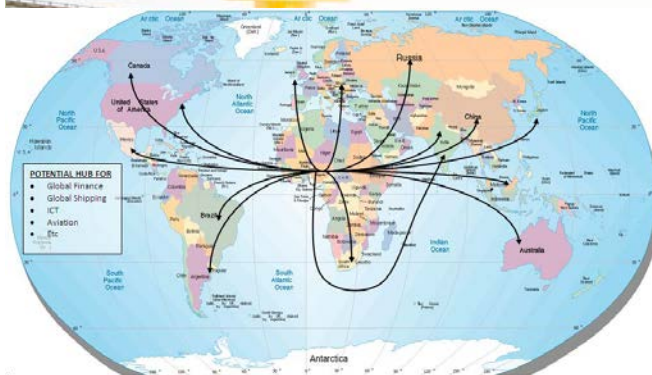


NEEDED SUPPORT FROM MEMBERS TO ACTUALISE THE ICRC MANDATE

by
Chidi Izuwah Snr
Ag. Director-General



The key strategic objective of the Infrastructure Concession Regulatory Commission (ICRC) is to accelerate investment in national infrastructure through private sector funding by assisting the Federal Government of Nigeria and its Ministries, Departments, and Agencies (MDA) to implement and establish effective Public Private Partnership's (PPP) procurement.

Outline



- Functions of ICRC
- Impediments & Challenges
- Need for strong Political Support
- Critical Success Factors for PPPs
- Good Governance: Lessons from other Climes
- Some Achievements



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Functions of ICRC



The functions of the ICRC include the following;

1. Regulate Public Private Partnership (PPP) procurement by:
 - ✓ Guiding MDAs in structuring PPP transactions: **Pre- Contract regulation**
 - ✓ Taking custody of all executed agreements and ensuring compliance with the terms and conditions of such contracts: **Post Contract Regulation**
2. Issuing regulations and guidelines.
3. Capacity building and PPP support for MDAs
4. Collaborating with State Governments for a sustainable National PPP Framework.

Impediments & Challenges



- Strong Political Support e.g. the Kenyan annuity funded road came as a result of strong political support.
- Regulatory and enforcement powers of ICRC;
- Inadequate project preparations funding;
- Technical skills and knowledge gaps – no funds to upscale MDA capacity;
- Budgetary allocation to cover responsibilities adequately;
- Unstable PPP Project Pipelines;
- Legacy concessions.

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Impediments & Challenges



- Proper project preparation key to successful PPP
- Open and transparent process, public interest, capacity to deliver, proper risk allocation, etc.
- PPP projects selected from a coherent infrastructure investment programme
- Approached with great care, due diligence and a deep sense of responsibility.
- A commitment to work for a win-win situation.

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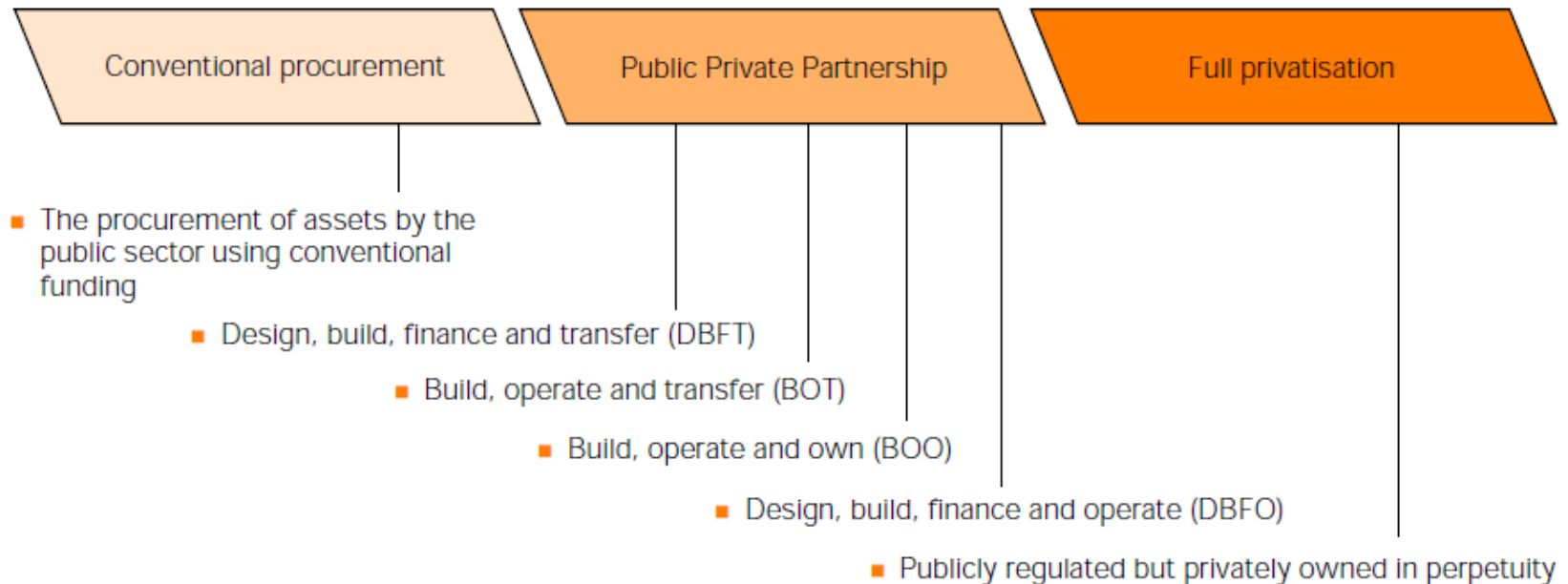
PPP Intro

