



# INFRASTRUCTURE AND ECONOMIC GROWTH: EXPLORING THE STRATEGIC ALLIANCE – AND THE ROLE OF THE PRIVATE SECTOR

BEING A PRESENTATION BY THE INFRASTRUCTURE CONCESSION REGULATORY COMMISSION (ICRC)  
AT THE 2018 APBN SEMINAR

Engr. Chidi K. C. Izuwah, Snr.  
**ACTING DIRECTOR GENERAL/CEO**  
**INFRASTRUCTURE CONCESSION REGULATORY COMMISSION**  
25<sup>th</sup> July, 2018



# 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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# CONGRATULATIONS

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# Nigeria well done – Rail is Back



# ONCE UPON A TIME





ISSUE

4

THURSDAY  
19 JULY 2018Flight  
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CLARITY IN FLIGHT.

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enginewise.comFARNBOROUGH  
INTERNATIONAL  
AIRSHOW

➤ BACK FOR  
MORE: Boeing's  
Kevin McAllister  
with Thao



## VietJet takes it to the Max

VietJet Air yesterday signed a memorandum of understanding that covers 100 more Boeing 737 Max jets at the show yesterday – after ordering the same number in 2016.

The new agreement spans 80 Max 10s and 20 Max 8s. VietJet will become the largest 10 customer in Asia once the deal is completed, Boeing says.

Nguyen Thi Phuong Thao, the airline's chief executive, states: "These new airplanes will fit perfectly into our growth

strategy, providing the efficiency and range for VietJet to expand its route network and offer more international destinations for our customers and expand alliances across the Asia-Pacific."

Boeing says that, as part of the agreement, it will partner with VietJet to "enhance technical and engineering expertise" and train pilots and technicians in Vietnam.

Boeing also confirmed it had received MoUs for 93 Max jets from four undisclosed customers.



## NIGERIA AIR ARISES

Nation's latest flag-carrier aiming to have a 30-strong fleet by 2023

Nigeria's transport minister has unveiled Nigeria Air as the chosen name for the African state's new national carrier, which hopes to commence operations this year and build a fleet of 30 aircraft by 2023.

Hadi Sirika says the airline would be based on a public-private partnership model. But while the government would offer support and backing to the airline, it would only hold a minimal share – around 5% of the carrier.

"It's intended for business, not as a social ser-

➤ By DAVID KAMINSKI-MORROW

vico," he told FlightGlobal at the show yesterday. While some state-owned airlines are successful, he says, he believes the same model "wouldn't work" in Nigeria.

Sirika says the airline will start services in December with a small number of aircraft – the type has yet to be disclosed, but negotiations are taking place with Airbus and Boeing – increasing its fleet to 15 in 2019, and to 30 by 2023. This fleet would include both short- and long-haul aircraft.



▲ GETTING RESULTS: Transport minister Sirika

Nigeria has struggled to establish a viable long-term flag-carrier. "The main issues that caused failure were issues of governance," says Sirika. Carriers have been established by engineers or pilots, he says – individuals who were not managers.

Nigeria Air will be "professionally" managed, he says, adding: "Investors in the airline will decide who runs the airline."

The airline will aim to be generating positive results within five years of operation, but Sirika is confident that it can achieve this in three.

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# PPP Procurement Timeline



## Two Stage RFQ/RFP

1. July/August – Teaser/RFQ/Info Memorandum
2. August/September – RFP/Draft Contract
3. October/November – Full Business Case/FEC Approval
4. December – Airline Starts

International Interest/Credibility – Involve IATA/ICAO



**THE PRESIDENCY  
INFRASTRUCTURE CONCESSION REGULATORY COMMISSION**

**OUTLINE BUSINESS CASE COMPLIANCE CERTIFICATE**

**No:** FMOT/Aviation/003/2018  
**To:** Federal Ministry of Transportation (Aviation)  
**Project:** The Establishment of a National Carrier on a Joint Venture (JV) PFP arrangement.

1. The Infrastructure Concession Regulatory Commission (ICRC) has reviewed the Project Structuring Report (PSR)/Outline Business Case (OBC) submitted by the Federal Ministry of Transportation (Aviation) for the Establishment of a National Carrier via a Joint Venture (JV) PFP arrangement
2. Based upon an assessment and review of the PSR/OBC, Market Study and all other information available, this Certificate confirms that the submission is in substantial compliance with the ICRC Act, 2005 and the National Policy on Public Private Partnership.
3. This Certificate is granted on the condition that the Federal Government demonstrates her commitment to leverage private sector capital and expertise towards the establishment of the National Carrier through the provision of an upfront grant/Viability Gap Funding (VGF) to fund aircraft acquisition/start-up capital. The FGN also agrees to zero contribution to airline management decisions and zero management control by the government. Any attempt to impose government control over the management of the Airline invalidates this certificate and the entire process.
4. In view of the fact that the mitigating conditions for the project may change over time, this Certificate is valid for 12 months from the date indicated below. This certificate is therefore issued to enable the Ministry commence an international open competitive bidding process to procure a world-class strategic investor to manage, operate, maintain and invest in the National Carrier.

Issued on 6<sup>th</sup> July, 2018

Engr. Chidi. K. C. Izurwah Sny  
Ag. Director General



# ICRC PPP Disclosure Portal



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## NIGERIA AIR

### SECTOR

Transport

### LOCATION

Federal Capital Territory, Lagos, Rivers

### INDICATIVE VALUE

NGN 91500 million (US\$ 300 million)

[mail\\_outline](#)

# Executive Summary

- ❑ **Nigerian Air** – a new Nigerian Flag carrier needed in Nigeria for the Nigerians
- ❑ **Economics (1)** ~ the Transaction Advisors engaged by Federal Executive Council in March, have finalised the OBC with ICRC, in final stages to publish the certificate, with this the TA will start the investor search
- ❑ **Economics (2)** ~ the new Flag Carrier meets a large addressable market unserved, will open initially 85 new routes, domestic, regional and international, break even in year 3 (2021)
- ❑ **Economics (3)** – By the year 2023 the Flag Carrier plans revenues of 1.5 Billion USD per year
- ❑ **Aircraft** – Boeing and Airbus have submitted their offers, Boeing 737 vs Airbus A320 for short-haul and Boeing 787 vs Airbus 330 for long-haul, the Flag Carrier is looking initially for 11 short-haul and 13 long-haul until 2025
- ❑ **Name/Logo/Colours** – the advisory team has conducted a nationwide campaign and received thousands of name suggestions. With branding and marketing tools, three campaigns were developed: Nigerian Flag, Eagle, Unity
- ❑ **Farnborough 2018** ~ On 18 July the name/logo/colour unveiled
- ❑ **Funding** ~ Flag Carrier company requests 50 Mio USD start-up funds in 2018 and 150 Mio USD in 2019 and USD 100 Mio 2020

Figure 3: Major African Economies Propensity to Fly, 2016

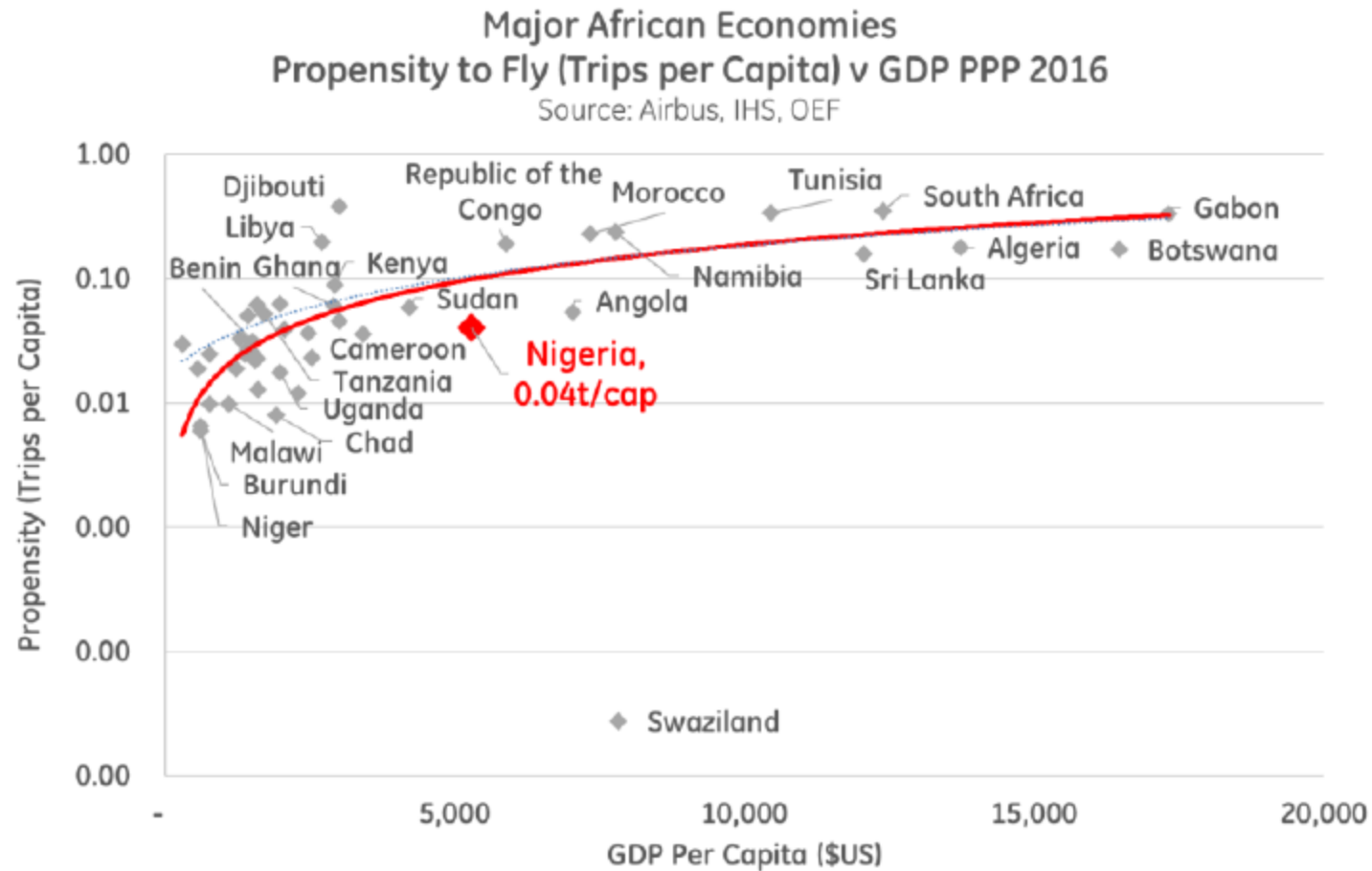
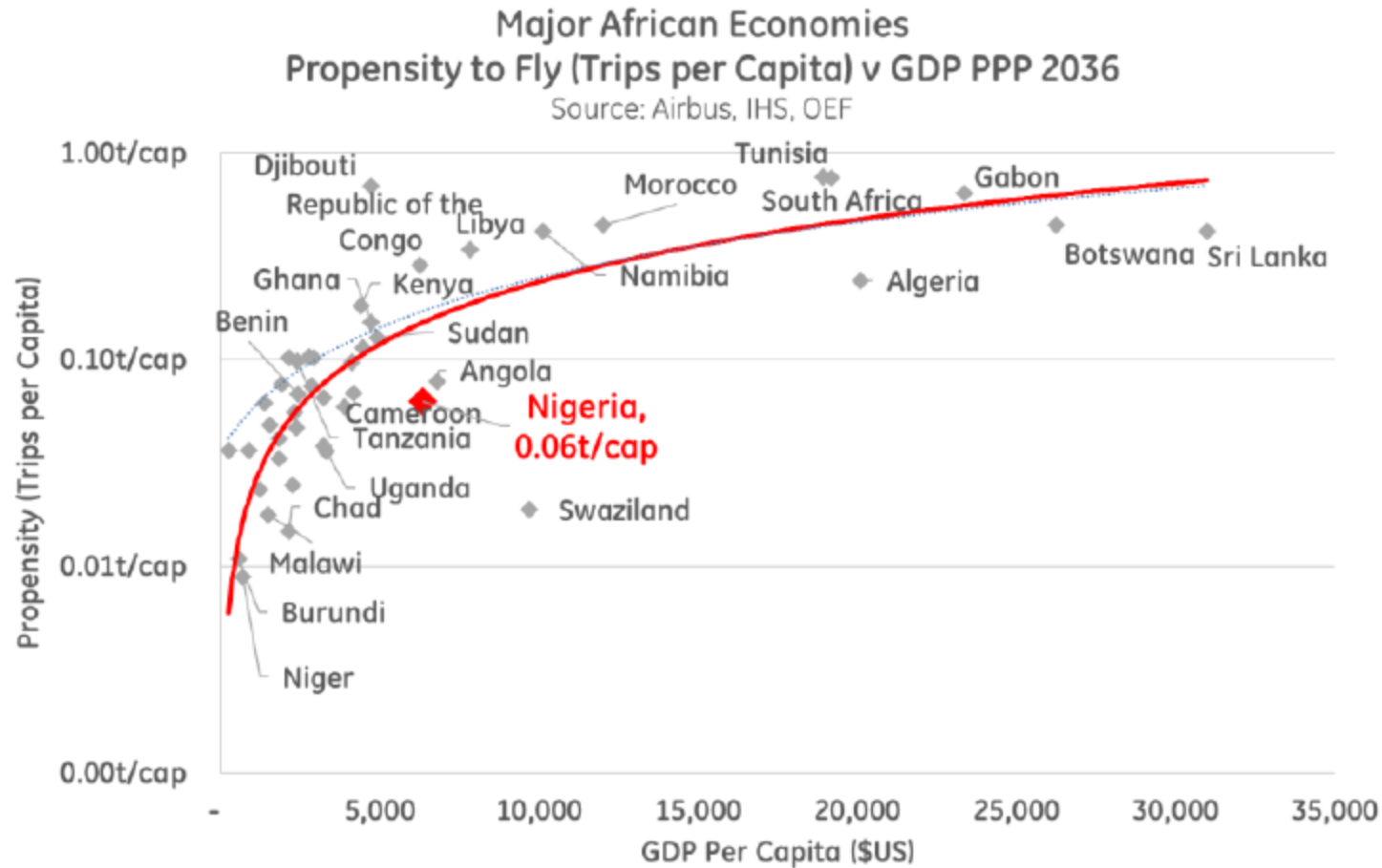




Figure 4: Major African Economies Propensity to Fly, 2036



# SWOT Analysis



Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Large population &amp; economy</li> <li>Central location in West Africa</li> <li>Long history of aviation &amp; human resources with experience</li> <li>Government backing</li> <li>Eagerness of Nigerians for a flag carrier they can be proud of</li> </ul>	<ul style="list-style-type: none"> <li>High cost of fuel and airport charges</li> <li>High taxes on aviation</li> <li>Ageing fleet and low aircraft utilisation</li> <li>High “mortality rate” of Nigerian airlines</li> <li>Risk/cost premiums charges on aircraft leases &amp; insurance</li> <li>Under-developed links in the aviation value chain (i.e. airports/terminals, limited MRO)</li> <li>Fluctuations/weakness of Naira</li> <li>Corruptive authorities</li> <li>Liabilities from former Government owned airlines</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>African Open Skies</li> <li>Under-utilised BASAs, especially long haul international</li> <li>Substantial latent demand &amp; low propensity to fly (PPTF)</li> <li>Growing economy &amp; middle class</li> <li>Lack of Hubs in West Africa</li> <li>Foreign investors</li> </ul>	<ul style="list-style-type: none"> <li>African Open Skies</li> <li>Growing competition from other African and international carriers</li> <li>Elections with change in Government</li> <li>Epidemics, terrorists and other force majeure crisis</li> <li>International airline focus on Africa</li> <li>Economic downturn</li> </ul>

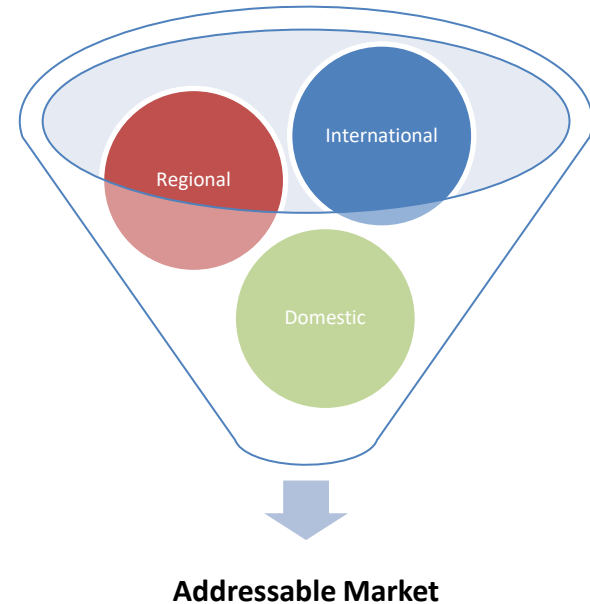
# The addressable market analysis assessed thousands of routes, and identified 41 routes from Abuja and 44 from Lagos worthy of further consideration

**For Abuja, over a 10-year period, 98 direct routes were assessed and 1,544 indirect routes**

- For Abuja, 41 routes were selected of which 30 are currently unserved markets and 11 are markets with existing competition:
  - 10 domestic with narrow-body jets
  - 20 international regional under 4,000km with narrow-body jets
  - 11 international long-haul over 4,000km with wide-body jets

**For Lagos, over a 10-year period, 60 direct routes were assessed and 2,087 indirect routes**

- For Lagos, 44 routes were selected of which 22 are currently unserved markets and 22 are markets with existing competition:
  - 10 domestic narrow-body jets
  - 15 international regional under 4,000km with narrow-body jets
  - 19 international long-haul over 4,000km with wide-body jets



**Addressable Market derivation:**

10-year historic traffic from ABV & LOS – for 000s of Origin-Destination pairs; Direct & Indirect routings

