



Subnational Infrastructural Development ~ The PPP Imperative

BEING A PRESENTATION AT THE AELEX/IPFA WEST AFRICA SEMINAR



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Infrastructure Possibilities



**AMERICA HAS GOOD ROADS, NOT
BECAUSE AMERICA IS RICH, BUT
AMERICA IS RICH BECAUSE IT HAS
GOOD ROADS - John F Kennedy Former
US President.**

**The implication of this quote from the 60s
is an eternal economic truism. No country
can become economically buoyant without
good infrastructure especially a good road
network.**



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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



- Recognition
- Infrastructure Challenge
- Myth Bursting
- The PPP Imperative
- Way forward for Sub National Infrastructure
- How to Make Sub National PPPs Work
- Sub National PPP Case Studies
- Way forward Nuggets and Conclusion



Our Infrastructure Challenge – Sub National Infrastructure and Constitutional Responsibilities

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- **Current road network length:
193, 200 km plus**
- **Ownership**
 - 32,100 km - Federal
 - 30,500 km - State
 - 130,600 km - LGAs



Infrastructure Nexus !!!!!

Poverty



Unemployment



Growing inequality



Agric Transformation



Public Sanitation



Kuchingoro PHC



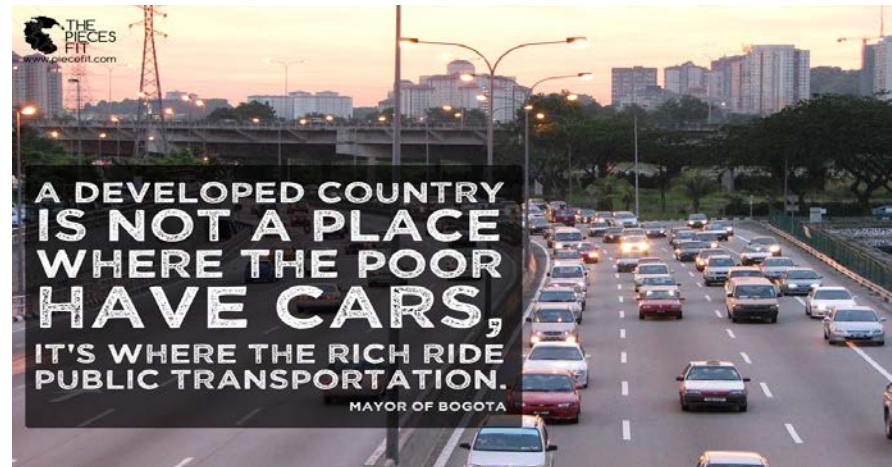
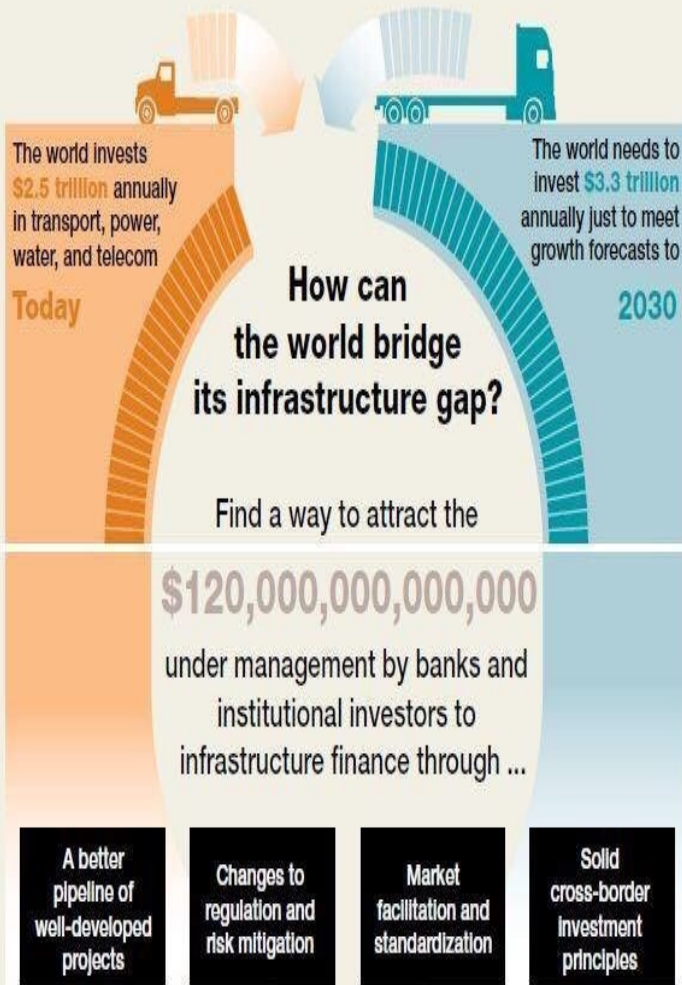
State and LG Roads



Myth Bursting

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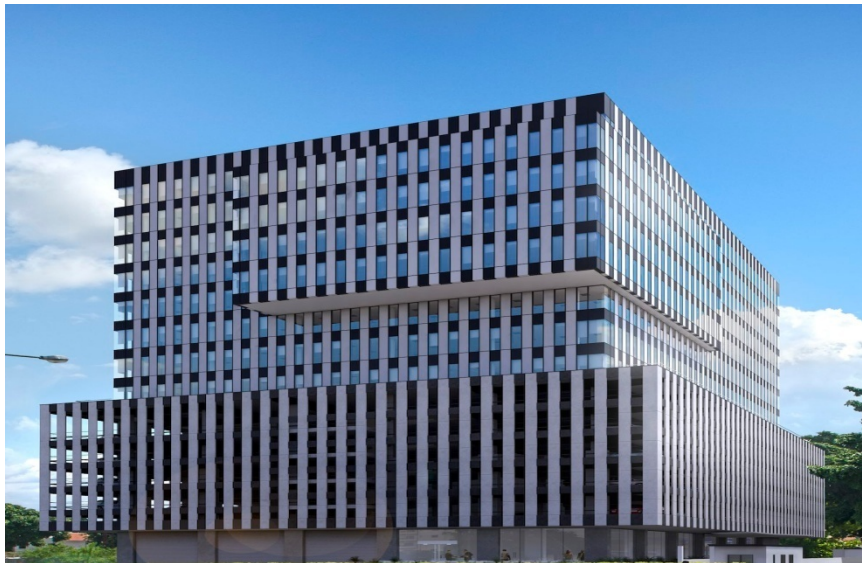
Finance is not the problem?