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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

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.

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



Myth Bursting

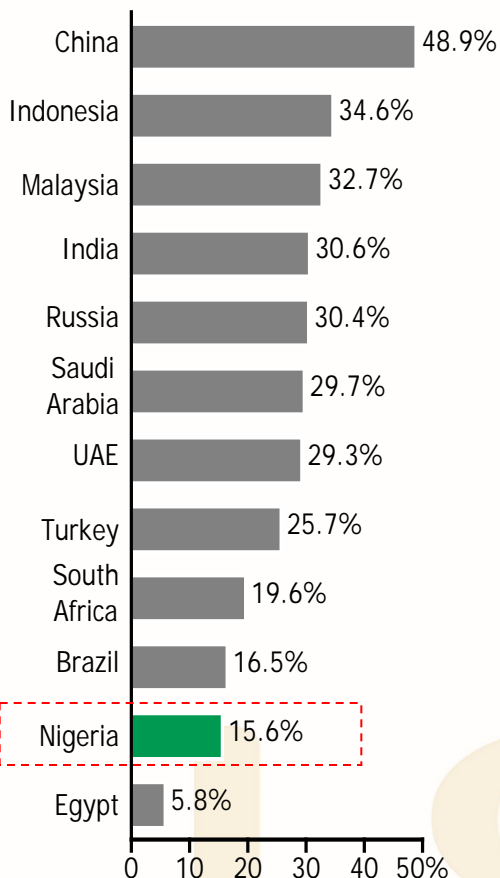
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Domestic financial depth: Nigeria fares poorly on domestic savings, investments and government spending vs peers