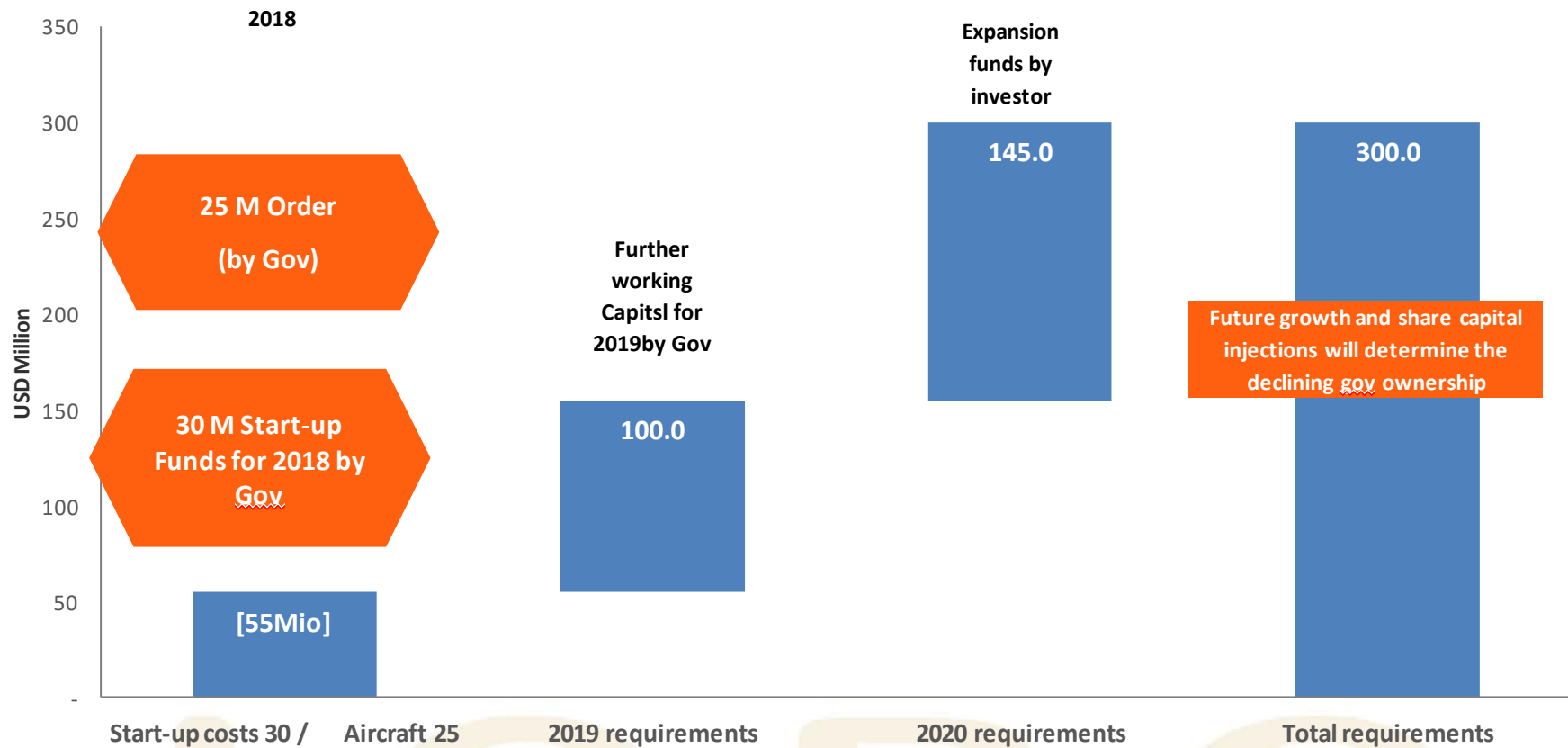
Routes with some reasonable volume selected

Routes assigned narrow- or wide-body aircraft

Routes / market considered Addressable if imputed service frequency deemed of minimum commercial scale

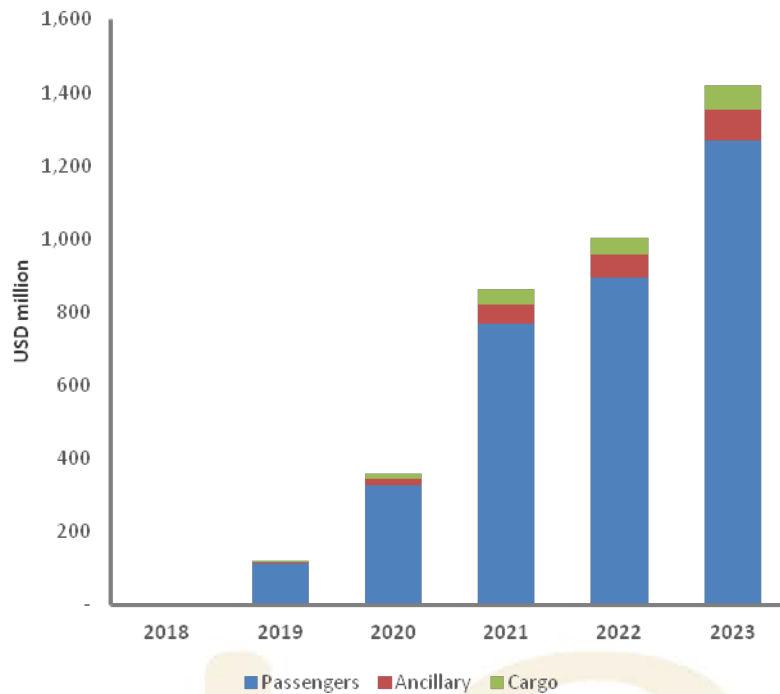
# The new airline requires substantial funding from 2018

## Indicative Funding Required, 2018-2020

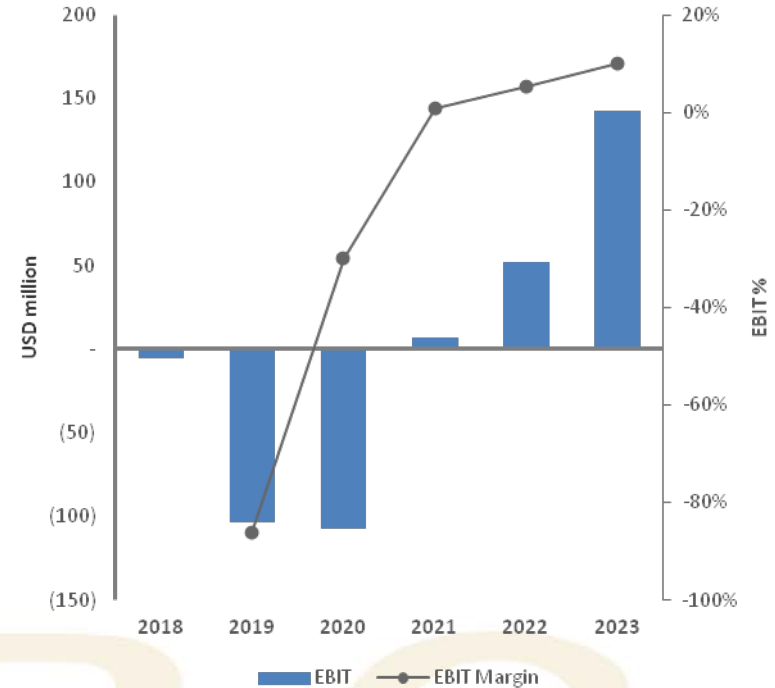


New airline ramps up to revenue of c. \$1.4bn in year 5; break-even year 3, and has an EBIT margin of 10.6% in year 5

**Airline Projected Revenue, 2018-2023**

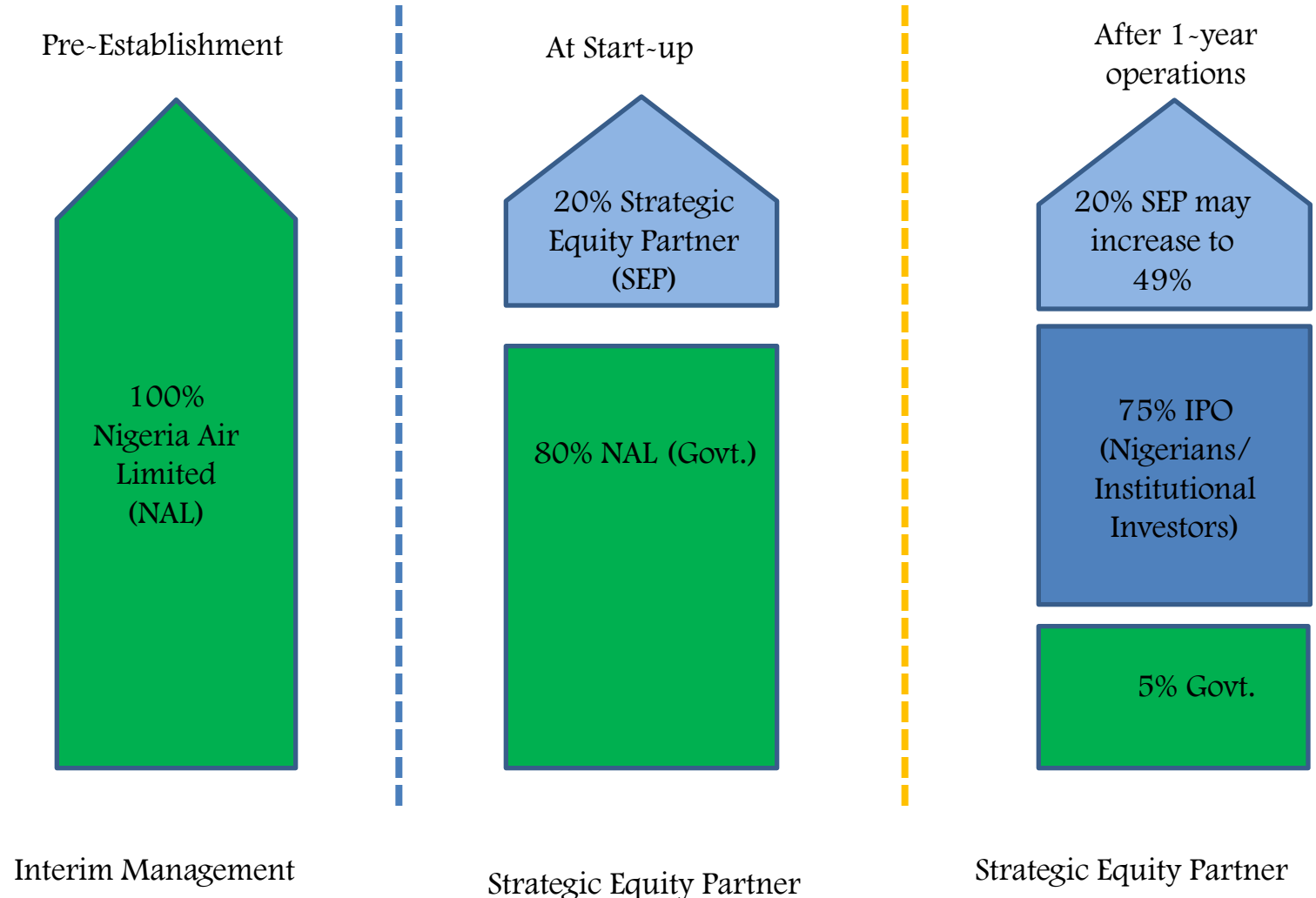


**Airline Projected EBIT and Margin, 2018-2023**





# Company Ownership Structure & Evolution



# Outline



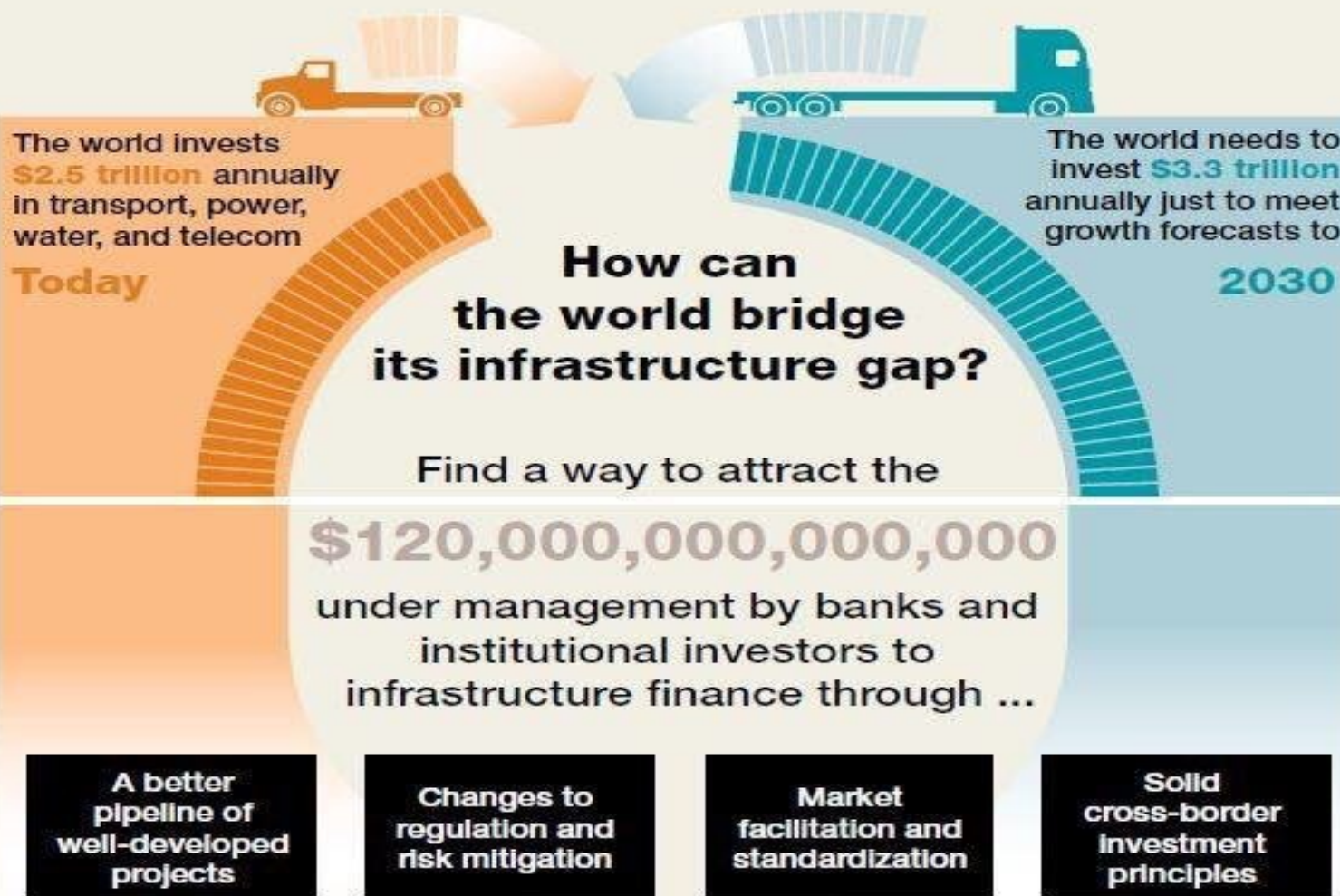
- Myth Bursting
- Lessons from Others
- Our Infrastructure Challenge
- Introducing Nigeria
- Nexus b/w Infrastructure and Economic Development
- The PPP Imperative
- PPP Successes in Nigeria
- PPPs Going Forward and How to Make PPPs Work
- Transforming Nigeria and Conclusions

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# Myth Bursting

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# Finance is not the problem?