Herdsmen & Farmers Clashes – Transportation Infrastructure Problems



Private Capital in Lagos



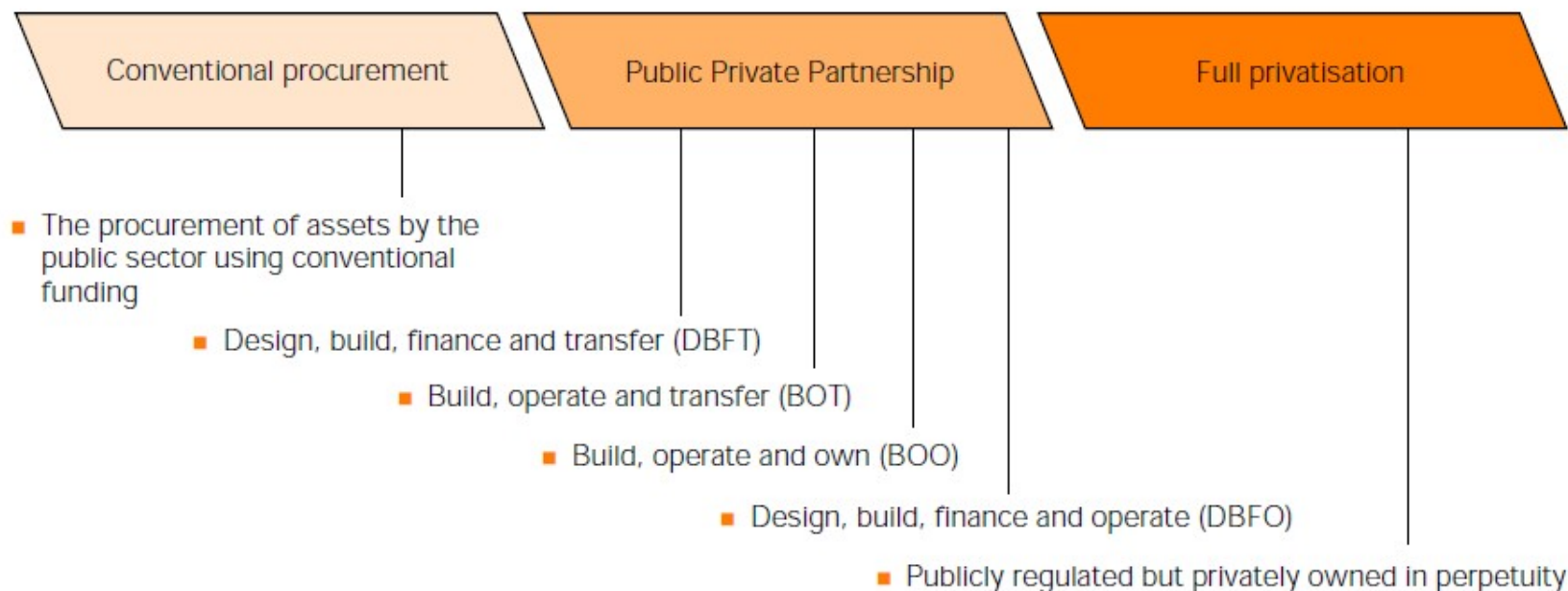
PPP Imperative

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Public 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

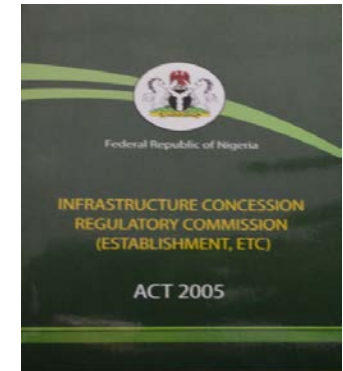
The goal is to combine the best capabilities of the public and private sectors
for mutual benefit

Framework for PPP

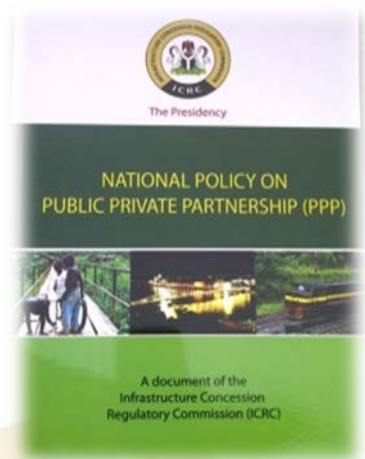


The Infrastructure Concession Regulatory Commission Act (Establishment Etc,) Act 2005.

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.