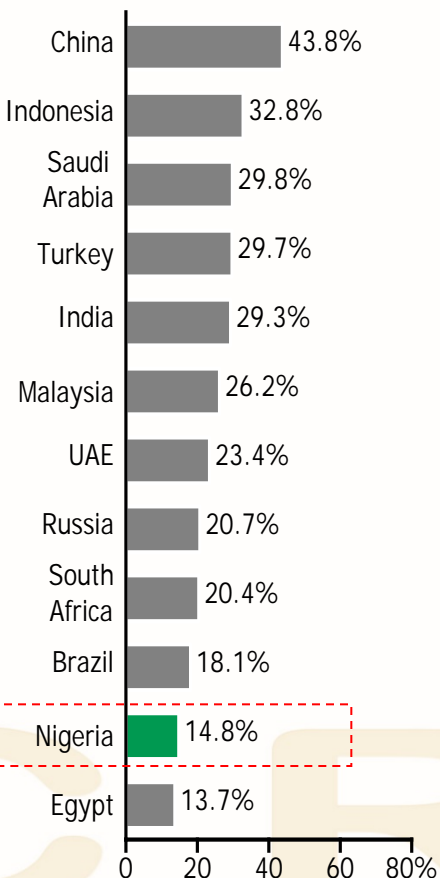
Domestic Savings

Domestic Savings 2015, % of GDP



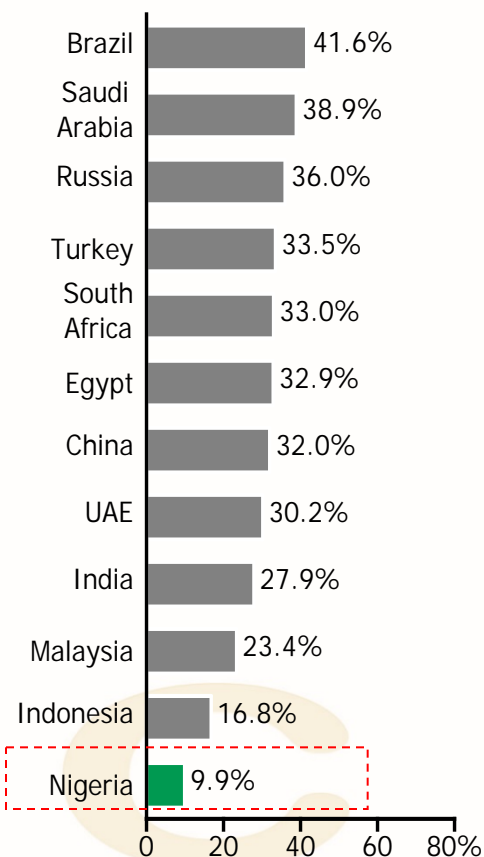
Investment

Investment 2015, % of GDP



Government Spending

Gov. Spending 2016, % of GDP



Finance is not the problem?