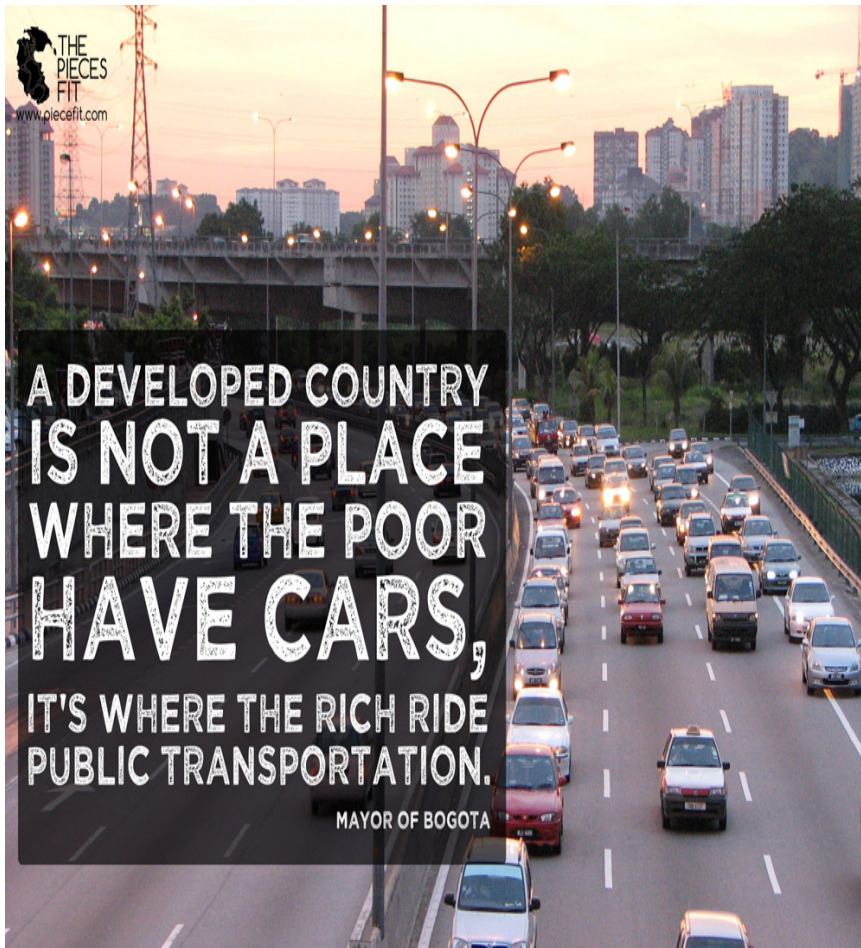


# Herdsmen & Farmers Clashes – Transportation Infrastructure Problems





# Mayor of Bogota



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

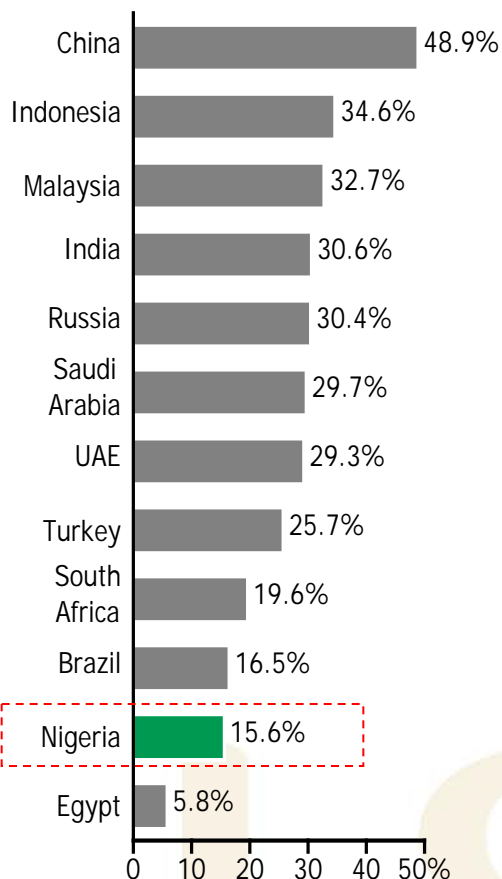


# Domestic financial depth: Nigeria fares poorly on domestic savings, investments and government spending vs peers



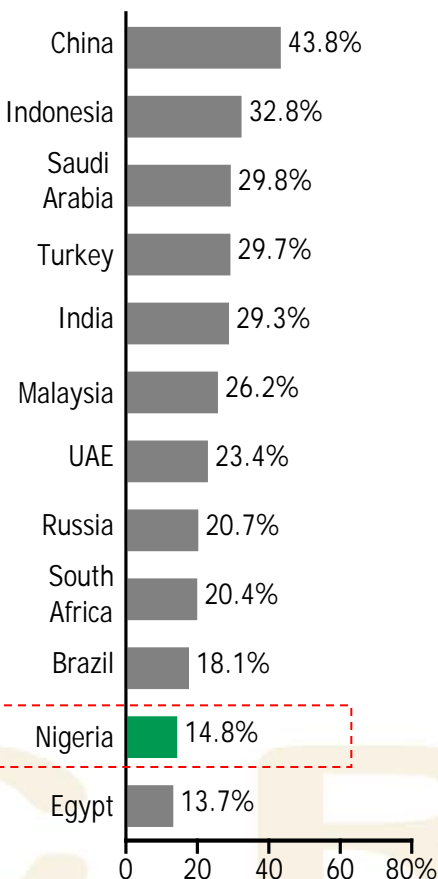
## Domestic Savings

Domestic Savings 2015, % of GDP



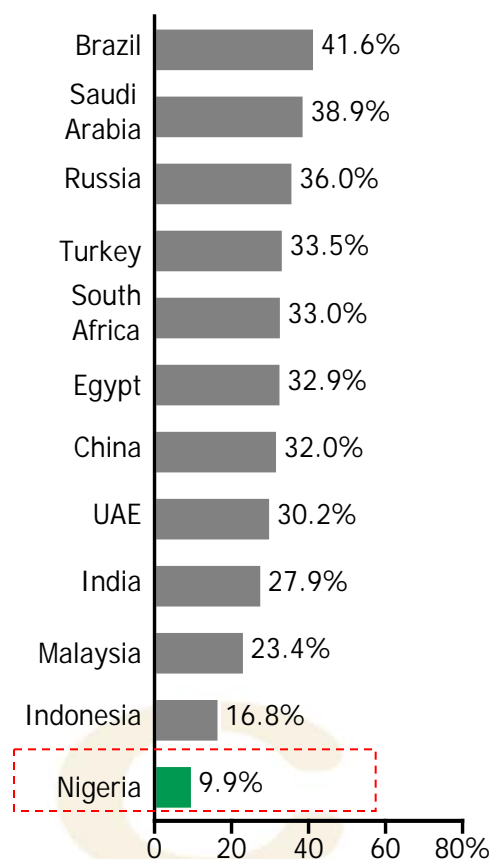
## Investment

Investment 2015, % of GDP

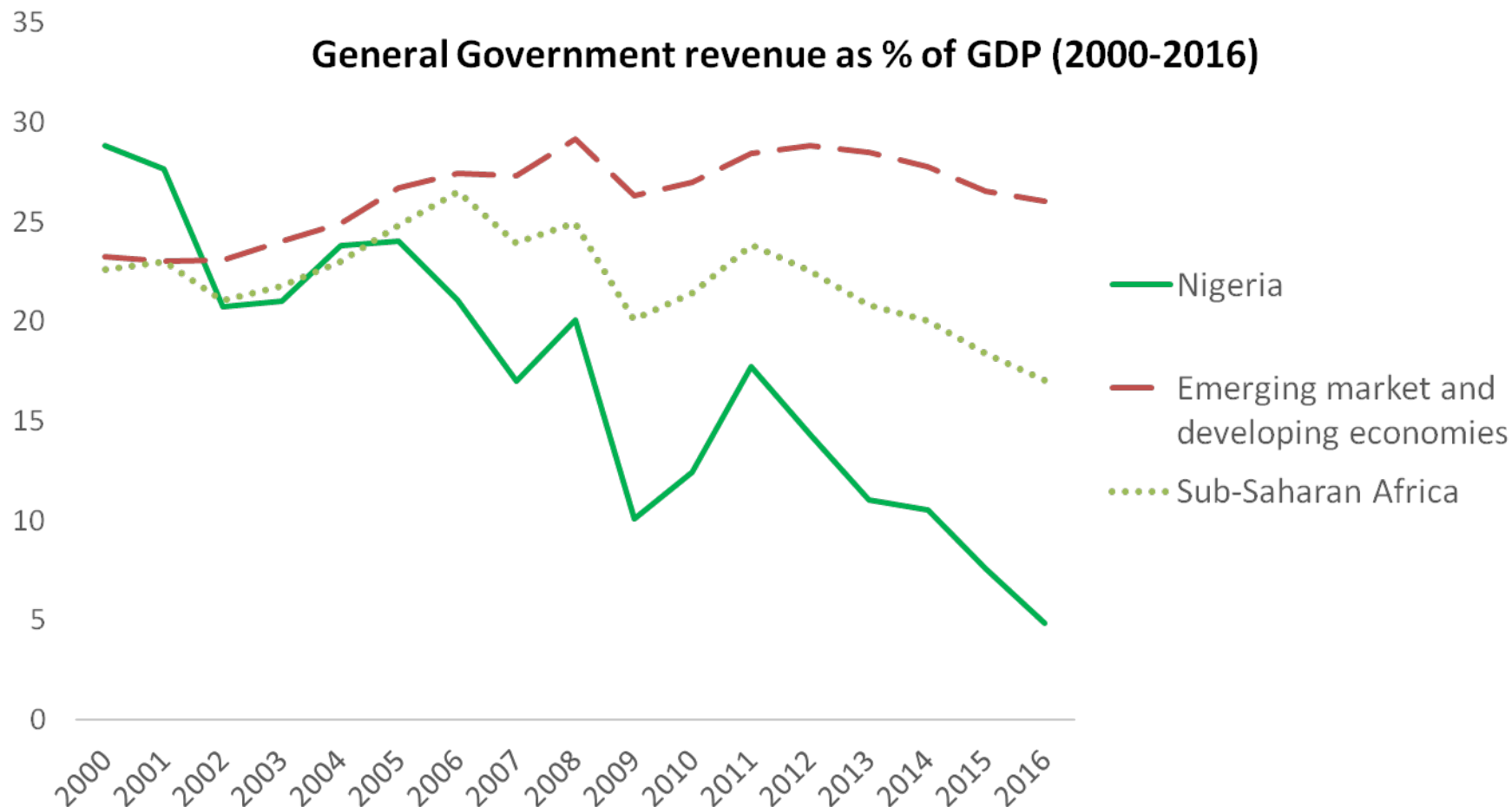


## Government Spending

Gov. Spending 2016, % of GDP



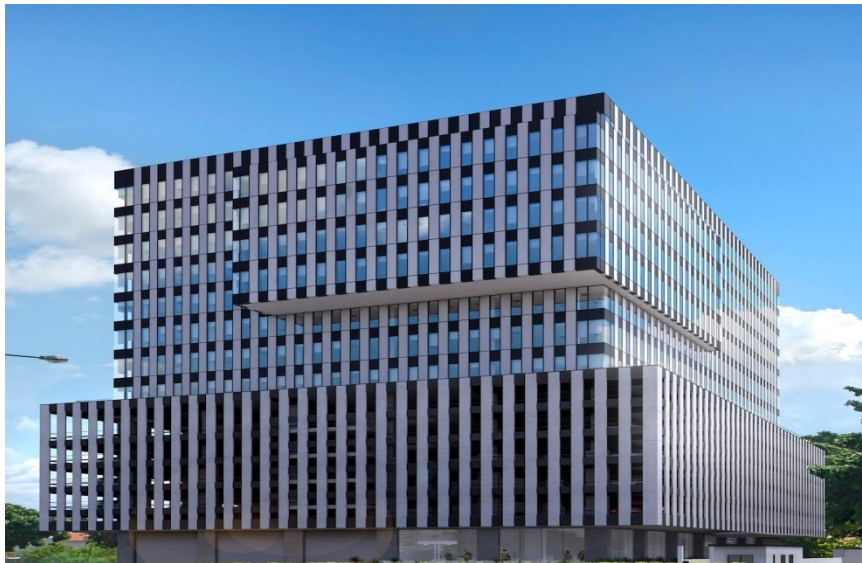
# The Macro-economic context – Nigeria may be rich but its Government is Poor



Source: International Monetary Fund (2017). World Economic Outlook Database  
March 6, 2018



# Private Capital in Lagos





# Lessons from Others

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# Lessons from Senegal

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# Multi Modal and Connected



## Senegal

### 4 Major Infrastructure Projects in 2 Years



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

# Benefits



## Senegal

### Synergies & Catalytic Effects on Economic Development



# Lessons from Malaysia

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# MALAYSIAN ROADS : 1970 – 1980



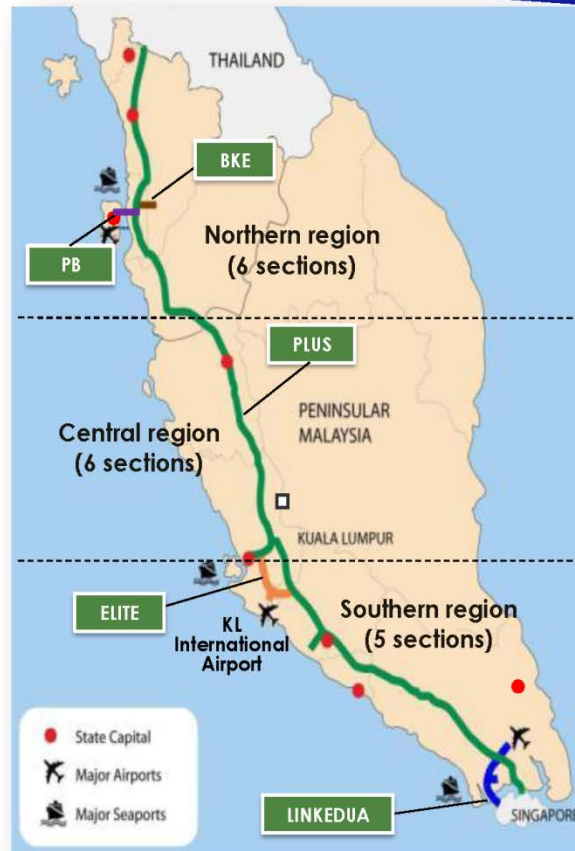
Source: Plus Malaysia Berhad, 2015

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)

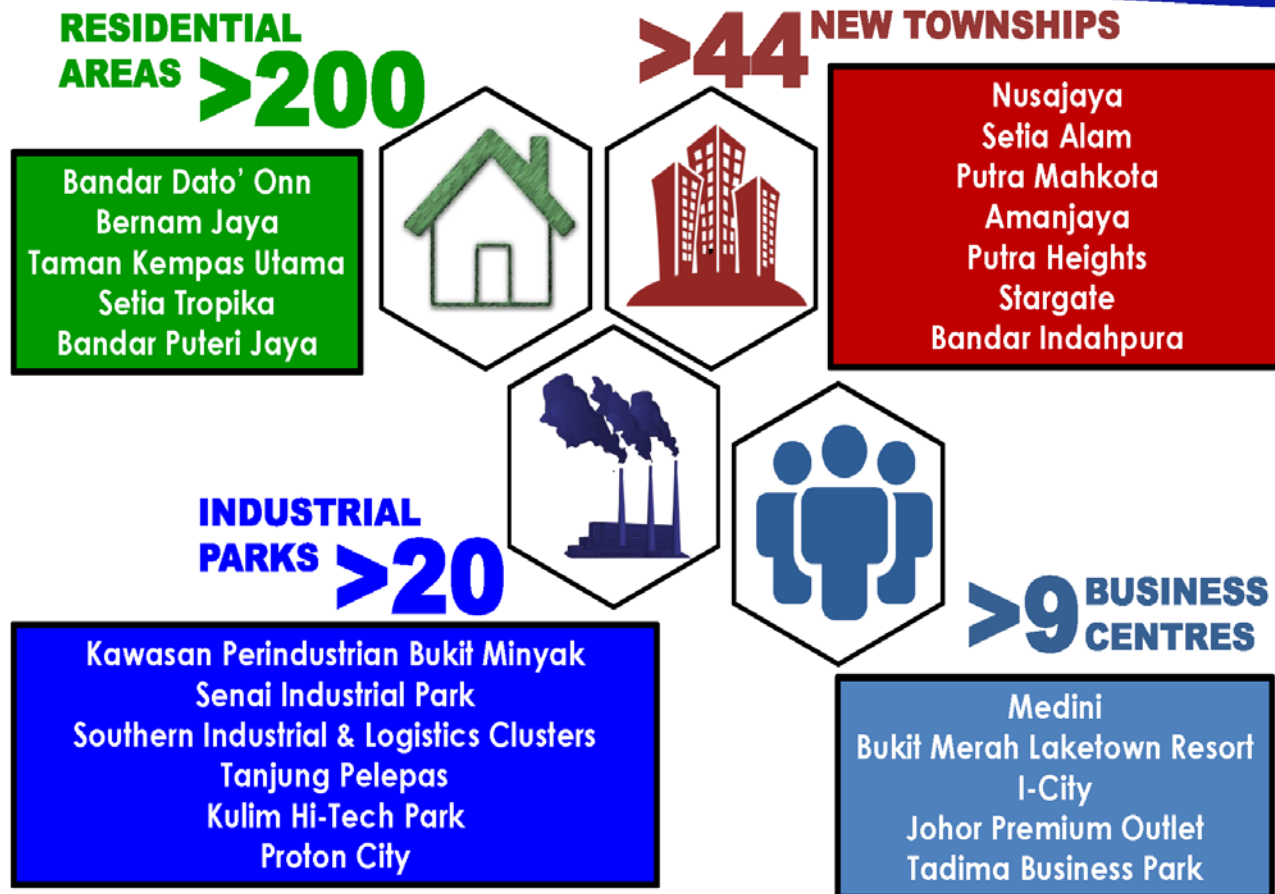


States	GDP GROWTH	
	1989 - 1993	2000 - 2013
	Before	After
Kedah	4.7%	7.5%
Penang	4.5%	7.5%
Perak	4.7%	7.3%
Selangor	5.4%	7.7%
N. Sembilan	3.9%	7.1%
Melaka	4.5%	7.3%
Johor	5.0%	7.7%

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

# Our Infrastructure Challenge

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# Infrastructure Nexus !!!!!