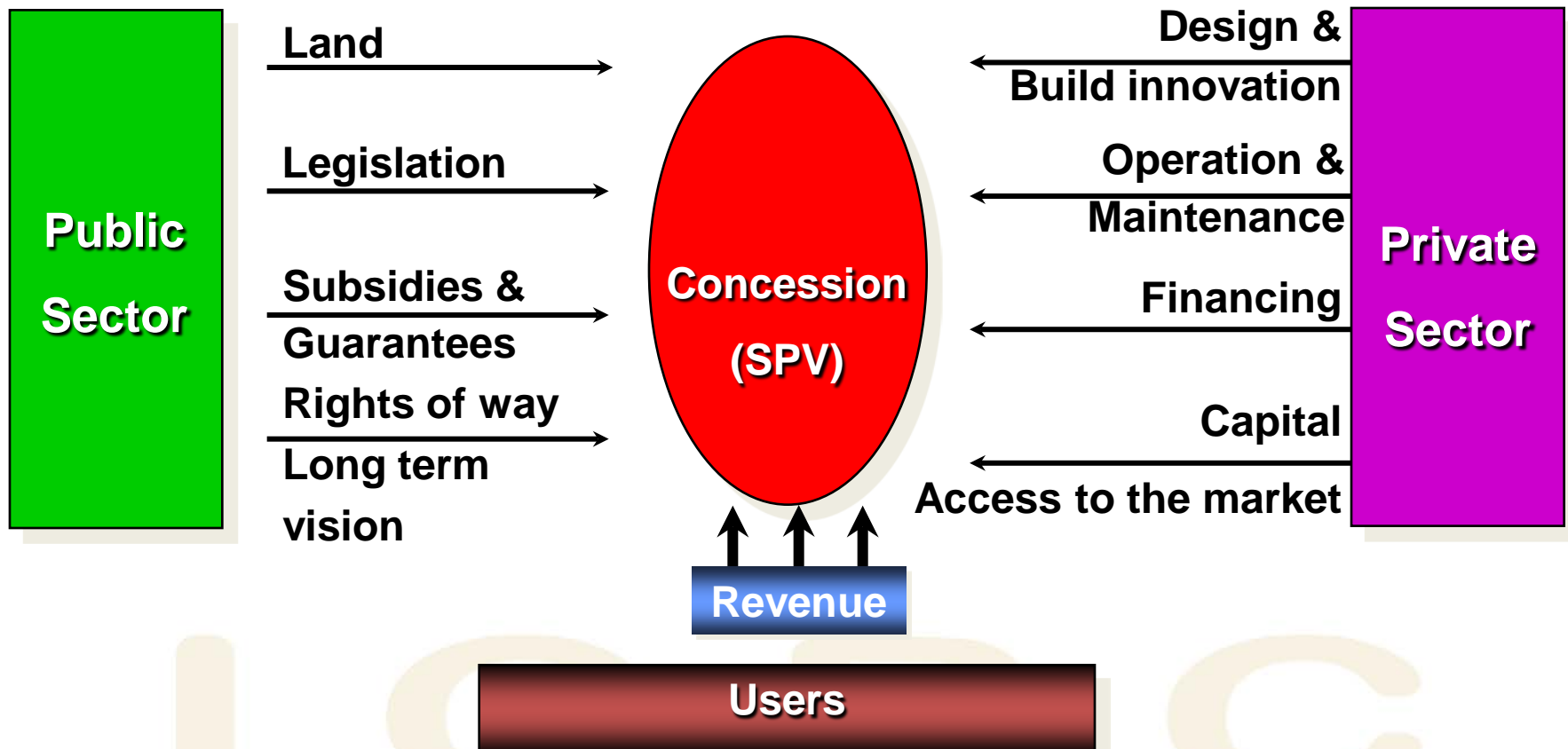
Transparency and Competition

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PPP Advantages (1)



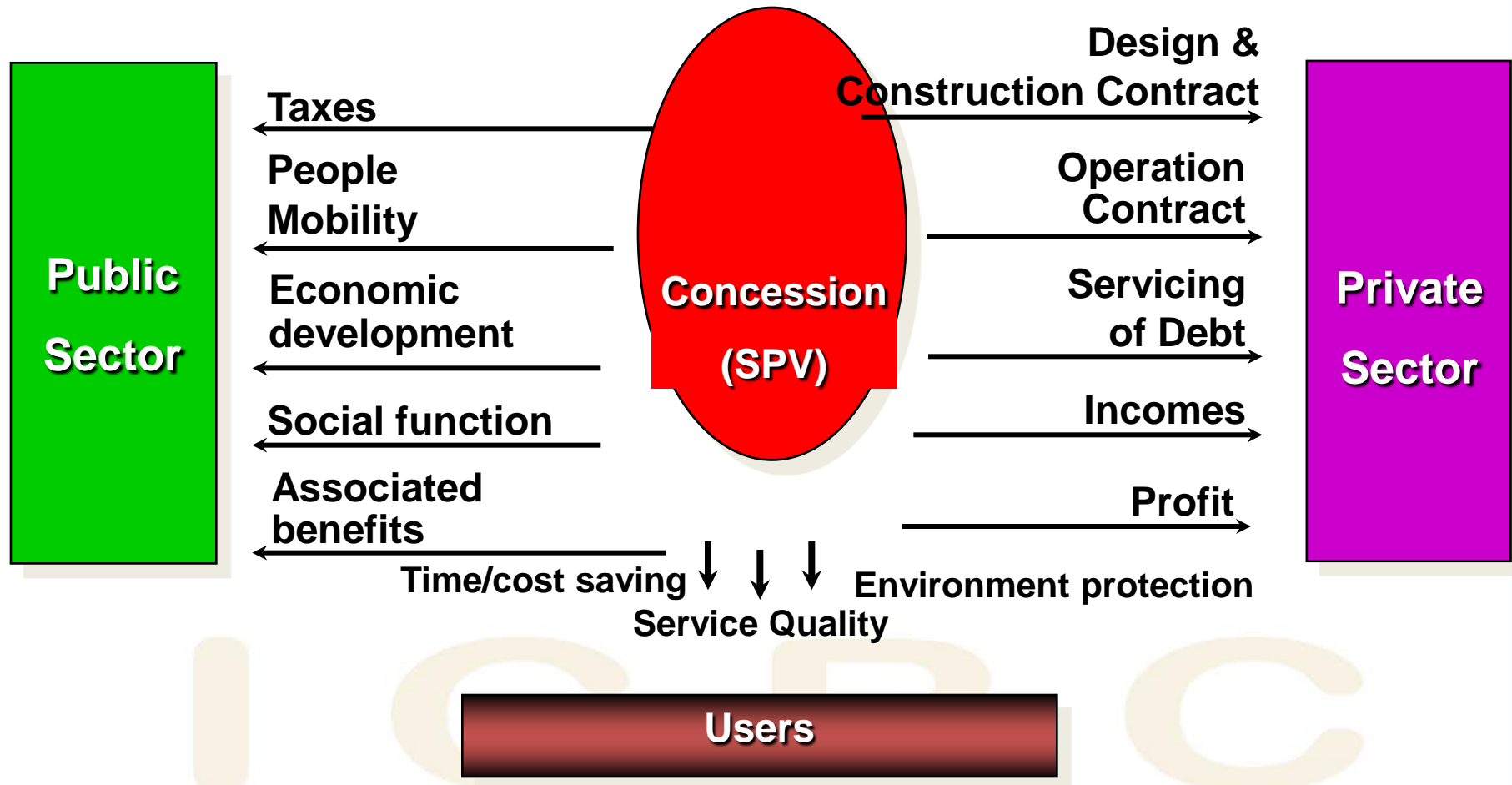
- What each party brings to a PPP



PPP Advantages (2)



- What each party gets from a PPP



Benefits 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

PPP Recent Accomplishments



1. Lekki Deepwater Port Flag Off
2. FMWPH Rooftop Solar PPP
3. Warehouse in a Box Medical Stores
4. NIWA Onitsha River Port
5. Kiri Kiri Terminals I and II Modernization
6. Lilypond Terminal Conversion to Agro Processing and Export
7. Ibom Deepwater Port
8. Dadin Kowa Hydro
9. Gurara Hydro O & M
10. AKK Pipeline
11. Farm Mechanization PPP

Lekki Deep Water and Ibom Deep Water Ports



Project Outlook When Completed



IDSP PHASE 1 & 2 CONCEPTUAL LAYOUT



- Project Cost: Over USD 4 billion plus

Dadin Kowa Hydro - Flagship PPP



Sub National Infrastructure and PPPs

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Why Sub National PPPs are so exciting



- Local investors
 - Smaller scale
 - Less technology
- Local finance
 - Forex risk
- Dynamic and innovative
 - Fewer “typical” models
 - Commercially orientated/property
- Less political
 - National politics less present
 - Less pressure/weight/stress
 - Closer to needs

What do Sub National PPPs look like



- Examples from Philippines, India, Kenya and Lagos
- Types of projects likely to be of interest:
 - Street Lighting
 - Public market places
 - Bus and ferry terminals
 - Parking
 - Shopping malls
 - Hospitals, Health Centres, Mobile Clinics
 - Agro Processing and Farm Mechanization
 - Education Hostels and Facilities
 - Municipal Waste to Energy
 - Public Toilets and Faecal Sanitation

Others ...