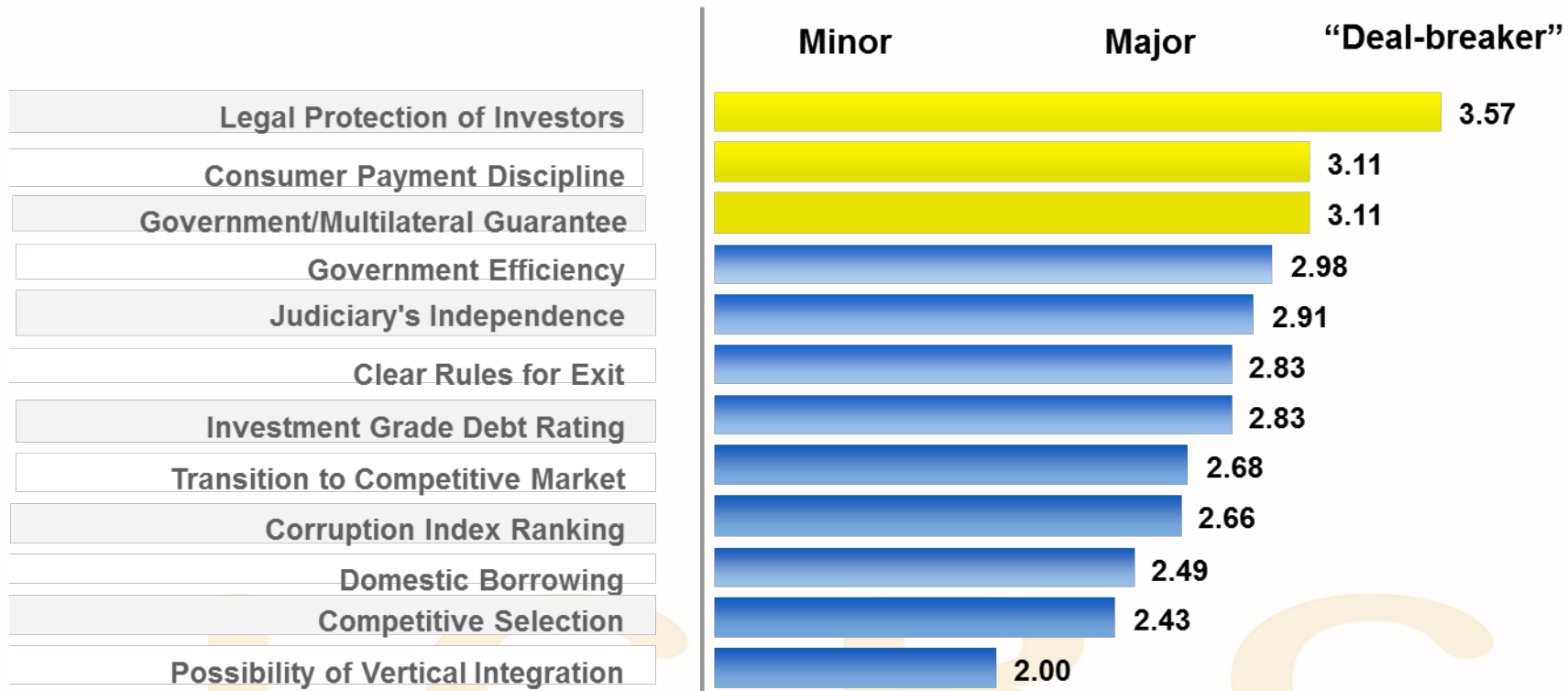


Legal Framework key

General Principles – Focus on Addressing Killer Risks



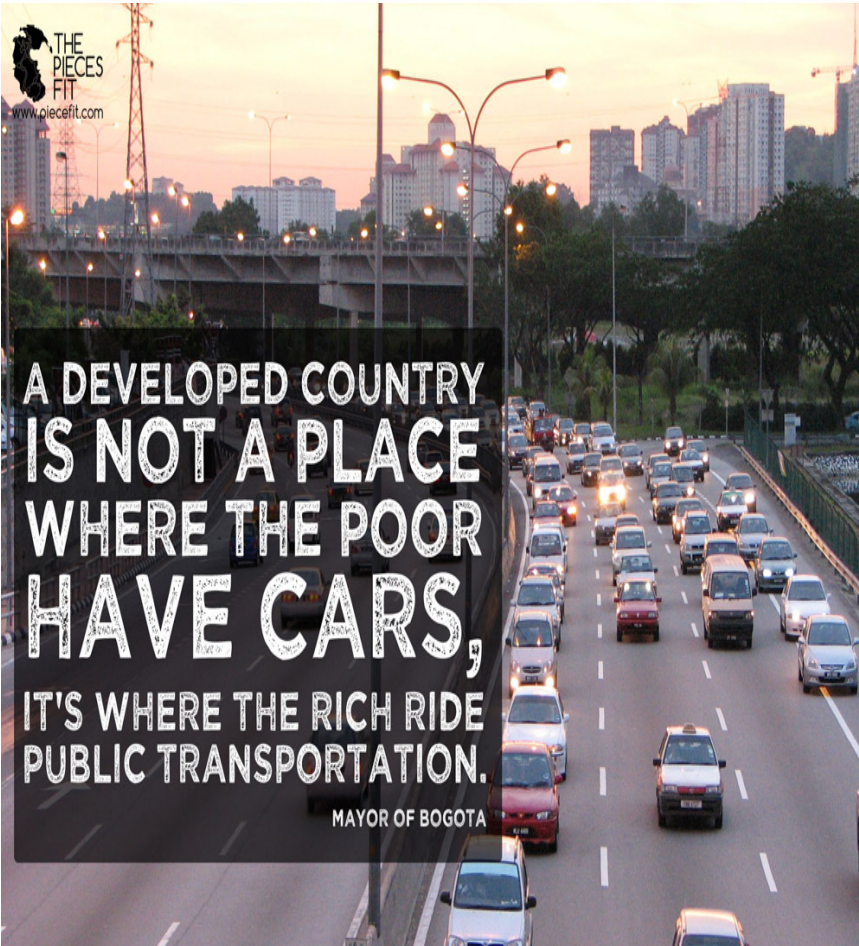
- World Bank surveys of investors have repeatedly shown that the issue of 'protection of legal rights' is the primary concern in making decisions as to where to undertake major infrastructure projects



Herdsmen & Farmers Clashes – Transportation Infrastructure Problems



Mayor of Bogota



Lessons from Malaysia

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Infrastructure Leadership Quote from Other Lands

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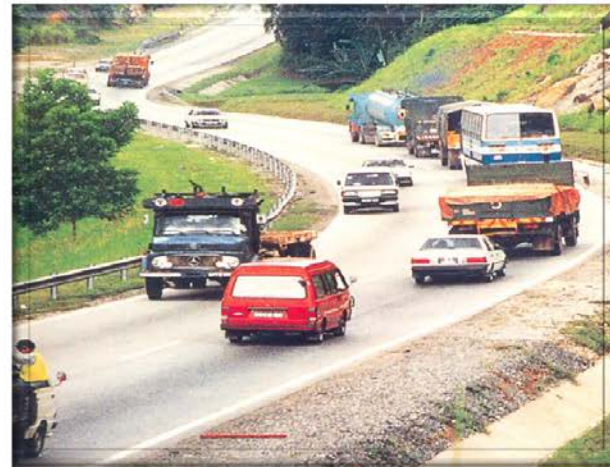
We told them we will give them roads to bring their products on, schools to send their children to, hospitals and clinics to improve their health.