## Poverty



## Unemployment



## Growing inequality



# Small scale IPPs supplied by China





# Agric Transformation



# Public Sanitation





# Kuchingoro PHC





# State and LG Roads



# Financing UNIVERSAL health COVERAGE in nigeria: rationale, policies, and practices

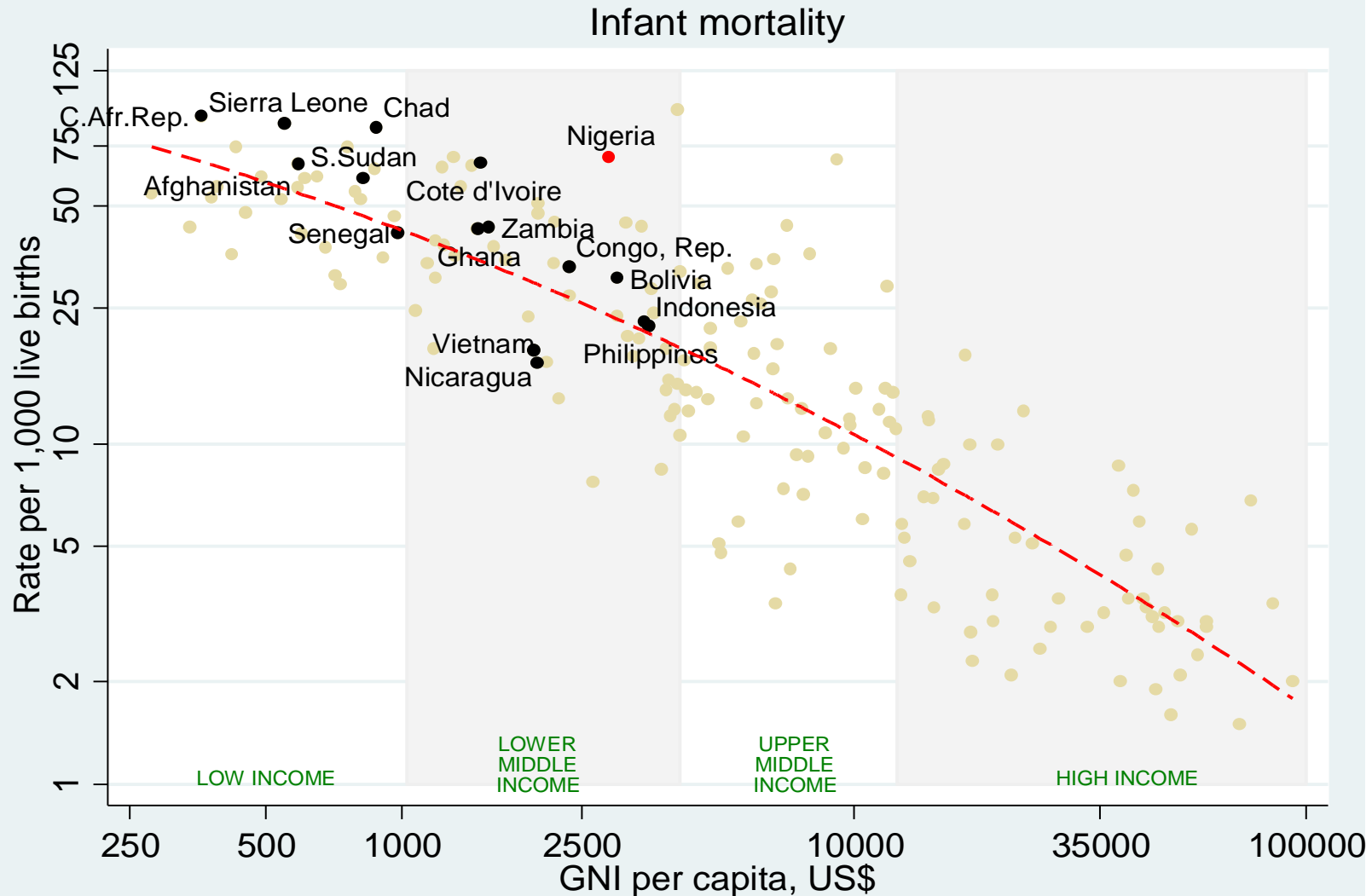
Dr. Olusoji Adeyi

Director

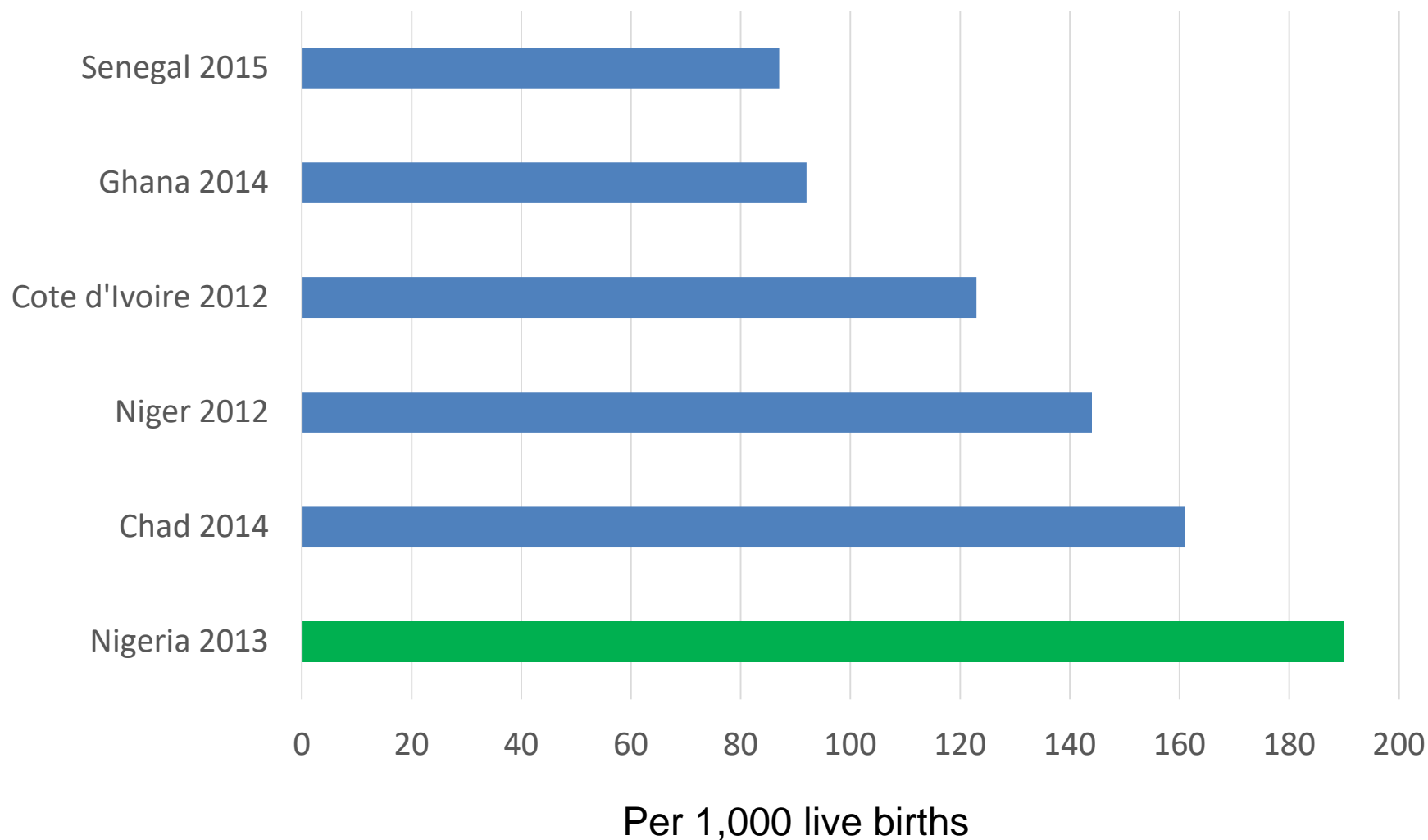
Health, Nutrition, and Population Global Practice  
World Bank Group

Keynote Speech  
Nigeria Health Financing Forum  
Abuja, March 6, 2018

# Nigeria has among the Highest IMRs in the World

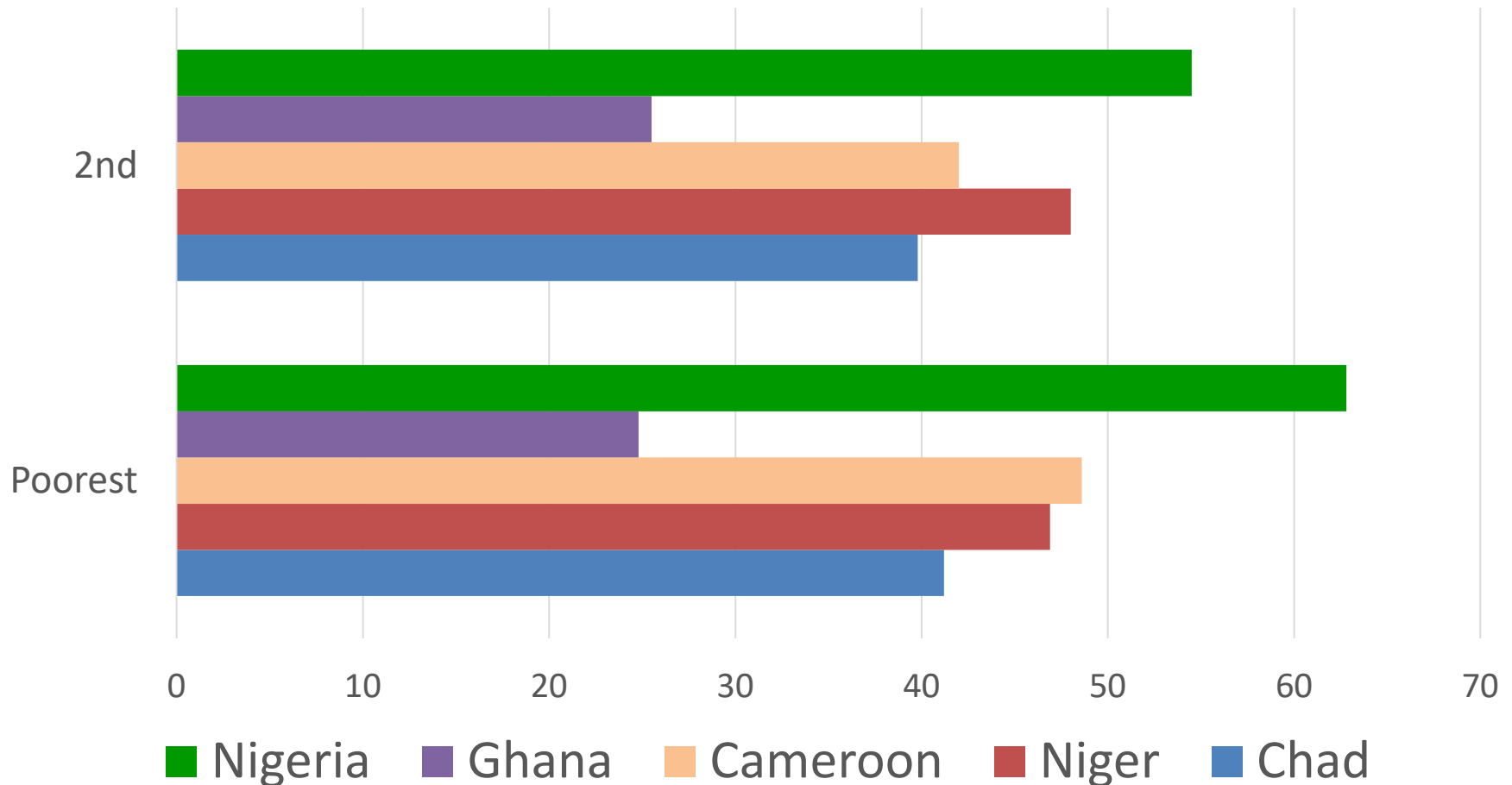


# U5MR in the Poorest Income Quintile – Nigeria's Poor Children are the Worst Off in West Africa



Source: Demographic & Health Surveys

# Stunting in the Poorest Income Quintiles in West Africa; Nigeria's Poor Children Have the Highest Rates







Sources: DHS Surveys except for Nigeria – MICS 2016



# GCI 2017 - 2018



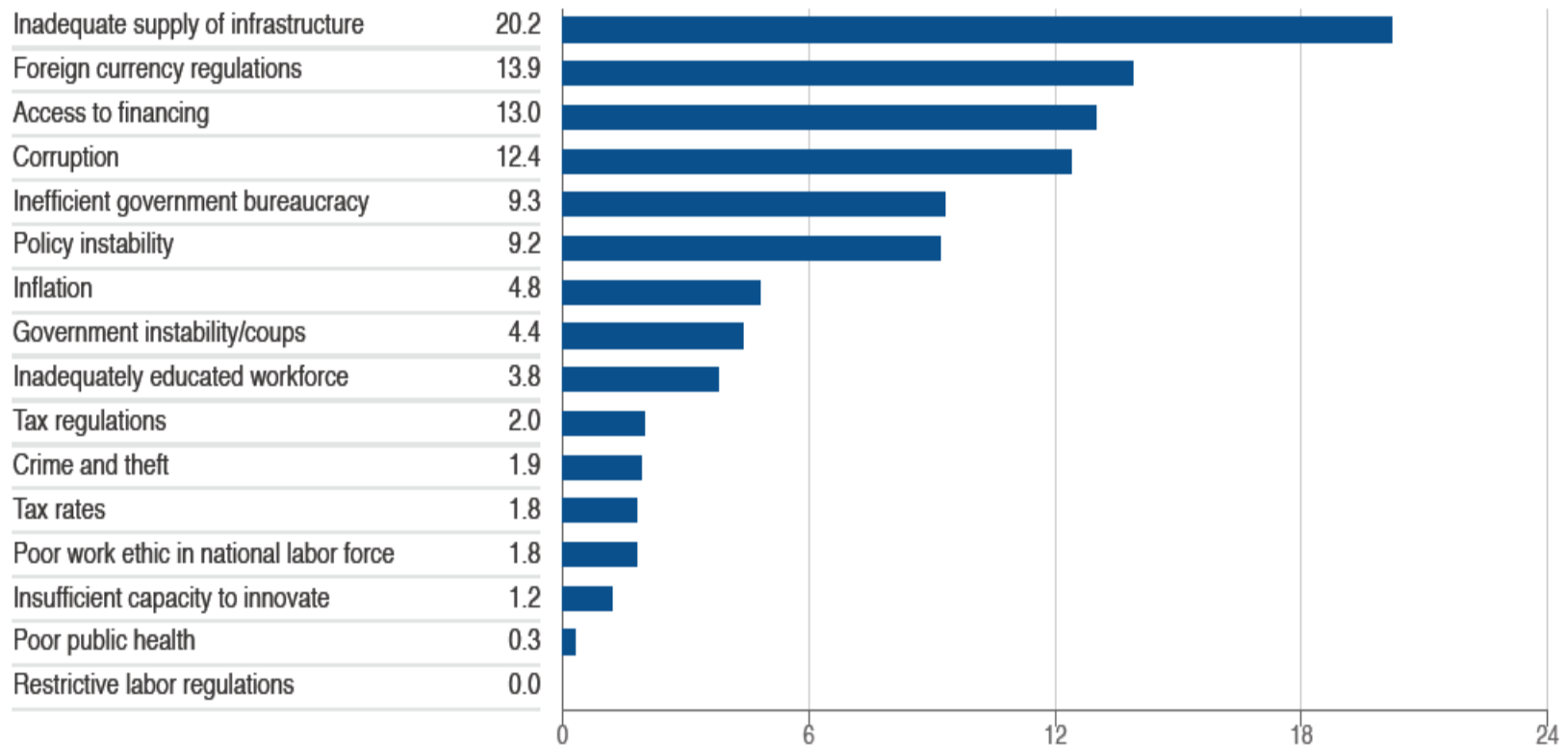
Index Component	Rank/137
<b>Global Competitiveness Index</b>	<b>125</b>
Subindex A: Basic requirements	136
 <b>1st pillar: Institutions</b>	125
 <b>2nd pillar: Infrastructure</b>	132
 <b>3rd pillar: Macroeconomic environment</b>	122
 <b>4th pillar: Health and primary education</b>	136

# Infrastructure !!!



## Most problematic factors for doing business

Source: World Economic Forum, Executive Opinion Survey 2017



# Transportation Infrastructure Challenges



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

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# Transportation - Roads



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

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# Expressway !!!





# Time & Cost Comparisons

## UNITED STATES



## NIGERIA



## BURKINA FASO-GHANA



IMPORTS

5 days

\$1,958 USD

19.5 days

\$4,737 USD

7-14 days

\$3,192 USD

EXPORTS

3 days

\$1,583 USD

12.5 days

\$3,041 USD

4-5 days

\$2,451 USD

Units - TEUs (Twenty-foot Equivalent Units)

# 70%

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

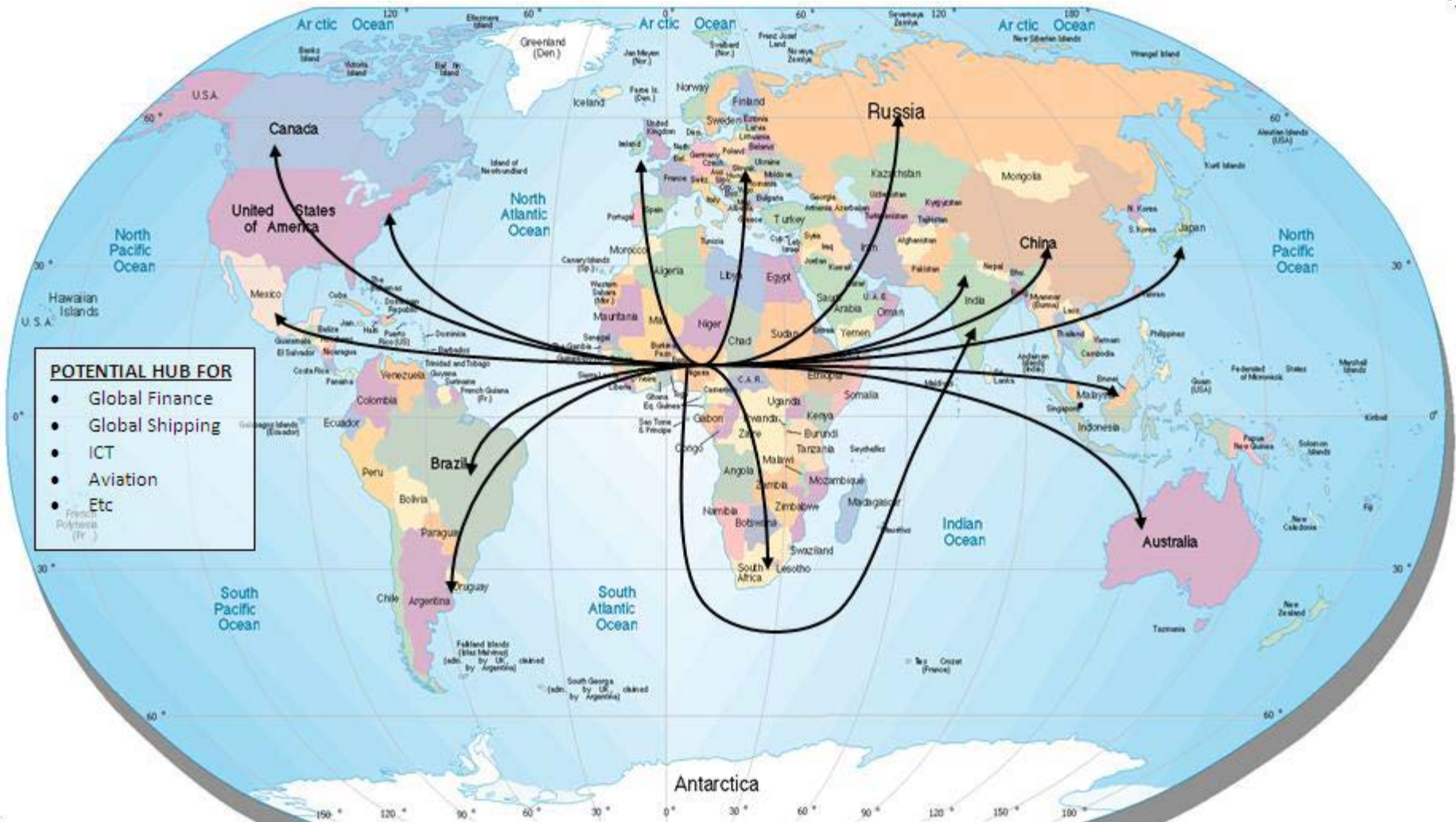
- chorus of major investors in Ikeja, Lagos

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# Introducing Nigeria

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# Nigeria





# Africa's Most Formidable CV – Past and Present



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

# Nigeria !!! – Case for Action



- ❑ Nigeria is rich in natural resources and boasts a large young ambitious and entrepreneurial population.
- ❑ Harnessed properly, these advantages could usher in a period of sustained economic growth.
- ❑ We are unable to translate our factor endowments into efficient essential services such as electricity, water, roads, railways, ports, communications, etc.
- ❑ Poor physical infrastructure stymie's attraction of FDI, growth, and competitiveness.
- ❑ Nigeria is a monoculture economy ~ exporting primarily crude oil.
- ❑ **BCG Advice** – Nigeria must address several critical challenges in order to prosper over the long term
- ❑ Improvement in Nigeria's poor infrastructure would have an immense impact on education, health and the economy

# Political Commitment



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

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

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# 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.



# Infrastructure & Development

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# Infrastructure and Development Conundrum



- ❑ Investment in Agriculture to improve productivity, create jobs and provide food security is futile if there are no processing plants to add value or roads for evacuation to market;
- ❑ Effective transportation and cold chain infrastructure needed to facilitate the supply chain that will get the produce (cocoa beans) and finished products (chocolate) to market and consumers.
- ❑ Africa produces 75% of the world's cocoa, but receives only 3% of the \$100 billion year revenue in the global market for chocolate. (President of the African Development Bank, Dr Akin Adesina)
- ❑ Due to lack of appropriate value chain infrastructure, Africa largely exports only raw materials. As we all know the price of cocoa may decline, but never the price of chocolates (Dr Akin Adesina).
- ❑ The price of cotton may fall, but never the price of clothes and garments (Dr Adesina).
- ❑ While coffee farmers face declining prices, coffee grinders and Starbucks smile all the way to the Bank.