- Parking
 - User versus Government
 - Additional commercial services
- Shopping malls
 - Equity, share of profits, share of revenues
 - Developer – competition
- Botanical gardens
 - Hotels (local or linked)
 - Betterment levy
- Others?

How to Pay for Sub National PPPs

- Two basic types:
 - **users fees**, paid by the consumers of the service (e.g. utility tariffs, toll road charges, commercial revenues, etc.)
 - *Services the private sector can deliver and make enough from fees and other commercial revenues, and/or*
 - *Where private can deliver services cheaper and/or better*
 - **Government** pays on **delivery of services**, to a specified standard (eg payment from public utility or Government department);

How to Make Sub National PPPs Work

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Choose Carefully



- Decide which projects are to be PPP, and **stick with it**
- Decide based on value for money (cost-benefit/more for less)
- Don't compromise, make them compete – no side deals!
- Get buy-in from the highest levels and give clear orders

Actions:

- Establish team for PPP or nodal organization and funding for transaction preparations
- Approve the list of projects at highest level and publish it (make sure list is valid and feasible, do not oversell)

Invest in success



- Do not “try” PPP; do it
- Invest time and money in making PPP work
 - Project teams need the resources to do their jobs
 - Access to the best transaction advisers
 - Make sure projects are well prepared before submission
- Set performance indicators and milestones and monitor progress

Action:

- Create, staff and fund a PPP Nodal Team
- Report project assessments and pipeline periodically
- Linkages with PPP Facilitation Fund (Social Projects)

Keep it simple



- Keep it simple to use PPP and for investors to understand
 - Clear and complimentary ToRs for different institutions
 - Not too many institutions – coordination
 - Limited number of approvals/steps – map them out
- Transaction costs limited – time and money – standard forms
- PPP Law (State Infrastructure Development Board)

PPP Implementation for States and LGs



We need a Sub National PPP Resource Centre located in the NGF Secretariat to serve states and local governments {ALGON link}

- State Integrated Infrastructure Master Plan
- Pass and sign State PPP Law
- Use common PPP institutional structures at State and LG levels
- Use line ministries for now but like Gujarat/India create State Infrastructure Development Board to act as one stop nodal PPP execution and facilitating agency
- Conduct a quick sectoral PPP Readiness Assessment
- Provide capacity building and provide guidance on delivery of PPPs (broad principles, framework for identification, structuring, awarding and managing PPPs; Model Documents
- Adopt standard processes and model documents for PPPs; PPP rules
- Create a State PPP Project Development Fund to provide seed capital for preparing and taking PPP projects to market and provide counter party funds for PPPs where necessary.
- Identify pilot projects (Street lighting) and accelerate implementation

RECOMMENDED PPP DELIVERY METHODOLOGY FOR STATES/LGs

- **Phase 1 - Identification**

Have pipeline of projects based on needs and development imperatives

- **Phase 2 - Development**

Economic Analysis – is project needed?

Financial Analysis – is the project viable?

Affordability Analysis – can the government or users pay?

Bankability Assessment – will bankers lend?

Value for money – is it cost effective?

Risk Assessment – are risks optimally transferred?

- **Phase 3 – Procurement**

Model bid documents

Transparent procurement

Clear decision making process and timelines

- **Phase 4 – Implementation**

Contract Management Team

Independent Expert

Win Win Mentality

Contract Sanctity

Speedy Dispute Resolution

.

Key characteristics of a successful PPP Agency



STRONG LEADERSHIP

A PPP 'Champ' with the power to make it happen

PRIVATE SECTOR SKILLS

PPP projects and procurement require skills that are uncommon within the administrative framework of civil service

SUCCESSFUL PPP Agency

PUBLIC SECTOR SKILLS

Understanding of the public sector ethos and decision-making process

PROJECT MANAGEMENT

PPP procurement is a complex process communication is crucial

A GOOD PROMOTOR, A GOOD TEACHER AND A SERIOUS QUALITY AUDITOR

State and LG PPP Focus Areas

- Street Lighting
- Agriculture
- Healthcare
- Co Location - In Hospital Services (Imaging/Radiology, Diagnostics – Hematology, MRI, CT Scan)
- Specialized Care – Renal/Hemodialysis, Radio Oncology
- Mobile Medical Units and PHC Centres
- Ambulance/Emergency Services
- Education
- Roads
- Industrial Clusters
- Power/Solar Power
- Markets/Bus Terminals
- Tourism
- Student Accommodations
- Economic Cities and Innovation Hubs

Sub National PPP Case Studies

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LAGOS - AKUTE/ADIYAN WATER WORKS – 12.15MW IPP



- 12.15 MW provided by 4 x 3 MW GE Jenbacher gas engines
- 13km natural gas pipeline connected to existing natural gas infrastructure
- \$25.5 million total installed cost
- 12 month construction period and commenced operations in January 2010
- 10 year PPA with LWC

Benefits to LWC

- Constant, reliable, affordable power for LWC (40% savings)
- Water Plant Installed Capacity of 115 MGD
- Improvement in water delivery – (85% vs 36%)
- Service level coverage increased by 95%

