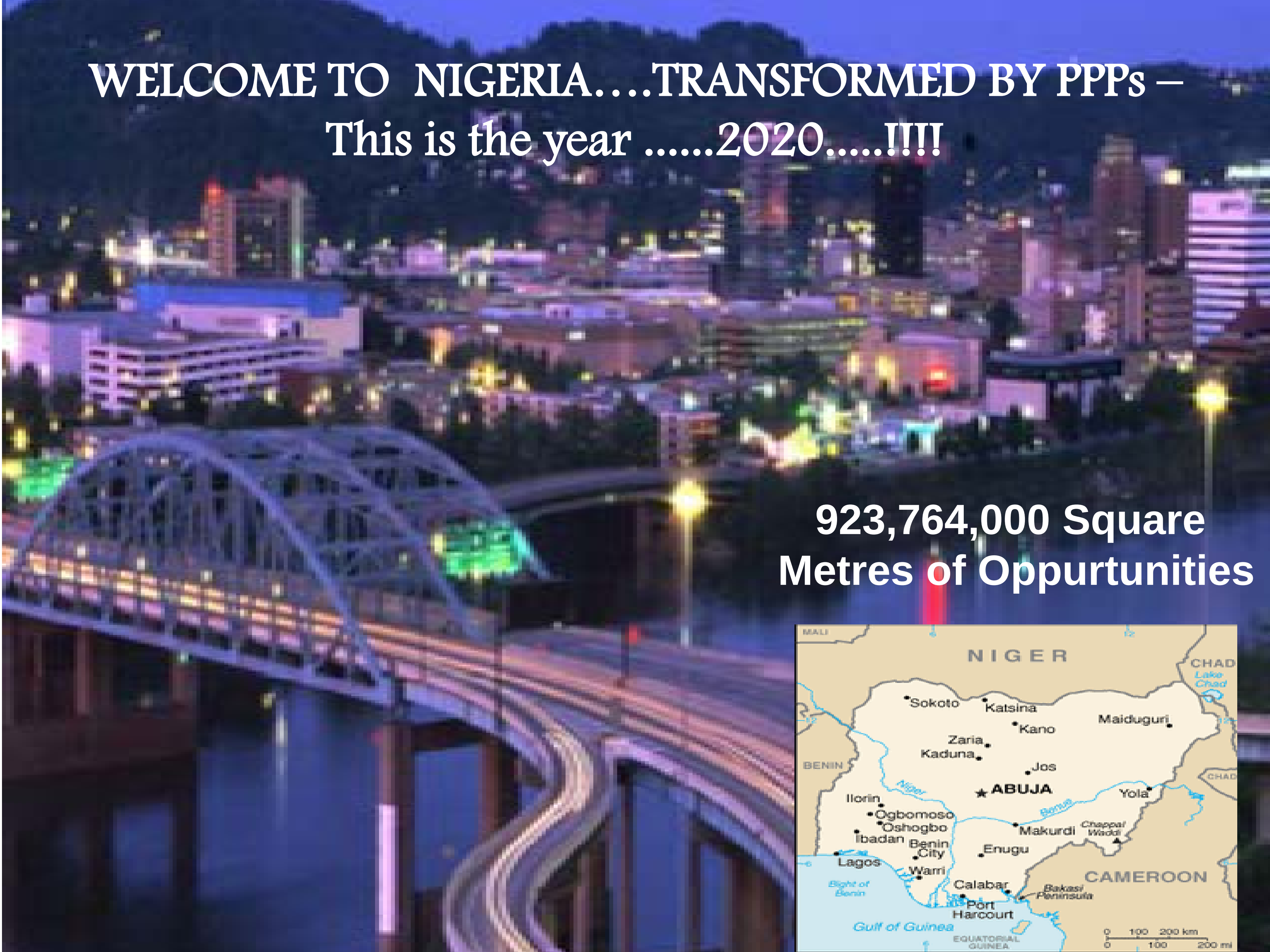
- Project preparation and development is key

Wise Words


"If you think you are too
small to make a difference, try
sleeping with a mosquito."
-His Holiness the 14th Dalai Lama


Poverty is not an accident.
Like slavery and apartheid,
it is man-made and
can be removed by
the actions of
human beings.
- Nelson Mandela

WELCOME TO NIGERIA….TRANSFORMED BY PPPs – This is the year ……2020…..!!!!



923,764,000 Square Metres of Oppurtunities

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

Website: www.icrc.gov.ng