# Infrastructure & Development Conundrum

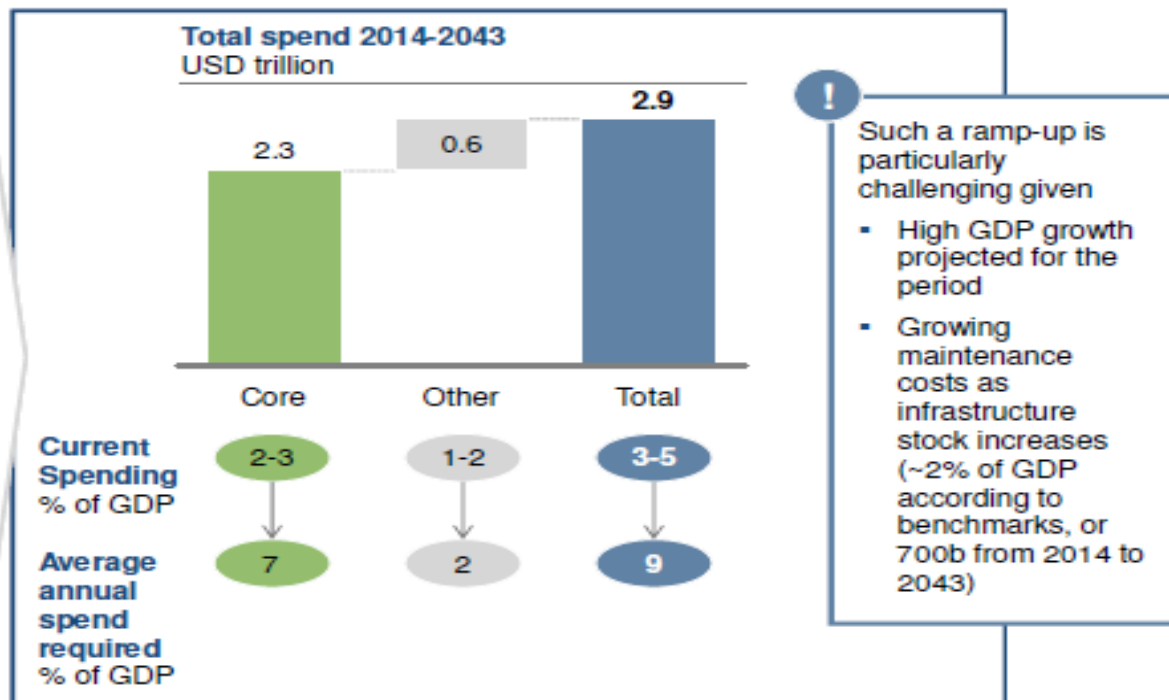
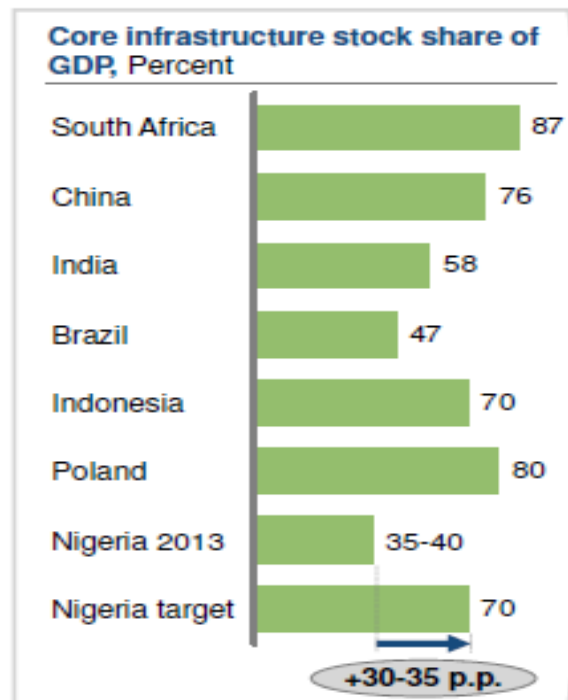


- ❑ Due to lack of appropriate value chain infrastructure again, Africa currently imports about \$35 billion of food annually
- ❑ Expected to rise to \$110 billion by 2025, if the current trend continues. (Africa Development Bank)
- ❑ \$35 billion per annum is enough to electrify all of Africa and
- ❑ \$110 billion potential future savings in food imports is enough to close Africa's whole infrastructure deficit.
- ❑ Essential medication from donors is rendered ineffective if it cannot be stored and transported in appropriate conditions to those in need. ***Without infrastructure we cannot be our brothers and sisters keepers.***
- ❑ The lack of modern infrastructure is a major challenge to Africa's economic development and indeed constitutes a major impediment to the achievement of UN Sustainable Development Goals (SDGs) and other vital objectives such as revitalizing agriculture.

# NIIMP ~ Stock of Infrastructure



1 Most countries globally have a core infrastructure stock value of ~70% of GDP; Nigeria will need to invest \$2.9 trillion over the next 30 years to reach this benchmark



NOTE: Core includes Transport, Energy, ICT and Water. Other includes Agriculture, Mining, Social Infrastructure, Housing, Security and Vital registration

SOURCE: ITF; GWI; IHS Global Insight; McKinsey Global Institute analysis; Team analysis



# 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**

*"An internationally competitive economy needs internationally competitive infrastructure ..."*

*"He who does not recognize he is in a race is bound to loose it...we are in a race for capital, development etc...we need to act fast"*

## Random Thoughts



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



# Infrastructure Some Definitions



- ❑ Infrastructure refers to those physical structures that facilitate the production of goods and services, without themselves being part of the production process.
- ❑ Often referred to as the ‘stock of capital goods’, they include highways, airports, harbors, utility production and distributive systems, water and sewer systems, communication networks and energy networks.
- ❑ An access road to an agricultural community facilitates speedy evacuation of agricultural products, but does not form part of the agricultural process itself.

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# Infrastructure – Its Nature



- ❑ Infrastructure projects are lumpy, meaning that they are large, immobile and space specific;
- ❑ They are long lasting, often with life span measures in decades and centuries, and construction often running into years.
- ❑ They often have maturities of between 5 years and 40 years, reflective of both the length of the construction period and the productive life of the underlying asset that is created.
- ❑ As large amounts of money are typically invested for long periods, the underlying risks, typically arising from such variety of factors as demand uncertainty, environmental surprises, technological obsolescence, policy summersaults and political uncertainties, are also quite high.

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# Importance of Infrastructure - 1



- Infrastructure forms the foundation of all development in a country.
- The existence of infrastructure in a society raises the quality of life by creating amenities, providing consumption goods and contributing to macroeconomic stability.
- The building of the major highway system, for instance, immediately provides jobs for construction labour, engineers, architects, masons, artisans, and a whole range of other professionals.
- It increases the demand for such construction materials as bitumen, granite, cement, and the like, and for the services for all manner of construction sub-contractors and project managers.
- It also increases the scale and depth of a whole range of financial services involved in the funding of the construction.

# Importance of Infrastructure - 2



- In other words, it will create wages, salaries and fee incomes for labour and services, interest fees for financiers, profit for equity investors and at the same time increase aggregate demand, which acts as short term stimulus to the economy. This same argument applies to other infrastructure.
- The impact of infrastructure on economic development does not stop there. Its mere existence reduces the cost of production.
- When a highway is in place, a faster and cheaper evacuation of goods and provision of services is ensured. Infrastructure contributes to the diversification of the economy by bringing into production such factors that would have been uneconomical to employ in their absence.

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# Infrastructure and the Economy – Key Take Away



- Infrastructure promotes development by:
  - Improving labor productivity/competitiveness, Reduces production costs and reducing poverty
  - Providing jobs and contributing to macroeconomic stability
  - Contributing to economic diversification and growth in GDP
  - Improving security
  - Improving in healthcare and education
- Better infrastructure leads to economic development

**RELATIONSHIP BETWEEN INFRASTRUCTURE & ECONOMIC DEVELOPMENT**



# The Infrastructure Deficit Challenge



- ❑ Capital investments in infrastructure have been widely recognized as a veritable route for engendering sustainable economic development and inclusive growth.
- ❑ Linkages between economic growth/sustainability and infrastructure development, are validated by the observation that “developed economies typically record core infrastructure stock value of about 70% of GDP (roads, rail, ports, airports, power, water, ICT), with power and transportation accounting for at least 50% of total volume.
- ❑ In contrast to international benchmarks, Nigeria’s core infrastructure stock is estimated at about 20% to 25% of GDP, for which the National Integrated Infrastructure Master Plan (“NIIMP”) estimates that about USD35billion is required annually over the next 5years to sustain robust economic growth, in the near term, and USD3trillion is needed over 30 years.
- ❑ With fiscal and budgetary funding constraints plaguing governments at all levels, the *cold reality* is that **private participation in infrastructure is an economic necessity**, rather than an optional financing solution, as hitherto considered.

# Evolution of private infrastructure investment in Nigeria



- Governments are becoming more receptive to private investment
- Larger number of private investors have emerged, and the private sector has been responding more enthusiastically to opportunities.
- Regulatory environments have improved in Nigeria, making it increasingly possible for private investors to participate in infrastructure projects.

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# Challenges of Infrastructure Investment



- Limited public sector capabilities, insufficient political will, policy uncertainty, and weak regulatory environments.
- A shortage of available people who possess needed technical skills.
- Financing complexities attributable to narrow financial markets, higher actual and provisional risks, longer project durations, significant cost overruns, and currency mismatches

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# The PPP Imperative

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# The PPP Imperative



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

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

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# The PPP Imperative



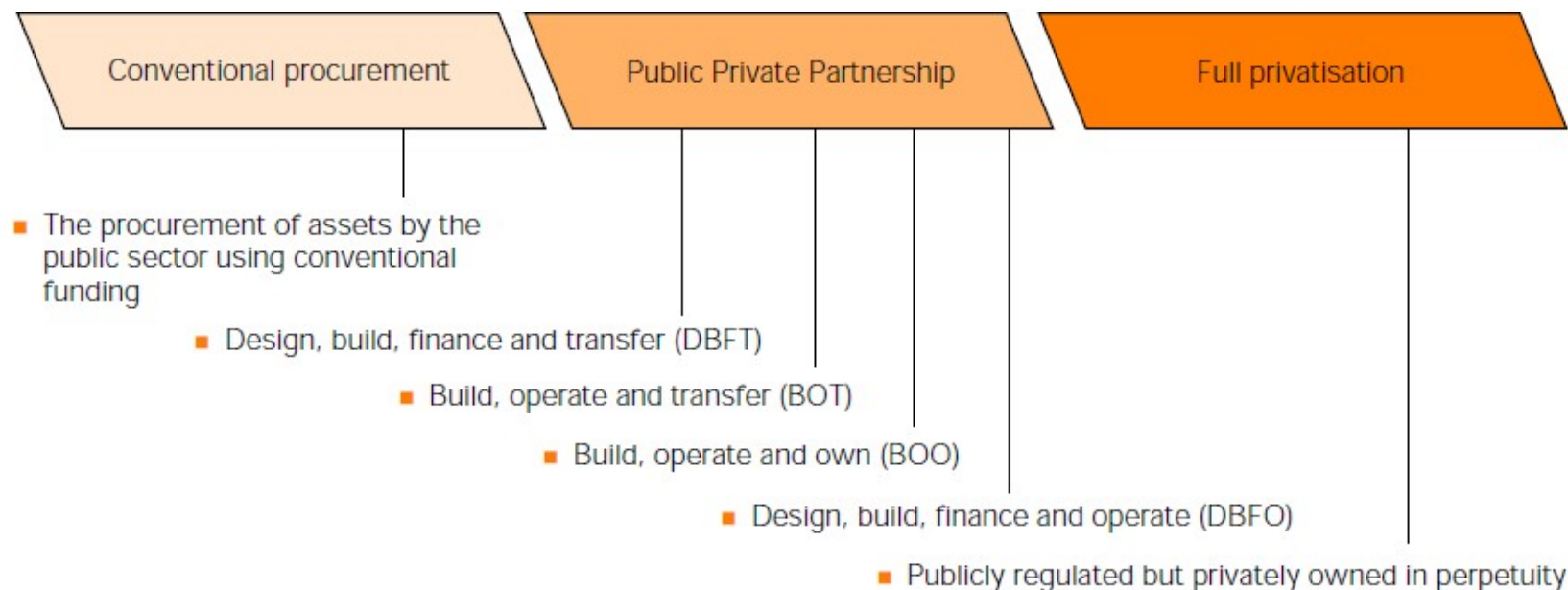
- ❑ India, South Africa, Malaysia and many developed countries have accelerated their infrastructure provisioning through PPPs.
- ❑ With the drastic fall in oil prices and fiscal retrenchment in Nigeria; we must create an enabling environment that would promote PPPs to accelerate infrastructure development.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

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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

# Definition of PPP



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

Wide  
Infrastructure  
Gap

Growing demand  
for private sector  
participation in  
infrastructure

Small and  
depleting  
Government  
resources

Urgent need for  
alternative funding of  
Infrastructure

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

# PPP a procurement option



The final responsibility for service delivery continues to remain with the public sector

- PPP is only one of the several options available for procuring infrastructure
- PPPs should not be seen as a replacement of traditional public procurement
- PPP should be applied only where it can provide optimal value for money for the public sector
- PPPs recognize that both public & private sector have their own strengths
- PPPs attempt to balance strengths of both parties, to create a win-win combination

**PPP is not a panacea to all infrastructure requirements. It is a tool that should be considered along with other options of procurement**

# 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

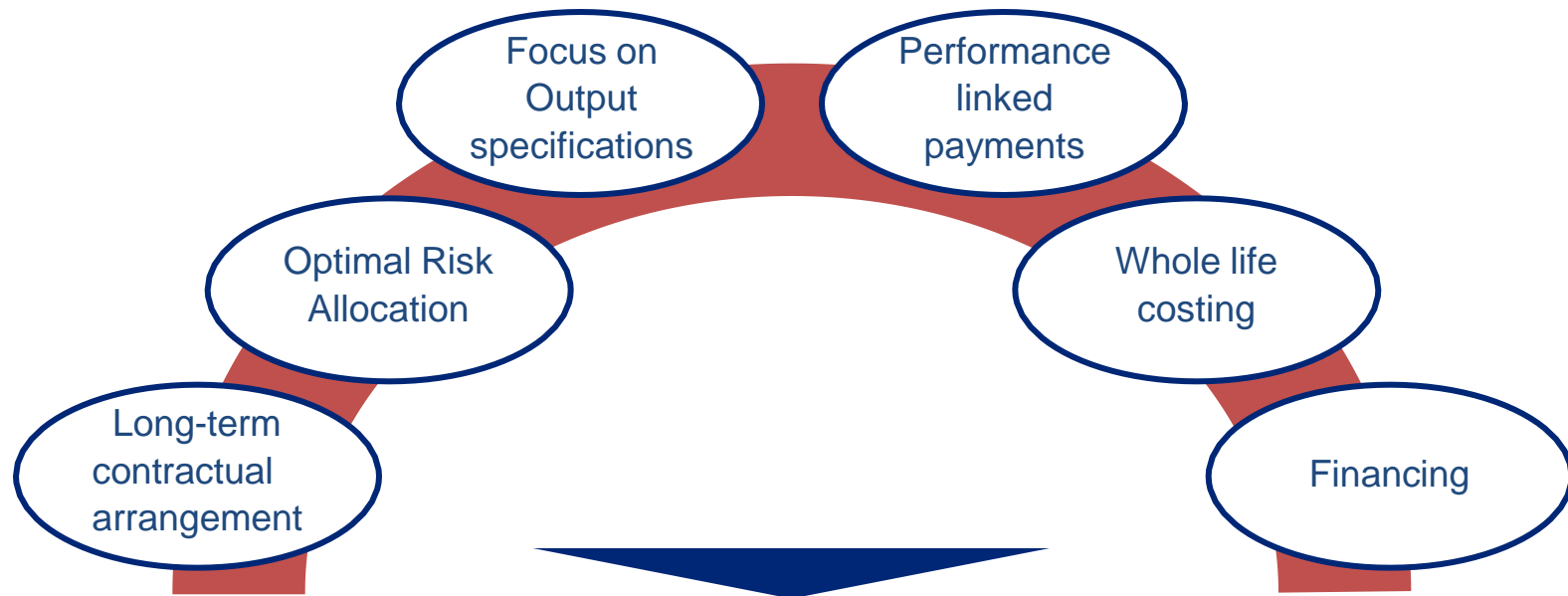
Private company receives payment if the bridge works and is available for traffic

Government checks on safety and availability

If the bridge is closed, or unsafe, the private company loses money



# PPP is !!!!!



## Characteristics of PPP

***Role of public sector:*** Facilitator & Enabler

# What is & What it is not PPP?



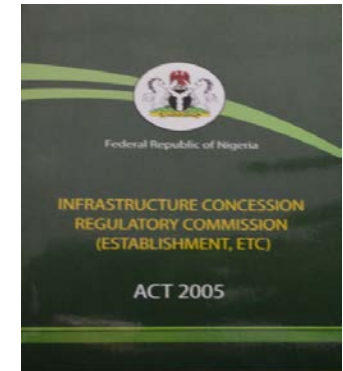
1. PPP is not privatisation or disinvestment
2. PPP is not about borrowing money from the private sector
3. PPP is more about creating a structure
  - ... in which greater value for money is achieved for services
  - ... through private sector innovation and management skills
  - ... delivering significant 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

# Framework for PPP

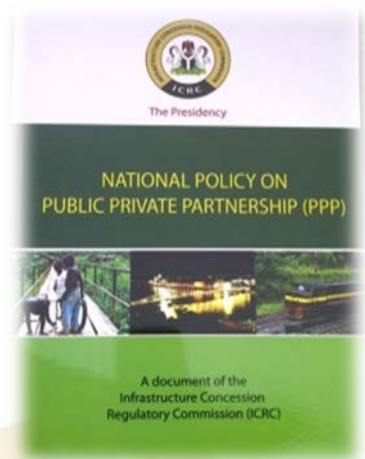


**The Infrastructure Concession Regulatory Commission Act (Establishment Etc,) Act 2005.**

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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## 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

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# PPP Framework Cont'...



What others do :

- Initiate PPP projects – **MDA responsibility**
- Develop the Projects – **MDA responsibility**
- Approve PPP projects – **FEC approves**

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# N4P Principles



- Value for Money

Cost, risks and service quality

- Public interest

Adequate consultation with end-users and other stakeholders

- Output requirements

Clear and verifiable service standards for output specifications.