LAGOS MORE POWER & ENERGY

AES NIGERIA – 270 MW IPP



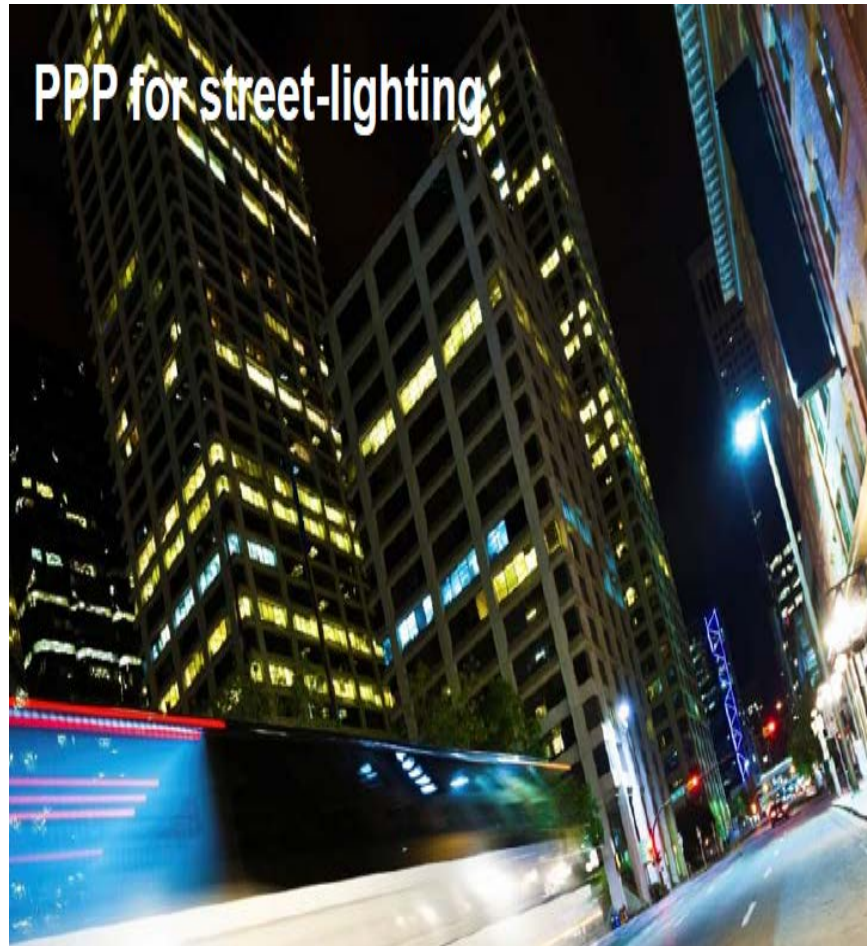
- AES Nigeria a subsidiary of AES USA was the project sponsor responsible for the implementation of the project
- The project is an Independent Power Project (IPP)
- It operates nine (9) barge-mounted gas turbines that produce 270MW



**LAGOS
IPP –
IKEJA and ISLAND 10MW**

...building the Lagos of our dream!

Bhubaneswar Street-lighting Project, India





PUBLIC PRIVATE PARTNERSHIP

EDUCATION MANAGEMENT ORGANIZATION - EMO

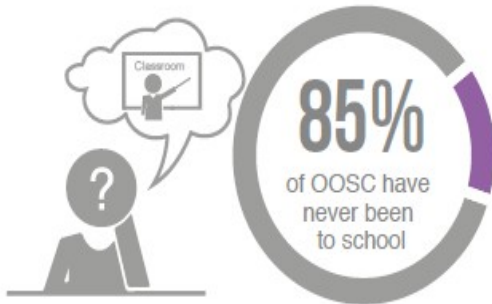
Pakistan Education Crisis



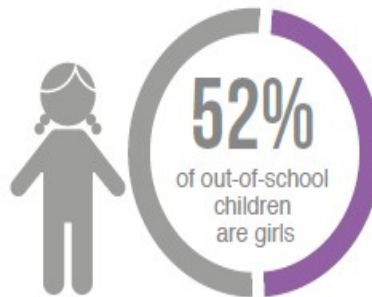
More than half of all children in Sindh are not in school



There are 12 million children in Sindh between the ages of 5 and 16, of which **6.7 million are out of school.**



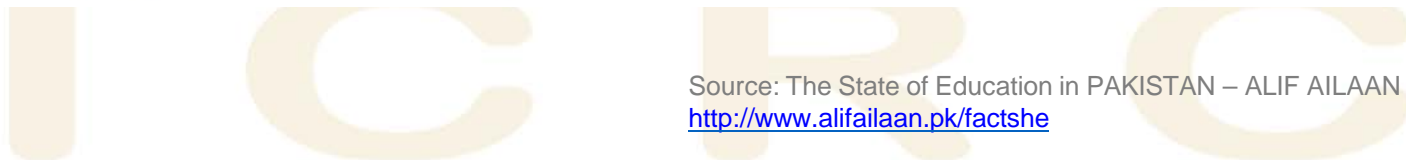
Most out-of-school children, (OOSC) have never seen the inside of a classroom.



More than half of the children out of school are girls.



Many women in Sindh have never attended school.



Source: The State of Education in PAKISTAN – ALIF AILAN
<http://www.alifailaan.pk/factshe>

Pakistan Education Crisis



There are not enough teachers in government schools

47%

government primary schools are single-teacher schools



55%

of class 5 students cannot read a story fluently in Urdu



76%

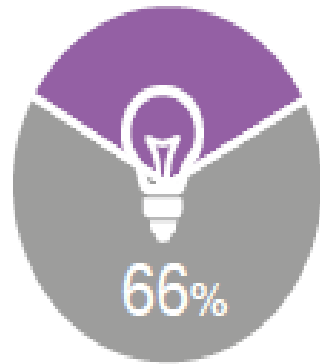
of class 5 students cannot read a sentence fluently in English



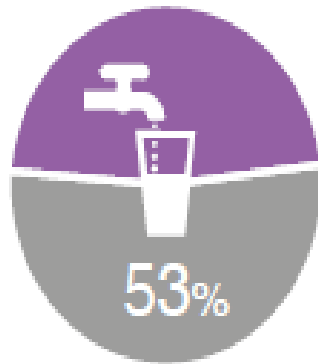
65%

of class 5 students cannot do simple two-digit division

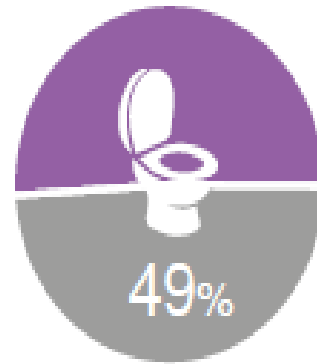
Pakistan Education Crisis



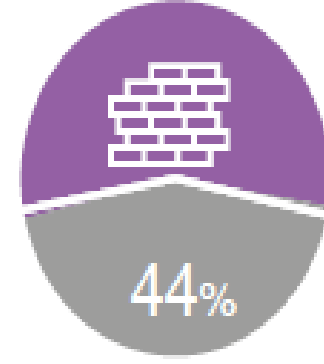
2 out of every
3 schools are
without
electricity
(66%)



More than
half of the
schools have
no drinking
water (53%)



Half of all
schools do
not have a
toilet (49%)



2 out of every
5 schools do
not have a
boundary wall
(44%)



Source: The State of Education in PAKISTAN – ALIF AILAN
<http://www.alifailaan.pk/factshe>

How EMO Innovation Works?



WHAT IS EMO INNOVATION

EMO – PPP MODEL

Government of Pakistan is **outsourcing management** of public schools to credible, high impact private organizations. These organizations are called Education Management Organizations (EMOs).