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



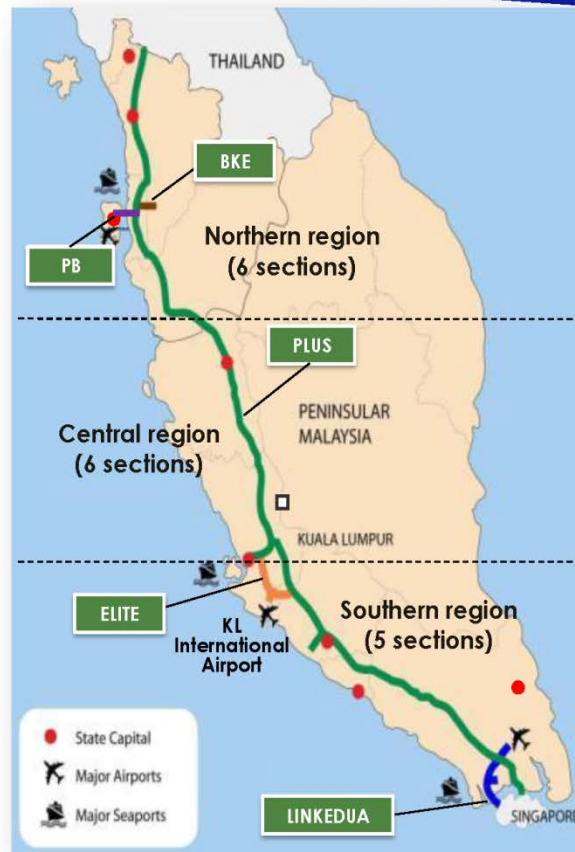
Source: Plus Malaysia Berhad, 2015

Presentation by Plus Berhard 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)