- Transparency

Transparency and probity can reduce concerns over corruption.

- Risk allocation

Risks allocated to the party best able to manage them.

- Competition

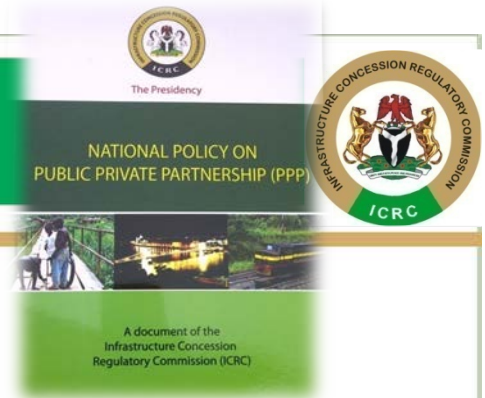
Ensuring and enforcing adequate competition procedures & laws.

- Capacity to deliver

Partners must have adequate capacity to deliver and manage the EPC & commercial processes

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# PPP Lifecycle in line with National Policy



## Preliminaries

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

## Development Phase

## Procurement Phase

## Implementation Phase

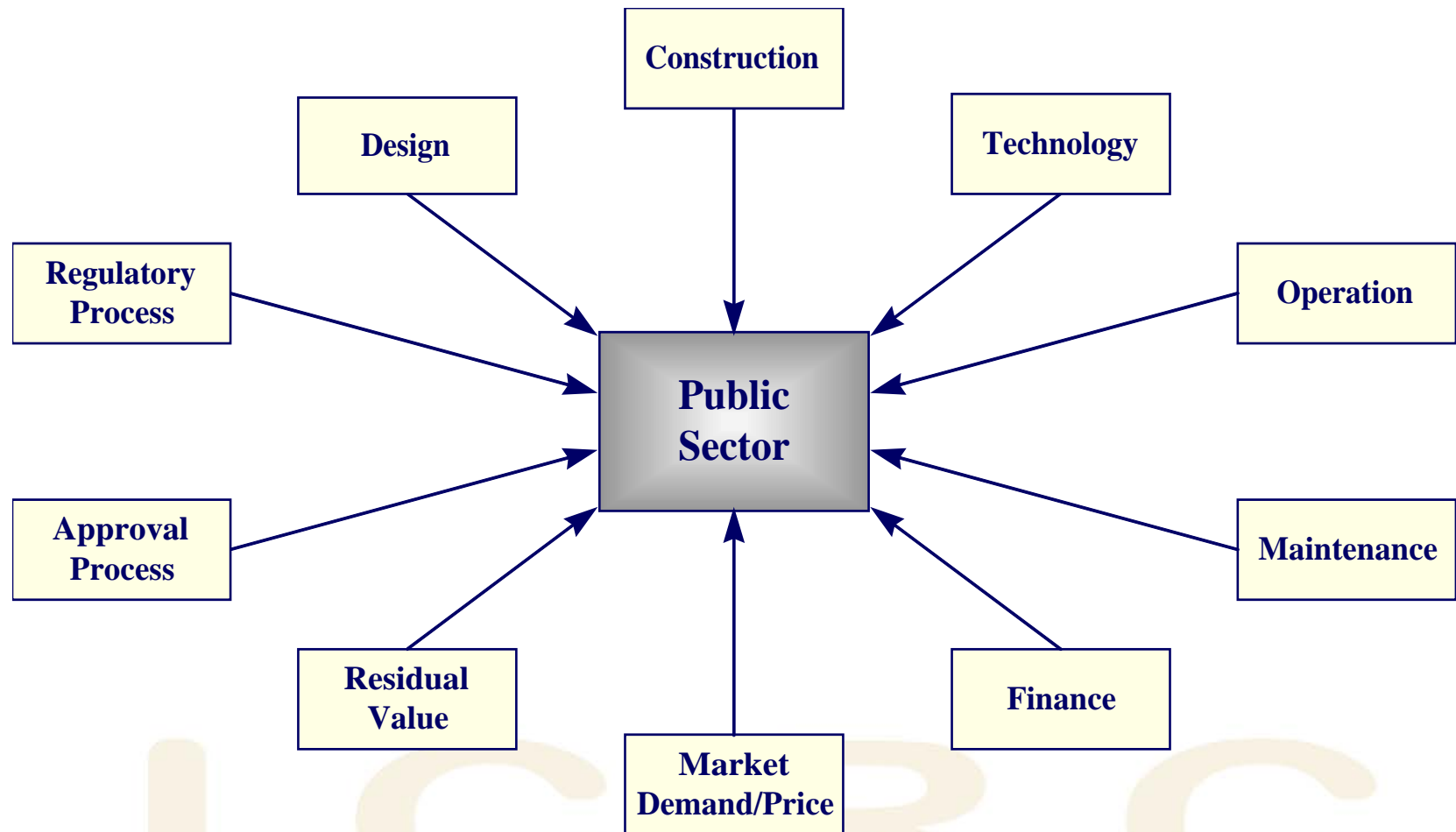
TRANSACTION ADVISER  
NEEDS ANALYSIS  
PPP OPTIONS APPRAISAL  
VALUE FOR MONEY  
AFFORDABILITY  
SUSTAINABILITY  
PRELIM RISK MATRIX  
VIABILITY/BANKABILITY  
VGF  
OBC  
OBC APPROVAL BY FEC

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

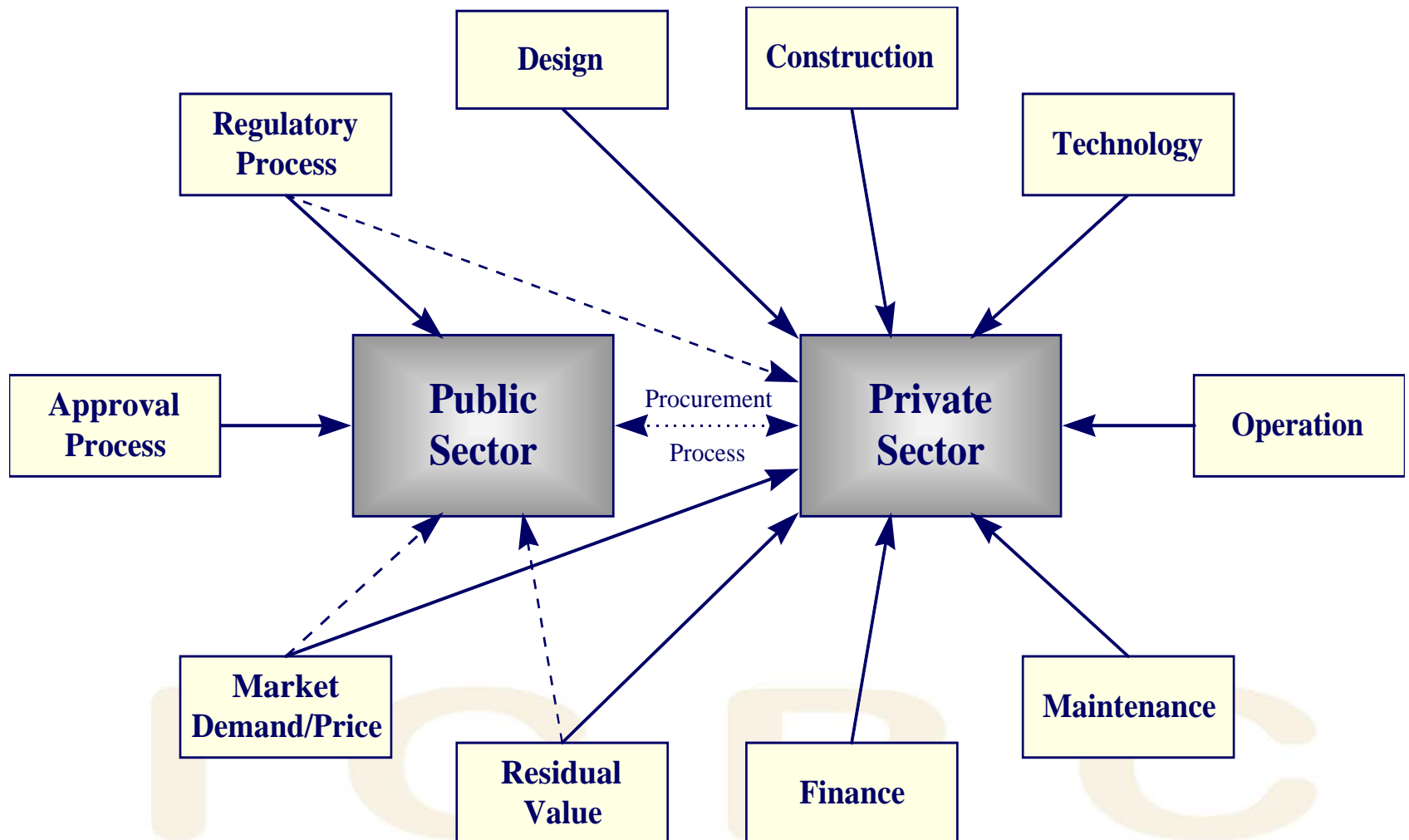
INDEPENDENT ENGINEER  
MONITOR DESIGN AND  
CONSTRUCTION  
COMMISSIONING TEST  
VERIFY OUTPUT  
REQUIREMENTS  
CONTRACT MANAGEMENT

**PREPARING AND IMPLEMENTING EFFICIENT  
AND EFFECTIVE PPP TRANSACTIONS**

# Traditional Risk Allocation



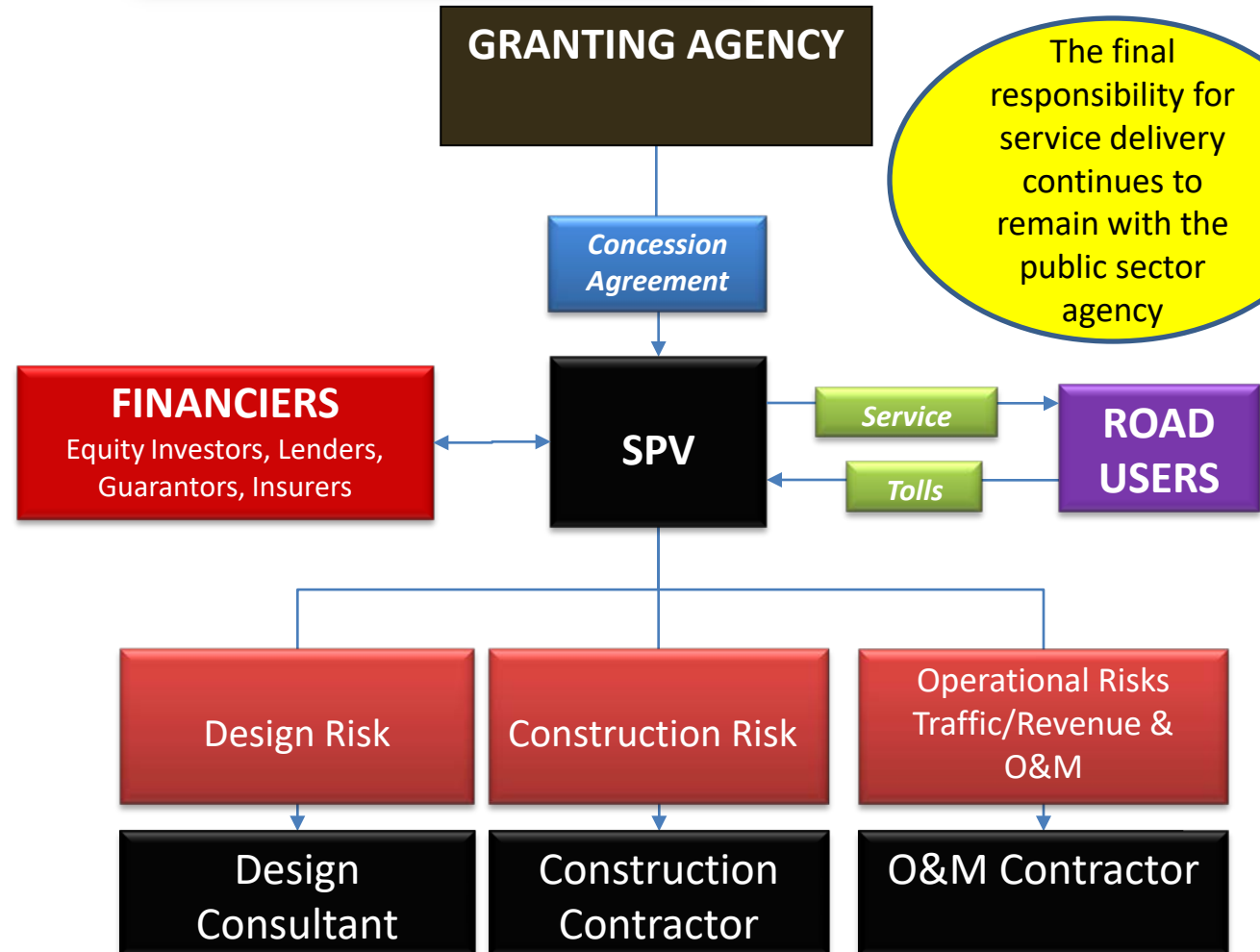
# PPP- Risk Allocation



# 7 Essential Conditions That Define Public Private Partnerships

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

## BOT-Toll Road Project



# Public procurement: Traditional v/s PPP



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

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



# Key Differences between Privatisation & PPPs



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

# Forms of PPP

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

# Types of PPP's – Alphabet Soup

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

# Key Benefits of PPPs



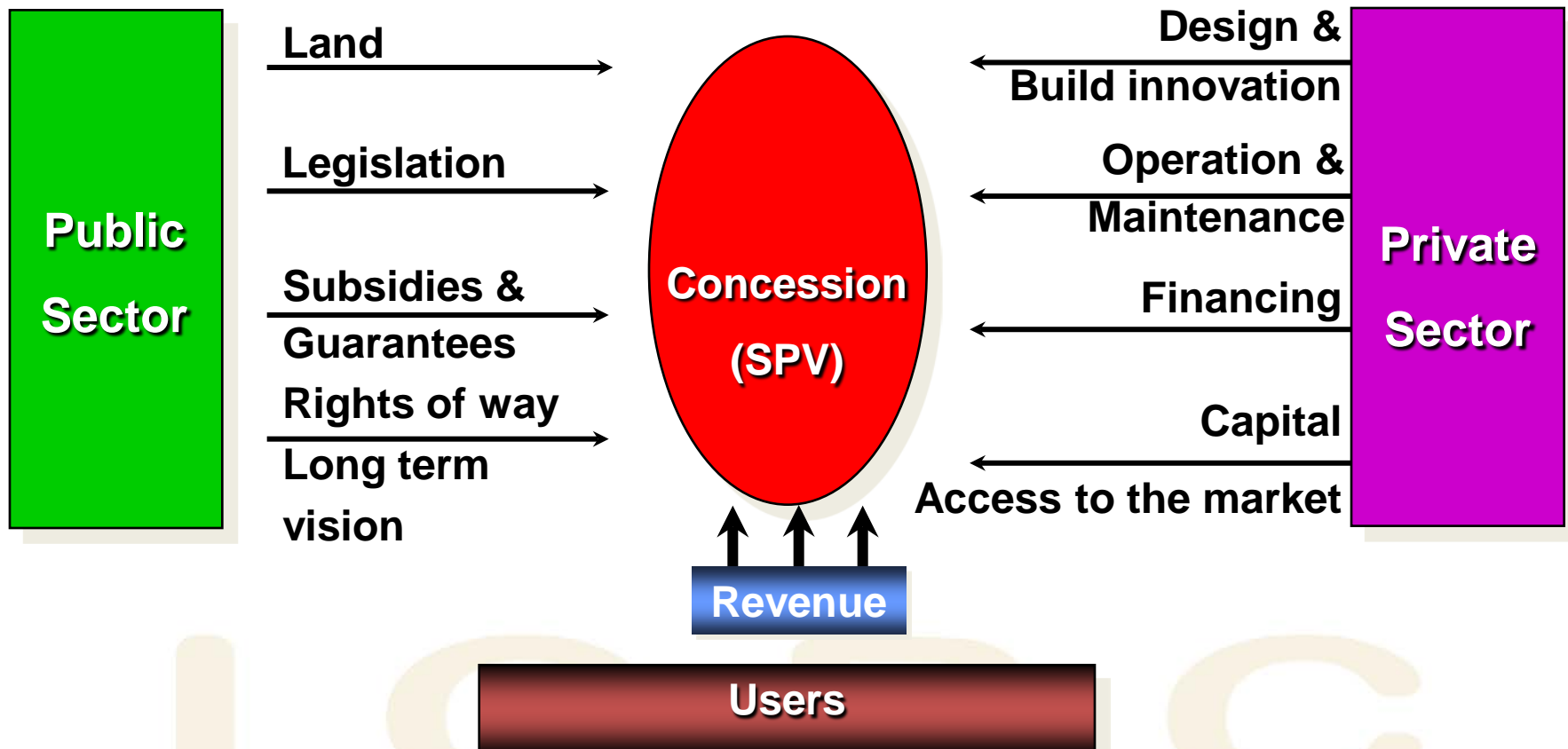
1. Rigorous project preparation – since the focus shifts to developing bankable projects
2. Delivery of a whole life solution – going beyond asset creation and including Operation and Maintenance (O&M)
3. Focus shifts to service delivery – construction responsibility is integrated with O&M obligations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

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# PPP Advantages (1)