GOVERNMENT:

- Policy Reforms
- Resource Allocations
- Long-term Commitment
- Quality Assurance
- Result Oriented PPPs

DONORS:

- Financial Resource
- Technical Assistance
- Capacity Development
- Quality Assurance
- Efficient Management

SERVICE PROVIDERS:

- Knowledge & Experience
- Log-term Commitment
- Monitoring, Evaluation & Audits
- Performance based Rewards
- Result Oriented PPPs

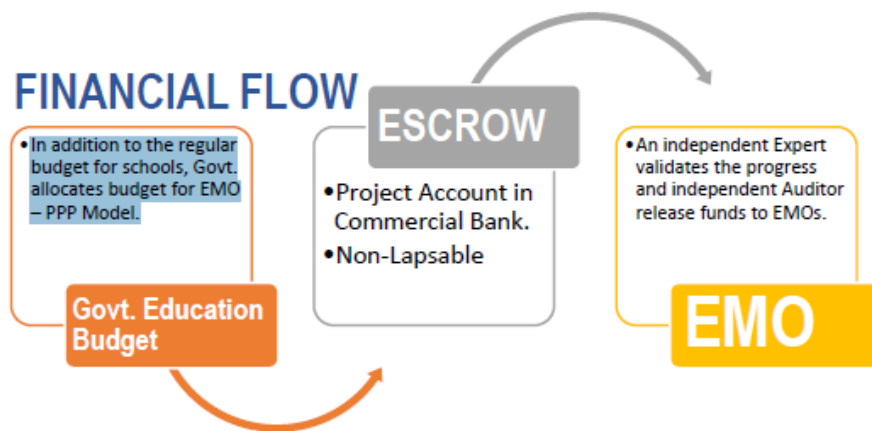
COMMUNITY:

- Awareness & Ownership
- Increased Enrollment
- Active Participation
- Women Participation
- Trust on Public Schools

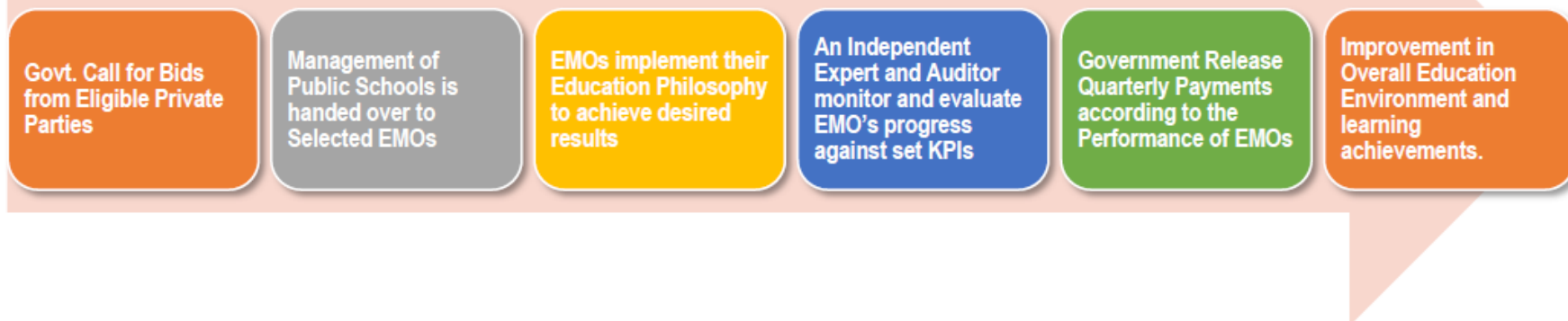
How EMO Innovation Works?



HOW EMO INNOVATION WORKS?



PROGRAM FLOW



AFRICA INTEGRAS

19 JUNE 2015
FOR IMMEDIATE RELEASE

KENYATTA UNIVERSITY SIGNS LANDMARK \$53MM USD PUBLIC-PRIVATE PARTNERSHIP INVESTMENT CONTRACT WITH AFRICA INTEGRAS

On Friday, June 19th 2015 Kenyatta University formally signed a Project Agreement with Africa Integras (an investment company that specializes in the development of education infrastructure based in New York) to construct students' hostels for 10,000 on the Main Campus through a 20-year BOT arrangement.

The project, which has been designed to meet high standards of environmental sustainability,