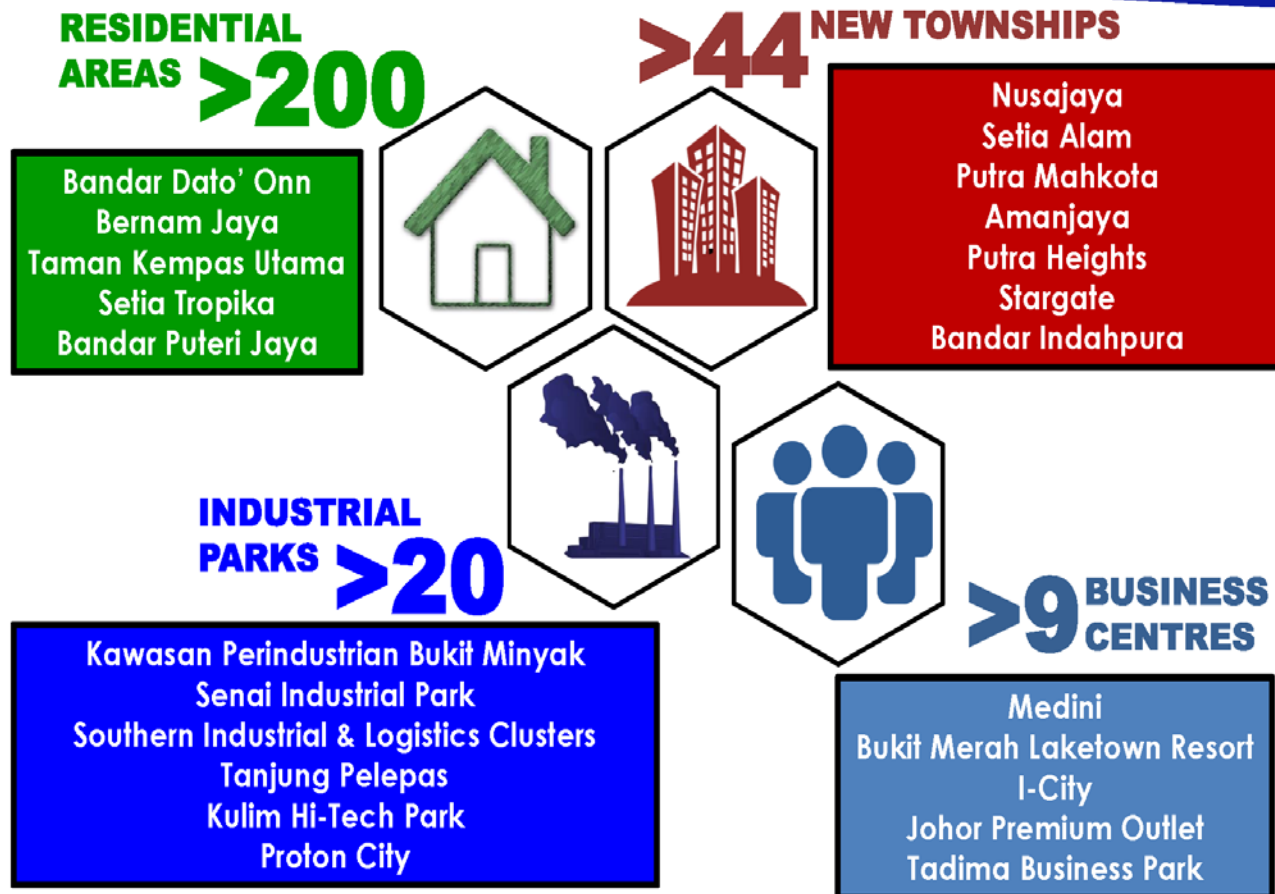


States	GDP GROWTH	
	1989 - 1993	2000 - 2013
	Before	After
Kedah	4.7%	7.5%
Penang	4.5%	7.5%
Perak	4.7%	7.3%
Selangor	5.4%	7.7%
N. Sembilan	3.9%	7.1%
Melaka	4.5%	7.3%
Johor	5.0%	7.7%

Source: Plus Malaysia Berhad, Nov 2015

Presentation by Plus Berhad to Engr. Chidi Izuwah November 2015

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



Source: Plus Malaysia Berhad,
Nov. 2015

What's The Road Block to Good PPPs



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

Critical Success Factors for PPPs



ACCESS TO CAPITAL

Availability of long tenor private capital

INSTITUTIONAL FRAMEWORK

Public sector competence and expertise
to ensure efficient and
effective detailed preparation of projects and
faithful
implementation of transactions

SUCCESSFUL PPPs

POLITICAL WILL AND TRANSPARENT POLICY

A PPP 'Champ' with the transparency
Track record and power to make it
happen cleanly

LEGISLATION

To enable private sector participation in an
efficient and effective manner

Good Governance Lessons for PPPs from other Climes?



- Stable policy & regulatory framework – competition/ entry criteria, role of the private sector, use of limited natural resources, setting of tariffs, real estate
- Long term strategy/ plan – owned by the govt.
- Adequate project development – capacity to develop projects of requisite scale
- Equitable contractual framework – risk allocation
- Transparent selection process – competitive bidding
- Reliable revenue sources - sustainability
- Managing the unexpected – implementation & monitoring/ partnership in practice
- Political will – central to governance

(Source – Cherian Thomas IDFC India)

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Some Achievements



- Backlog of promotions almost cleared – 29 Promotions (3 New Directors)
- Most successful launch of the first ever PPP Contracts/Projects Information Disclosure Web Portal in the world;
- Presidential Inauguration of Kaduna Dry Port and acceleration of dry ports around Nigeria.
- FEC approval for the \$2.8 billion Ajaokuta–Kaduna–Kano (AKK) gas pipeline project proposal which OBC Compliance Certificate was issued by the Commission on 10th July 2017 to the Federal Ministry of Petroleum Resources.
- Receipt of approval from the Federal Government to discontinue the collection of Outline and Full Business Case Compliance Certification fees starting in October 2017. This has, as expected given an additional push to the Ease of Doing Business in Nigeria policy of HE President Muhammadu Buhari, by eliminating a major bottleneck that restricted the use of PPP procurement by MDAs.
- Capacity Building 55 Nigerians CP3P Foundation Certified/Capacity Building

Some Achievements



- Ranking of the Commission as second out of 166 public institutions in the 2017 FOI Compliance and Transparency Ranking by the Public and Private Development Centre in recognition of the Commission's adherence to the dictates of the Freedom of Information Act.
- The Commission also issued about 18 OBC and 3 FBC certificates and undertook a series of PPP Capacity Building programmes across the country including a session with all Federal Permanent Secretaries.
- Financial bid opening of Solar PV panels at Power House Maitama by the Federal Ministry of Power, Works and Housing (Power Sector); for the design, finance, build, operate, and transfer PPP model for which the Commission provided full guidance and regulatory support. This project has been nearly concluded in 4 months.
- Successful Monitoring and Intervention Visits – Garki Hospital, MMA2, TBS, Lekki Deepwater Port
- Major Repairs to ICRC Building to safeguard an important national asset
- Low Cost Affordable Housing – Office of Head Of Service

Infrastructure Concession Regulatory Commission



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