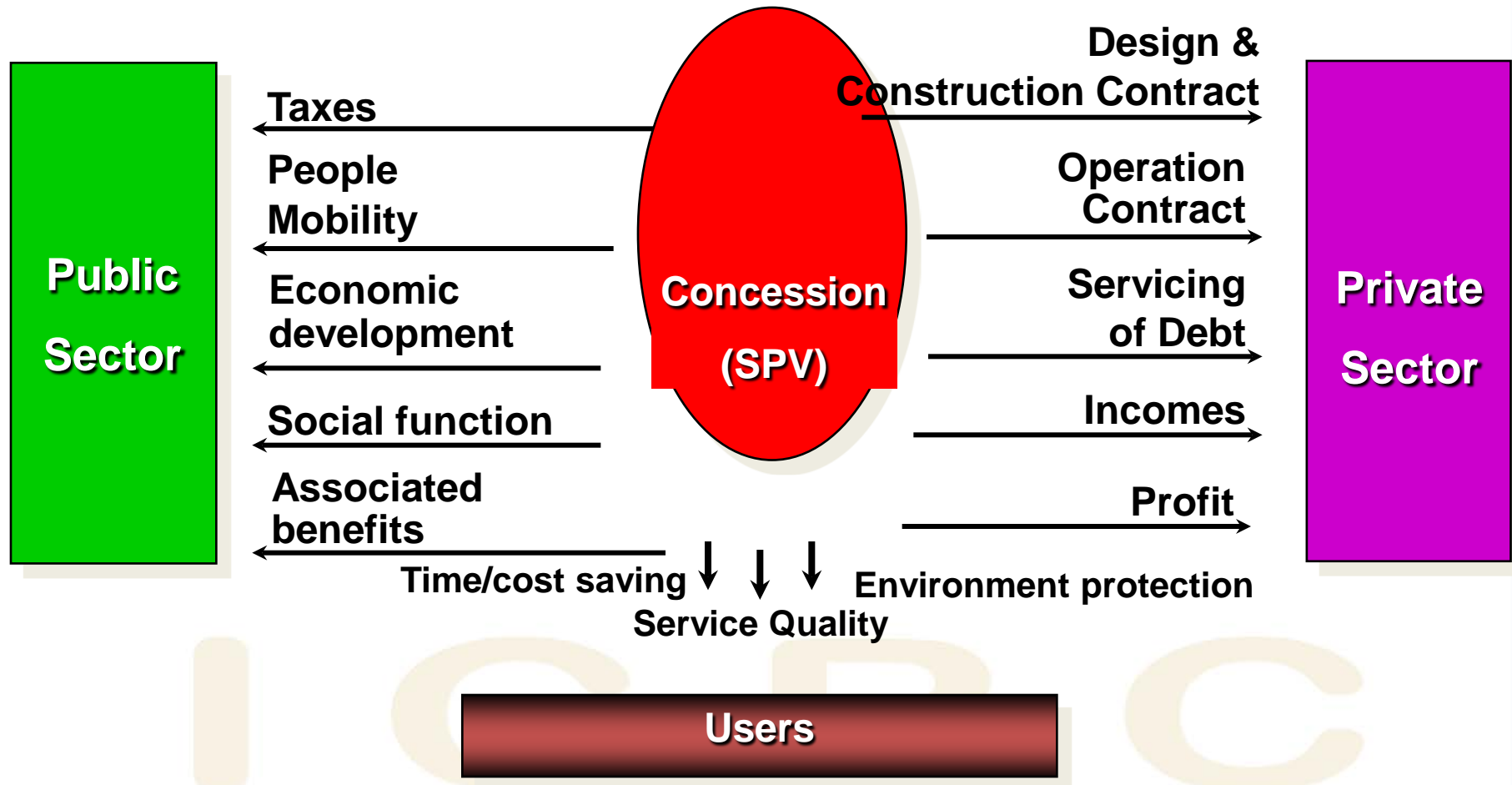
- What each party brings to a PPP



# PPP Advantages (2)



- What each party gets from a PPP





# General Lessons Learned: Project Development



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

# General Lessons Learned: Procurement and Contracts



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

# PPP Success in Nigeria

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# Port Terminals



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

## Lessons

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



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# Port Terminals Before Concession in 2006



Common User Road



Common User Road



Stacking Area

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



# Ports and Terminals Operators Ltd before Concession in 2006



**Poor Infrastructure**



**Flooded Terminals**





# Tin~Can Island Container Terminal (TICT)



**Before 2006**



**After 2006**



# Tin-Can Island Container Terminal (TICT)



**Before 2006**



**After 2006**





# 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

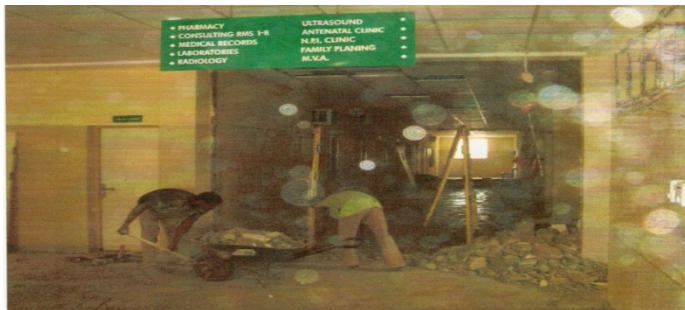
# Garki Hospital Abuja



- **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)



# PPP: ICU During June 2015 Cardiac Surgery



 **Garki Hospital Abuja**



# Pre PPP Radiology



 **Garki Hospital Abuja**





# PPP Radiology (CT Scanner)



# Pre PPP Laboratory



# PPP – One of our laboratories





# PPPs in Nigeria Going Forward

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# Recent Successes ~ Hydro



- **Client:** Federal Ministry of Power
- **Project Name:** PHCN 3 Large Hydro Power Plants
- **Description:** Concessioneing of Kainji, Jebba and Shiroro in partnership with BPE
- **Preferred PPP Model:** Concluded



- **Client:** Federal Ministry of Power
- **Project Name:** Small and Medium Hydro Power Projects
- **Description:** Hydro Power generation of up to 43 mega watts from existing Ten (10) Small and Medium dams
- **Preferred PPP Model:** Rehabilitate/Build Operate Transfer (RBOT) model



# 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 Deepwater Port - Flagship PPP



# Lekki Deepwater Project - Flagship PPP



INFRASTRUCTURE  
CONCESSION  
REGULATORY  
COMMISSION  
(ICRC)

The Ag. Director General, Infrastructure Concession Regulatory Commission (ICRC), Engr. Chidi K.C. Izuwah Snr, on behalf of the management and staff of the Commission, wishes to congratulate His Excellency, Mr President; The Vice President; The Governor of Lagos State; The Honourable Minister of Transportation; The Managing Director, Nigeria Ports Authority; and Lekki Port LFTZ Enterprise on the

## Official Flag Off of Lekki Deep Sea Port Project

On Thursday 29th, March, 2018 at the Lagos Free Trade Zone, Ibeju Lekki, Lagos.

This momentous achievement will transform positively the maritime transportation sector and reaffirm Nigeria's position as the pre-eminent maritime hub in West Africa.



HIS EXCELLENCY  
**MUHAMMADU BUHARI GCFR**  
PRESIDENT, FEDERAL REPUBLIC OF NIGERIA



HIS EXCELLENCY  
**PROF. YEMI OSINBAJO SAN**  
VICE PRESIDENT  
FEDERAL REPUBLIC OF NIGERIA



HIS EXCELLENCY  
**MR. AKINWUNMI AMBODE**  
GOVERNOR OF LAGOS STATE



**MR. ROTIMI AMEACHI**  
HON. MINISTER OF TRANSPORTATION



**MS. HADIZA BALA USMAN**  
MANAGING DIRECTOR  
NIGERIAN PORTS AUTHORITY



**MR. HAREESH ASWANI**  
MANAGING DIRECTOR  
LEKKI PORT LFTZ ENTERPRISE



**ENGR. CHIDI K.C. IZUWAH SNR**  
AG. DIRECTOR GENERAL, ICRC

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Tel: +234-9-4604900, email: [info@icrc.gov.ng](mailto:info@icrc.gov.ng)  
Website: [www.icrc.gov.ng](http://www.icrc.gov.ng)



# Lekki Deepwater Project - Flagship PPP



# Ibom Deepwater Port - Flagship PPP



## IDSP PHASE 1 & 2 CONCEPTUAL LAYOUT





# Ware House in Box - Flagship PPP





# Dadin Kowa Hydro - Flagship PPP



# 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.



Re-development of National Arts Theatre, Lagos



# Nigeria Entertainment City - Lagos



Re-development of National Arts Theatre, Lagos

# Ports and ICD Opportunities



- 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

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# Rail, Aviation and FCT Opportunities



- NRC Narrow Gauge
- New Standard Gauge 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 System
- National Stadium
- Transmission
- Health Facilities – Hospitals, Diagnostics, PHC etc

# Road PPP Opportunities



1. 2<sup>nd</sup> Niger Bridge
2. Lagos Ibadan Expressway
3. Rehabilitation and upgrade of 368 Km Shagamu~Benin~Asaba Expressway
4. Reconstruction and Upgrade of Abuja – Kaduna – Kano Dual Carriage Road
5. Reconstruction and Full Dualization of Ibadan – Ilorin ~ 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



# 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)

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# 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

ICRC

# 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



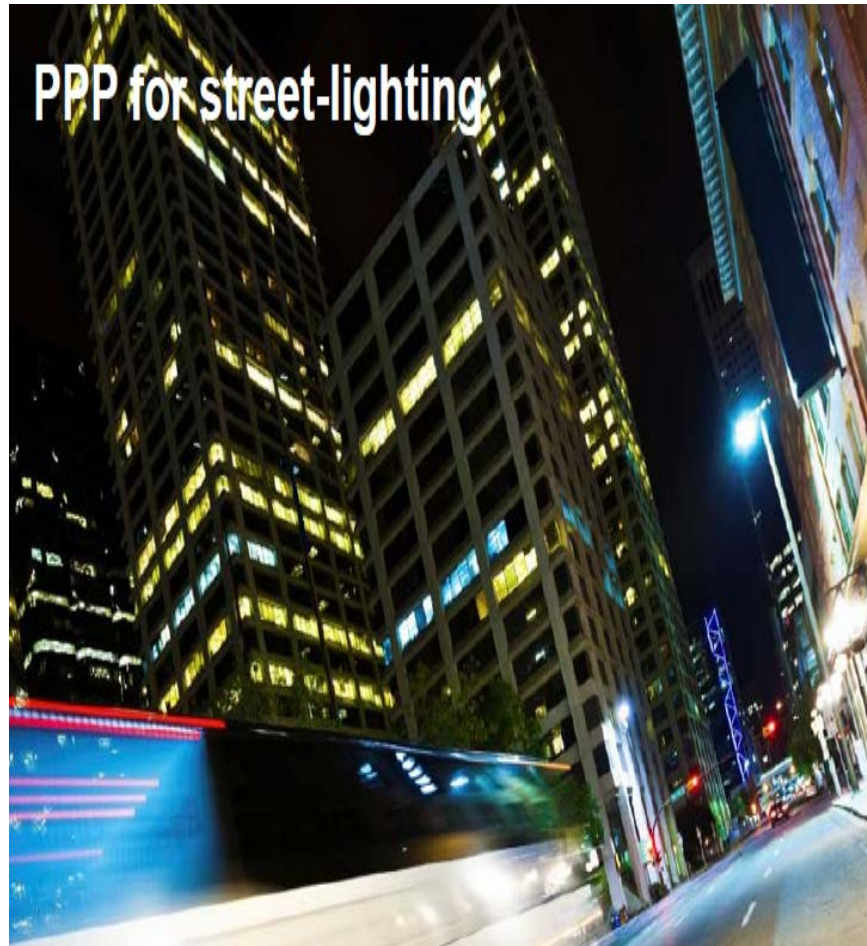
- AES Nigeria a subsidiary of AES USA was the project sponsor responsible for the implementation of the project
- The project is an Independent Power Project (IPP)
- It operates nine (9) barge-mounted gas turbines that produce 270MW



**LAGOS  
IPP –  
IKEJA and ISLAND 10MW**

**...building the Lagos of our dream!**

# Bhubaneswar Street-lighting Project, India







# **PUBLIC PRIVATE PARTNERSHIP**

## **EDUCATION MANAGEMENT ORGANIZATION - EMO**

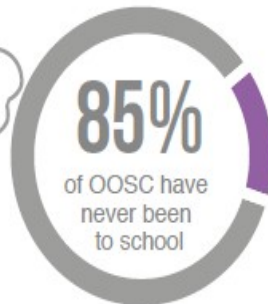
# Pakistan Education Crisis



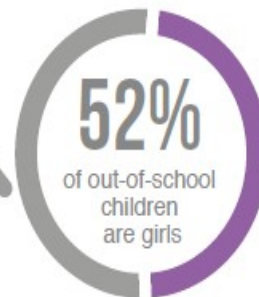
More than half of all children in Sindh are not in school



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

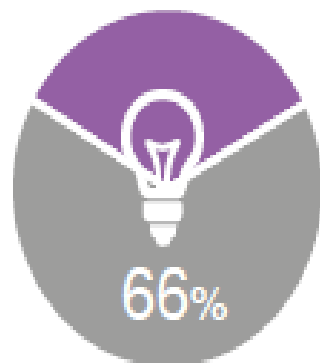


65%

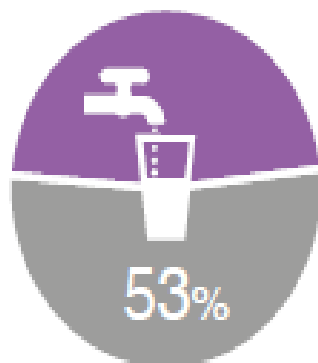
of class 5 students cannot do  
simple two-digit division



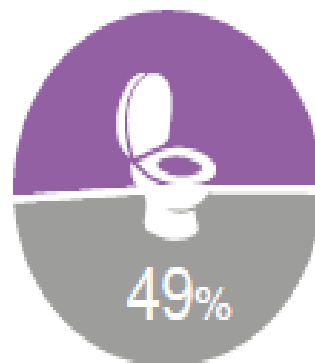
# Pakistan Education Crisis



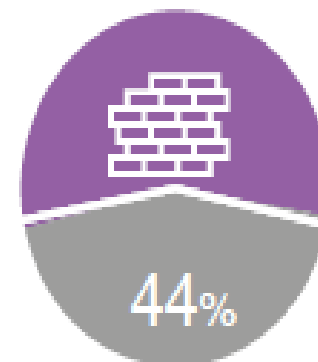
2 out of every  
3 schools are  
without  
electricity  
(66%)



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

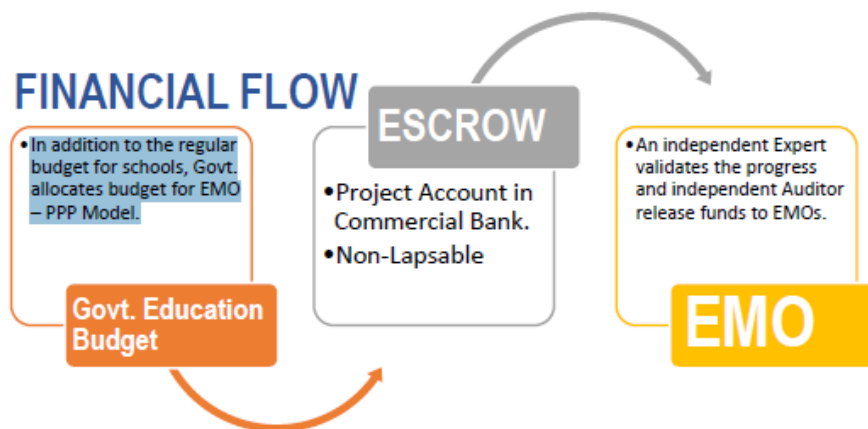
#### COMMUNITY:

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

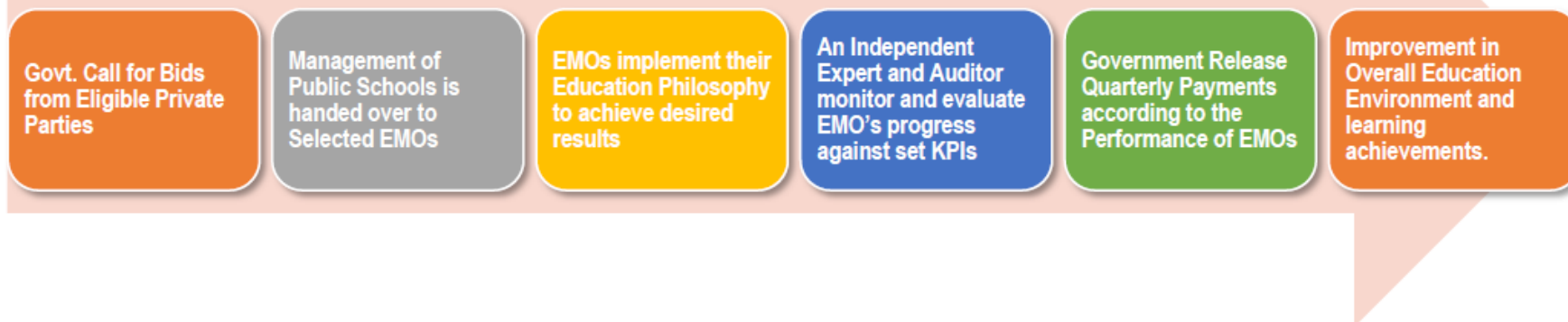
# How EMO Innovation Works?