KENYAN STUDENTS HOSTEL BY PPP VISUALIZATION



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

Intercity Bus Terminal - Amritsar, India



AMRITSAR BUS TERMINAL



Rooftop Solar via PPP

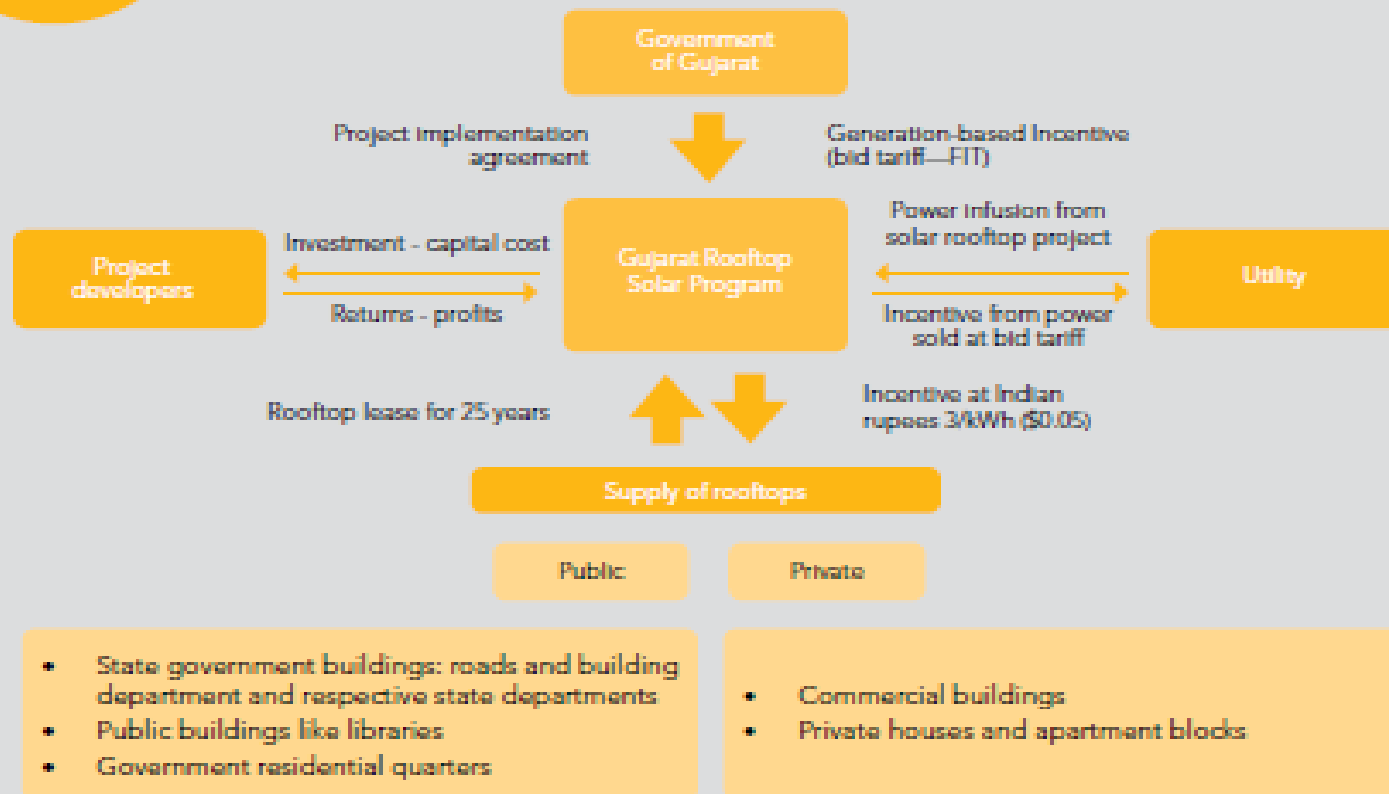


Solar PPP Structure



Figure 1:
PPP Transaction
of Gandhinagar
rooftop solar PV
pilot project

were fully commissioned as of January 2014 and are operational with 4.68 MW of installed capacity. The structure for the Gandhinagar project is depicted in figure 1.



State Road PPP – Ahmedabad Mehsana Toll Road Company Limited (AMTRL); Gujarat India

- ❑ Private Partner – AMTRL and Public Partner – PWD GoG
- ❑ Scope BoT Ahmedabad to Mehsana
 - Widening & Strengthening of Existing 51.6 km long road from two lanes to four lanes divided carriageway and construction of continuous service roads on either side.
 - Widening & Strengthening of Existing 11.5 km long two lanes Kadi - Kalol Spur road.
 - Bypass of 2.3 km long at Sertha village on left side of the existing road.
 - 2 Nos. Main Toll Plazas one Ahmedabad side and other Mehsana side at Km 20+000 and Km 65+500 respectively and two intermediate toll plazas at Chhatral and Nandasan respectively.
 - 2 Nos. Road over Bridges (RoB) & 2 Nos. Minor Bridges, 1 No. Road under Bridge (RuB) and 5 Nos. Underpasses of minimum size of 5 m x 3 m and 5 Nos. Cattle Crossings of minimum size 3 m x 2.1 m.
 - Provision of retro-reflective signboards to improve road safety with very good riding quality to enhance user comfort.
 - Toll Rates are based on road user benefits including savings in Vehicle Operating Costs, Fuel and Time.
 - Round-the-clock Highway Patrolling
 - 24 hours Ambulance services
 - Extensive tree plantation and transplantation of 1500 nos. trees.
 - Provision of roadside arboriculture and landscaping.
 - Completed 8 months ahead of schedule and under budget



AGRIC EQUIPMENT MODEL PPP GUJARAT INDIA – ESTABLISHMENT OF AGRICULTURAL TRACTOR AND IMPLEMENTS RESOURCE CENTRES

- ❑ **Objective – Facilitate Farm Mechanization and Productivity**
- ❑ **Public Partner – Government of Gujarat India**
- ❑ **Private Partner – John Deere Tractors India/USA**
- ❑ **Role of Private Partner**
 - Establish centres with 500 tractors and 13 different implements per centre.
 - Provide Trained Operators and Mechanics
 - Provide Extension Support Services
 - Train 1000 locals as tractor operators and 500 as mechanics.
- ❑ **Role of Government**
 - Provide land and revenue guarantees on minimum guarantees **(Note if utilization exceeds minimum by agreed percentage excess revenue is 50/50 with government).**
- ❑ **Role of Farmers – Use tractors and pay only for operating and maintenance costs. Provide via cooperatives provide individuals to be trained as tractor operators and mechanics.**



Mandaluyong (Philippines) Public Market





PUBLIC-PRIVATE PARTNERSHIP: The Cagayan de Oro Experience

BOT Projects in Cagayan de Oro

- Carmen Market (West)
- Cogon Market (BusinessCenter)
- The Agora (East)
- City Slaughterhouse





PUBLIC-PRIVATE PARTNERSHIP: The Cagayan de Oro Experience

RECENT AGORA REDEVELOPMENT



BEFORE



AFTER

PPP for Truck Stop Facility



Currently trucks stop at will on the Federal Highways near cities, denying throughput of essential traffic – the economic arteries of the States and Nation; potential PPP project could develop income streams from service provision