## 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

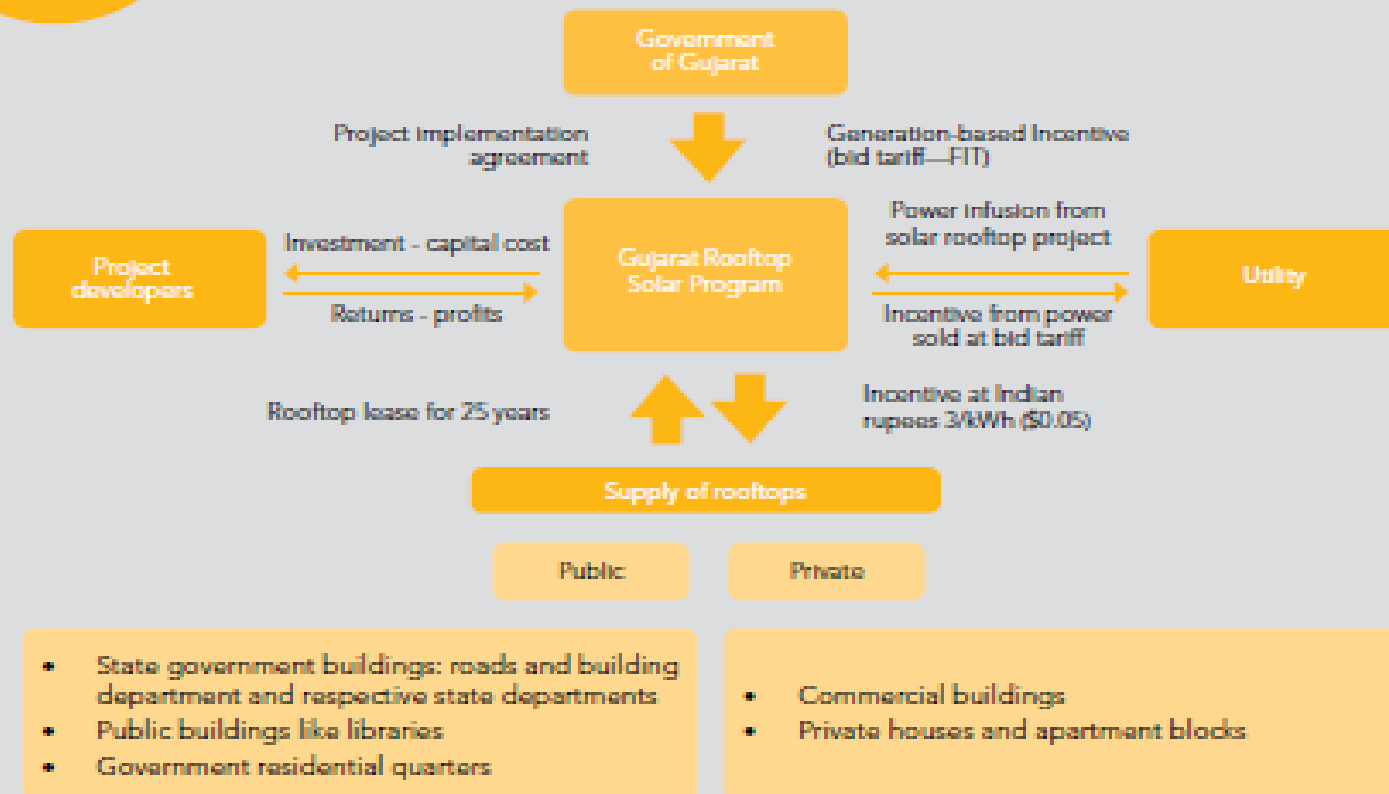


# Solar PPP Structure



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**



# What's The Road Block to Good PPPs



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

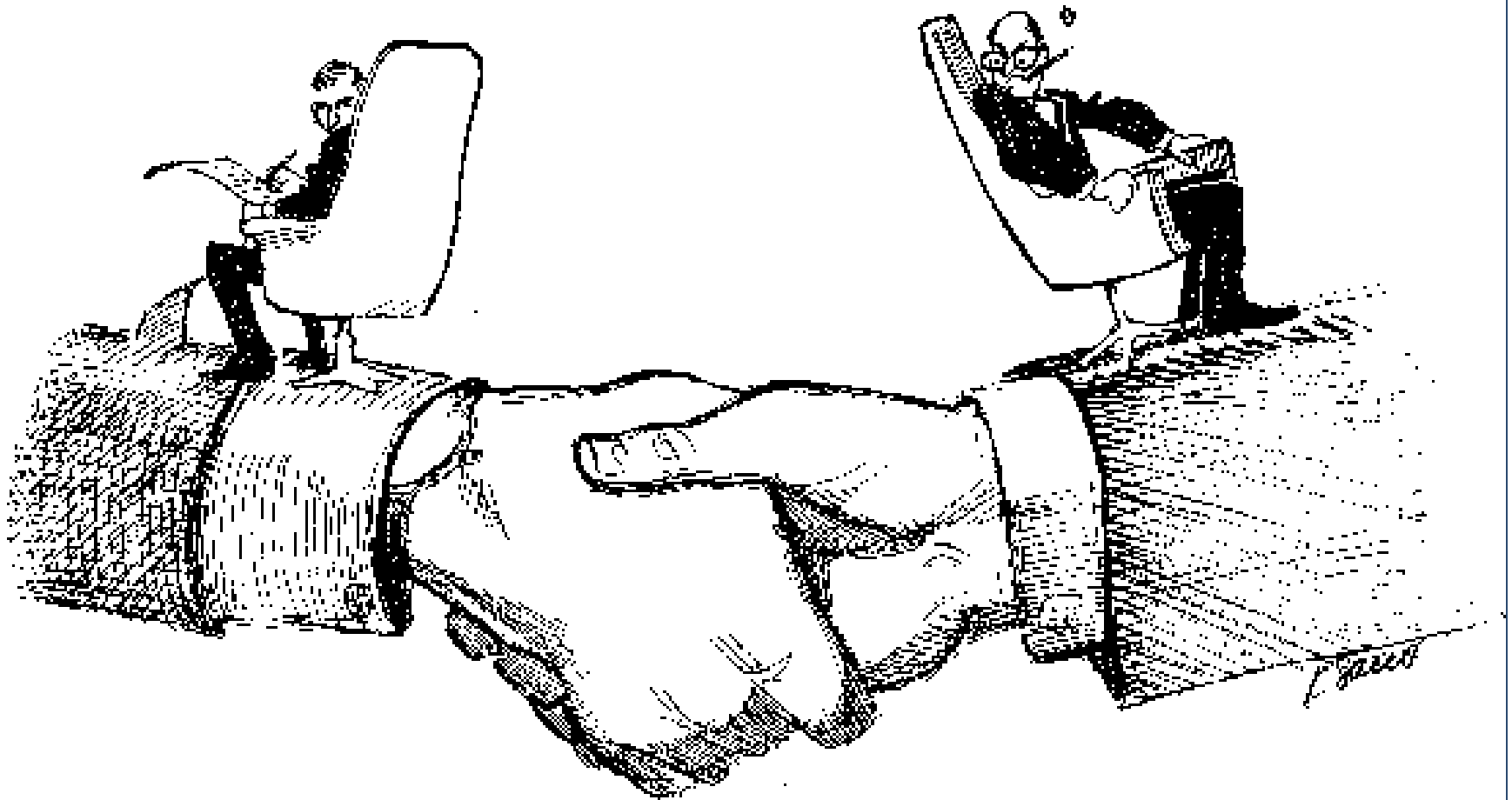


# Some Key Actions



- ☐ Transparency ~ 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

# Honest Advise !!!!!



Public-private partnerships take a lot of work.





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

**-JFK-**

**So it is with addressing Nigeria's Infrastructure Deficit**

**ICRC**

# PPP – Way Forward



- 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 international interest

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## Ten Principles for Successful Public/Private Partnerships

- 1 Prepare Properly for Public/Private Partnerships**
- 2 Create a Shared Vision**
- 3 Understand Your Partners and Key Players**
- 4 Be Clear on the Risks and Rewards for All Parties**
- 5 Establish a Clear and Rational Decision-Making Process**
- 6 Make Sure All Parties Do Their Homework**
- 7 Secure Consistent and Coordinated Leadership**
- 8 Communicate Early and Often**
- 9 Negotiate a Fair Deal Structure**
- 10 Build Trust as a Core Value**

# 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?

# Conclusions – 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*

# Conclusions – 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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# How to do PPP - 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**



# **TRANSFORMING NIGERIA IS DOABLE**

**ICRC**

# DUBAI 1990



# SAME STREET IN 2003





# DUBAI TODAY



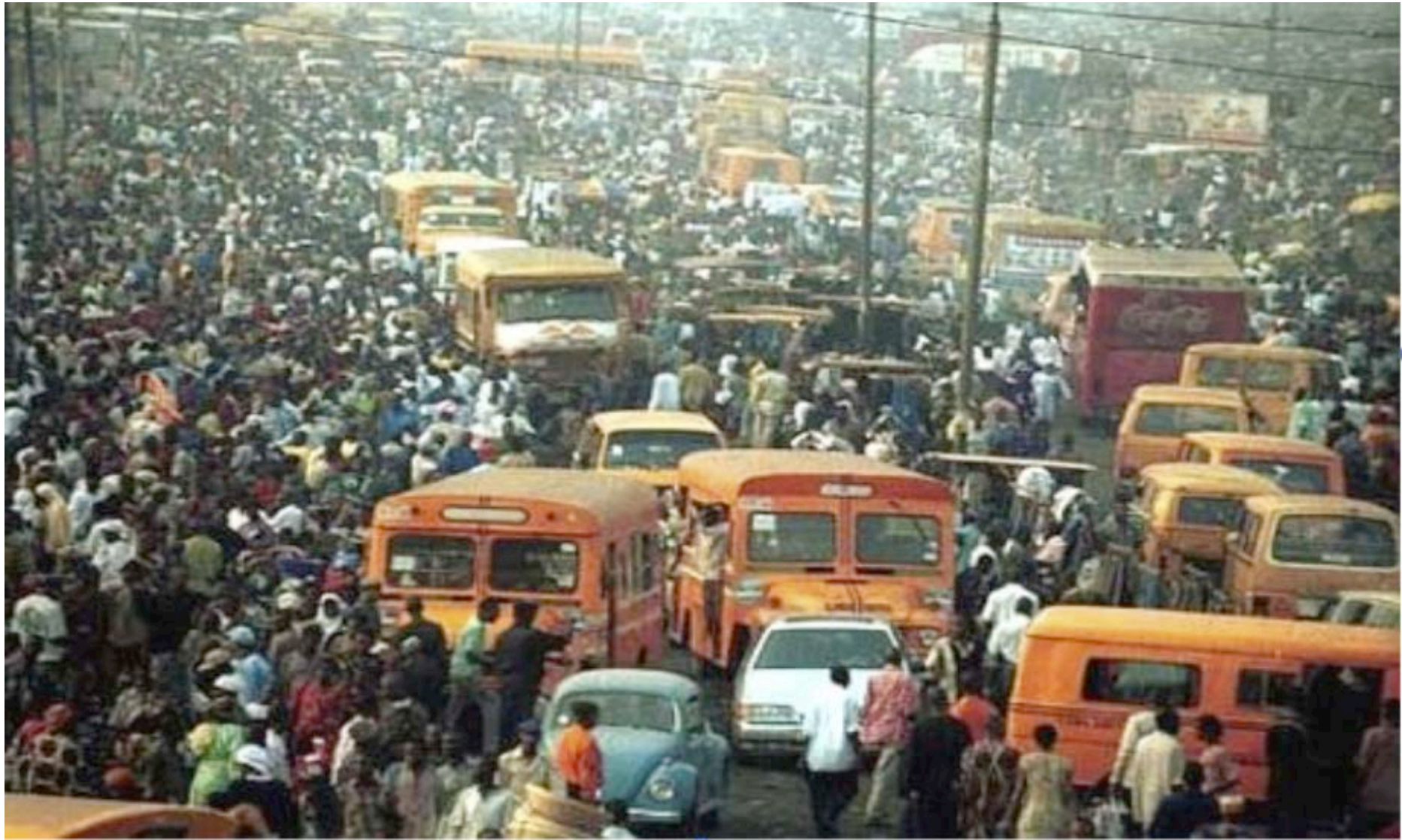


# DUBAI TODAY





# GOOD OLD LAGOS – OSHODI (2008)





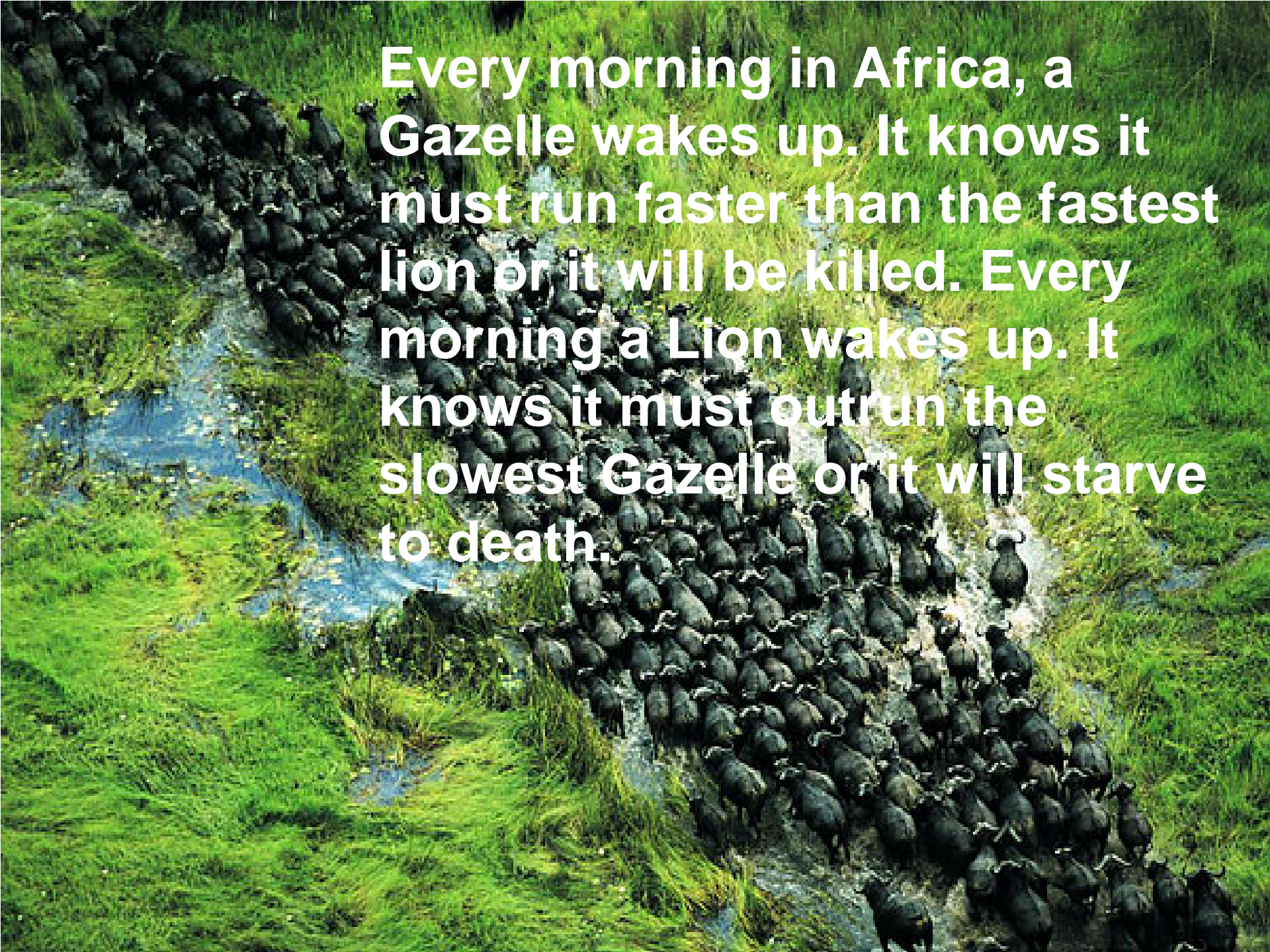
# THE NEW LAGOS – OSHODI (2009)



# LATEST OSHODI (2018) PLANS

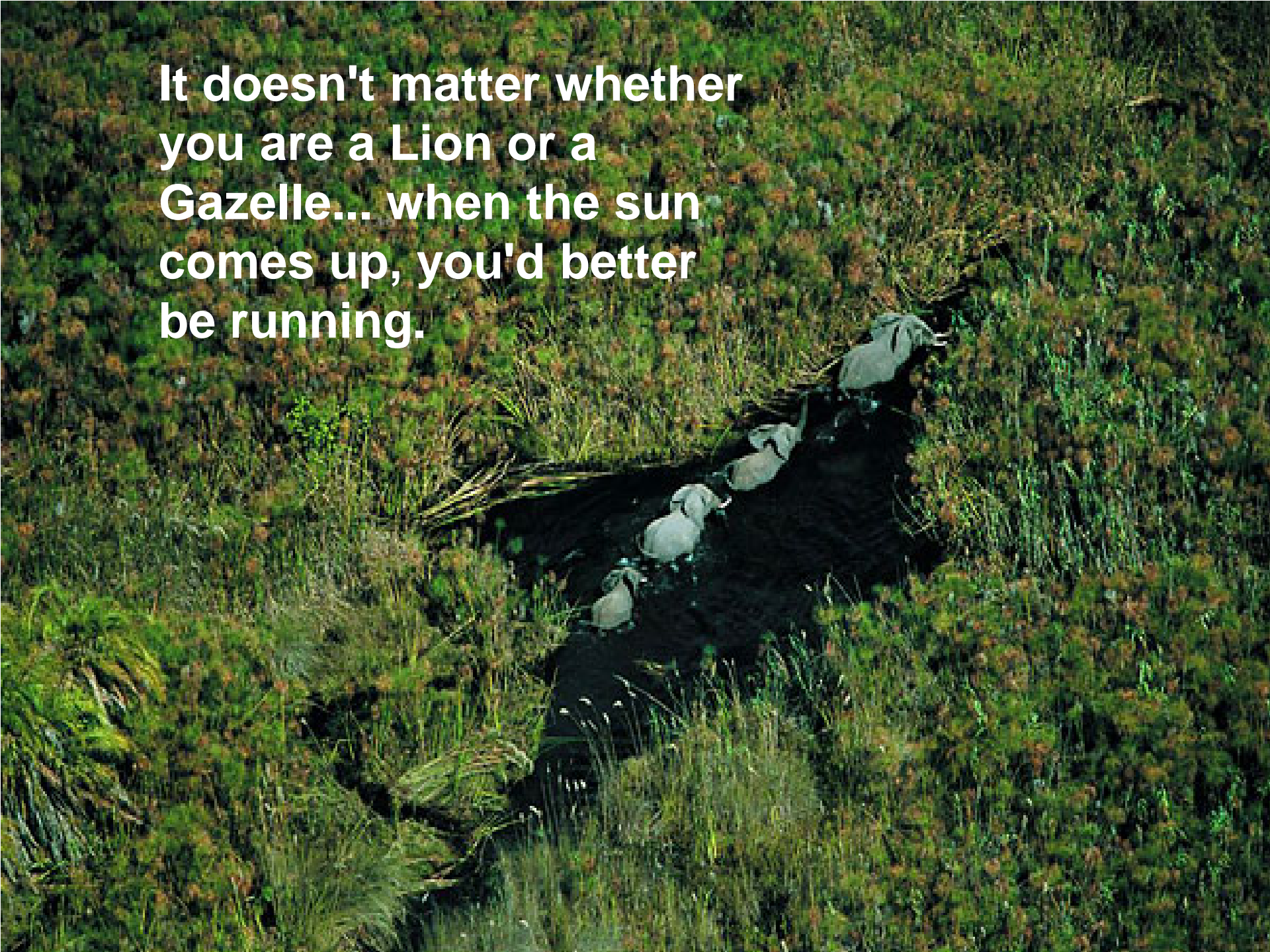




A large herd of wildebeest is crossing a river in a savanna landscape. The herd is moving from the top left towards the bottom right, with many animals already in the water and others on the grassy banks. The water is a light blue-grey color, and the surrounding grass is a vibrant green. The sky is not visible, but the overall scene is bright and clear.

Every morning in Africa, a  
Gazelle wakes up. It knows it  
must run faster than the fastest  
lion or it will be killed. Every  
morning a Lion wakes up. It  
knows it must outrun the  
slowest Gazelle or it will starve  
to death.

**It doesn't matter whether  
you are a Lion or a  
Gazelle... when the sun  
comes up, you'd better  
be running.**







## **INFRASTRUCTURE CONCESSION REGULATORY COMMISSION**

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