Footbridge, Hyderabad



Pro Poor PPP Procurement - Public Conveniences



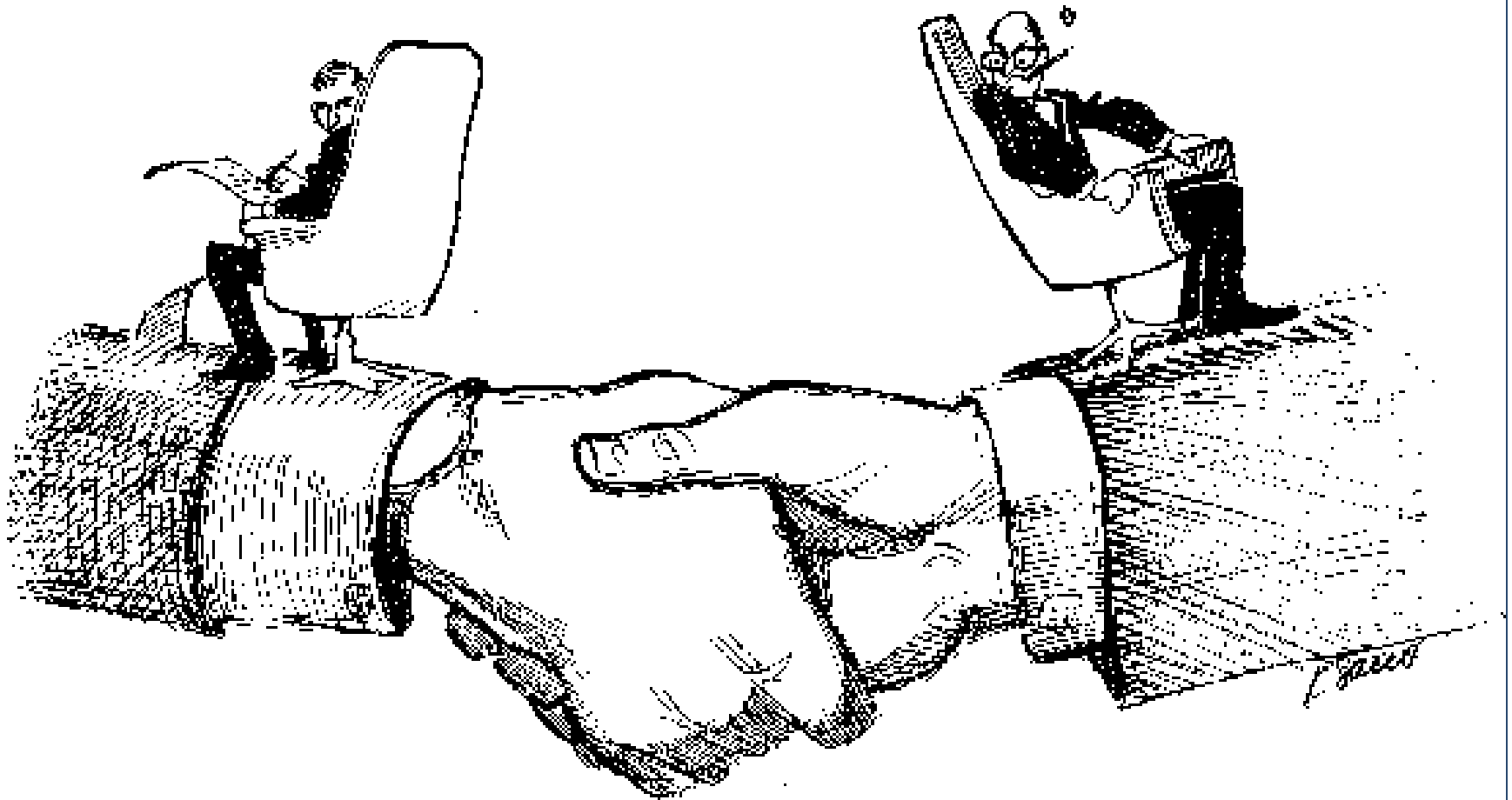
Yes, this is a public toilet



Way Forward Nuggets

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Honest Advise !!!!!



Public-private partnerships take a lot of work.

PPP – What's Needed



- PPP needs high level **political support** –this must be communicated
- Set up a **strategic PPP Task Force** and be consistent
- **Avoid deals** where the public sector party managing the contracts is opposed to them
- Use **recognised International** procedures and contracts to attract international finance and essential highest quality management
- **Develop** Private Sector capacity and expertise
- Key Objective - Build an Informed Debate
- Only with **understanding** will there be local and international interest. For Sub National PPPs local interest and capacity is often sufficient

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Jeff Delmon's PPP Advisory - 1



- Learn PPP by doing
- Use Small Steps without being timid
- Learn from the experiences of others without being dogmatic
- Keep it Simple
- PPP policies should be clear, comprehensive yet flexible
- Keep the legal framework simple and clear
- Do not use the legal framework to second guess the PPP contract by creating rights and obligations at law that should be addressed in the contract on agreed terms
- Make sure the different roles are allocated and that the systems works...ideological purity is less important
- Institutions are only as good as the people in them
- Strong consistent leadership is key
- A robust value for money assessment and transparent competitive procurement can protect the government
- Do not cut corners in procurement
- Invest in the PPP preparation phase

Jeff Delmon's PPP Advisory - 2



- Be clear to bidders about what you want
- Be cautious when selecting the winning bid...if its too good to be true
- Select good PPP able projects....garbage in garbage out
- Prepare the government to play its role from project development to expiry
- Be ready for challenges
- Consider all stakeholders
- Be proactive
- Renegotiation can be an opportunity
- Get good advice
- Government support can improve project viability
- Avoid perverse incentives
- Contingent support can be a powerful instrument but
 - Risk borne by government must be assessed honestly and managed carefully
 - Do not take too much risk away from the private sector they must have a skin in the game so they are motivated to solve problems when they arise

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The Seven Deadly Sins of PPPs

Presented at "Public-Private Partnerships for Sustained Growth", Barbados Hilton, Nov 19-20, 2013



S. Brian Samuel, Vice-President, Castalia

The Seven – and how to avoid them

- Sin # 1: Badly chosen projects
- Sin # 2: Weak procurement processes
- Sin # 3: Direct negotiation of unsolicited proposals
- Sin # 4: Lack of capacity
- Sin # 5: Inadequate risk allocation
- Sin # 6: No budgeting for fiscal costs
- Sin # 7: Going it alone
- How can governments avoid sinning?

Required Public Sector Actions



- *Understand and nurture the idea that increased private sector investment in infrastructure is the best way to achieve intensive job creation and incentivize funding and skills transfer*
- *Establish a solid legal and regulatory framework*
- *Build effective PPP units*
- *Put in place and integrated infrastructure plan*
 - *Basic Infrastructure difficult to make economically profitable should be responsibility of government and development partners*
 - *Infrastructure that's financially viable – private sector driven via concessions and PPPs*
 - *Infrastructure that's marginally profitable should be PPP with grants or subsidies or via O and M contracts*
- *Develop domestic capital and debt markets*
- *Insist on transparent procurement and contract sanctity*

Required Private Sector Actions



- *Our investment environment requires persistence, resilience, long term view and project success and appropriate risk tolerance*
- *Deep knowledge of target market and local dynamics*
- *Entrepreneur/Engineer outlook rather than a financiers hands off approach*
- *Awareness of community engagement as a core priority and not a mere add on*

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Bullet List - Critical Success Factors



- 1) Careful planning of PPP project**
- 2) Solid revenue and cost estimations**
- 3) User willingness to pay and communication plan**
- 4) Extensive feasibility study with use of PPP experts**
- 5) Compliance with contractual agreement**
- 6) Strong Legal and Regulatory Framework**
- 7) Strong Institutions with appropriate resources**
- 8) Competitive and transparent procurement**
- 9) Mitigation and flexibility in managing macro-risks**

SOME CLOSE TO CONCLUSION WORDS OF ADVICE

- Capacity for preparing bankable & sustainable PPPs is currently very limited in the public service
- PPPs are complex legal and financial arrangements that are not easily amenable to SAFE SELF HELP
- Getting a PPP Adviser is often via Traditional Public Procurement
- PPP procurement can be expensive and time consuming
- Best use if there is a clear business case
- Short cuts can lead to a life time of troubles for your institution
- Get Competent Advisers or Consultants

FINAL POINTS

- PPP are a form of Public Procurement
- Each form of Public Procurement has due process requirements
- Compliance with these requirements
 - Earn's stakeholder trust and commitment
 - Assure's Financial Bankability
 - Assure's Legal Bankability

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



- State Governments should partner with the private sector to transform infrastructure delivery
- Partnership with Government will rapidly industrialize Nigeria and create good quality jobs.
- 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.

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**SOUTHERN AFRICA'S PREMIER
AIR LOGISTICS PLATFORM**



THE HEART OF AFRICA'S FIRST PURPOSE-BUILT AIRPORT CITY

