



# Sub National Infrastructural Development in Nigeria

## ~ The PPP Imperative

BEING A PRESENTATION AT THE INDUCTION OF NEW & RETURNING GOVERNORS

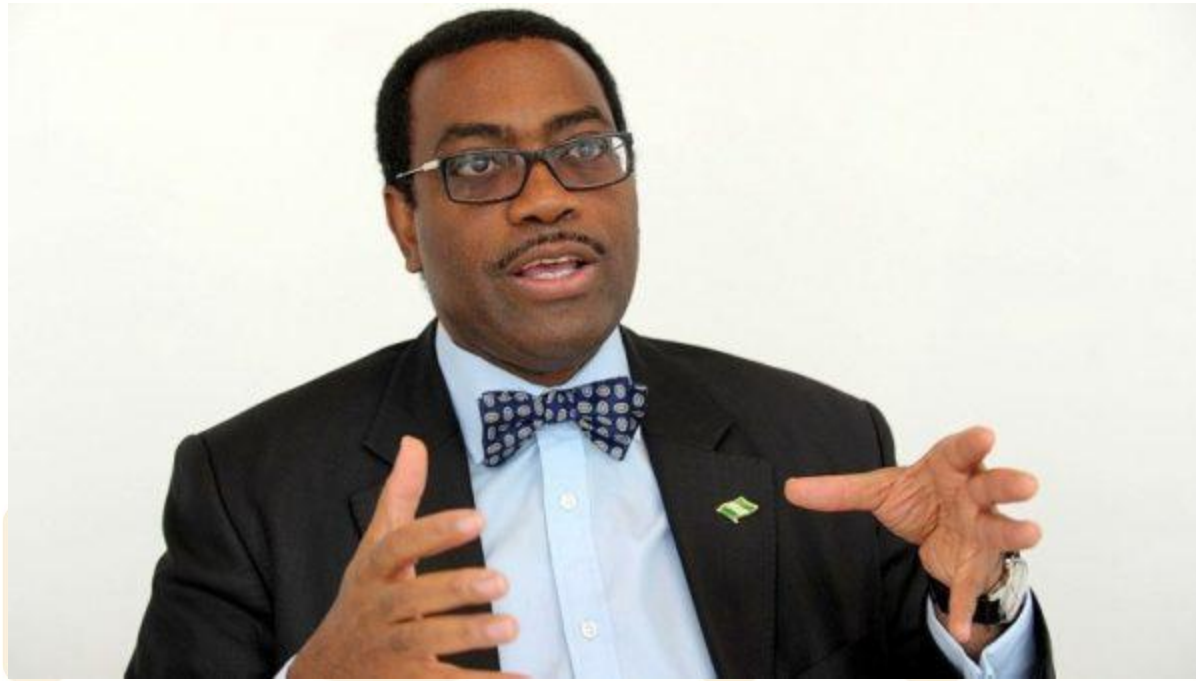


Engr. Chidi K. C. Izuwah, Snr.  
**DIRECTOR GENERAL/CEO**  
**INFRASTRUCTURE CONCESSION REGULATORY COMMISSION**  
30<sup>th</sup> April, 2019

# Creative Anger – Be Resourceful



**I've no patience for  
underdevelopment – AfDB  
President, Dr. Akin Adesina**



# Priority 1 of Priority 1 – Maternal & Child Health



## #GivingBirthInNigeria



Pregnancy is not an illness.  
But when our Nigerian  
women are pregnant, we are  
not sure whether they will  
survive pregnancy and  
childbirth. This is  
unacceptable in 2019.



...at the #PHC4AllNaija Policy Dialogue



**Engr. Chidi Izuwah**

CEO Infrastructure Concession  
Regulatory Commission

# Healthcare

## Maternal Mortality



**“159 women die  
everyday in Nigeria  
due to pregnancy or  
birth related  
complications”**



**“Its like packing a Boeing 737 Max full of pregnant women  
and crashing it daily”**

# Key Recommendations



- **No. 1 Priority Infrastructure Delivery**
- ~~Copy and Paste~~ → **Copy Mix & Paste**
- **Sub National PPP Resource Centre – NGF & ICRC (Infrastructure Fire Service!)**
- **Dedicated Sub National Infrastructure Delivery Workshop for Governors – Infrastructure Starter Pack !!!!! Leverage Effect !!!!!**
- **Dedicated Infrastructure Delivery Workshop for Commissioners/PS/Directors/LGA Chairmen**
- **Delivery Capacity is key – Join NPPPN**
- **Land Value Capture – Implementation is Policy**

# 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  
or state can become economically buoyant  
without good infrastructure.**



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## NIGERIA GOVERNORS' FORUM



**Thursday, 27th September 2018**

**8.00am - 4.00pm**

**NAF Conference Hall and Suites, Abuja**

# 2018 Nigeria PPP Network



# Outline



- **Myth Bursting**
- **Sub National Infrastructure & PPPs**
- **Sub National PPP Case Studies**
- **Way Forward & Caution**
- **Conclusion**

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# Myth Bursting

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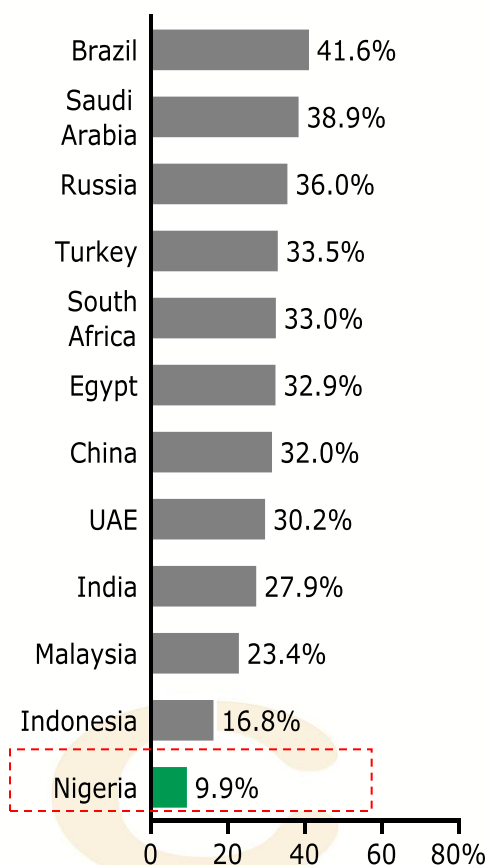
# Domestic financial depth: government spending vs peers



## Government Spending

- **SE States Budget N 870 Bn 9% of 2018 GDP**
- **Lagos GDP \$ 136 Bn; 2019 Budget \$ 2.5 Bn (>2%)**

Gov. Spending 2016, % of GDP



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# Private Capital in Lagos



# PPP Imperative

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# 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**

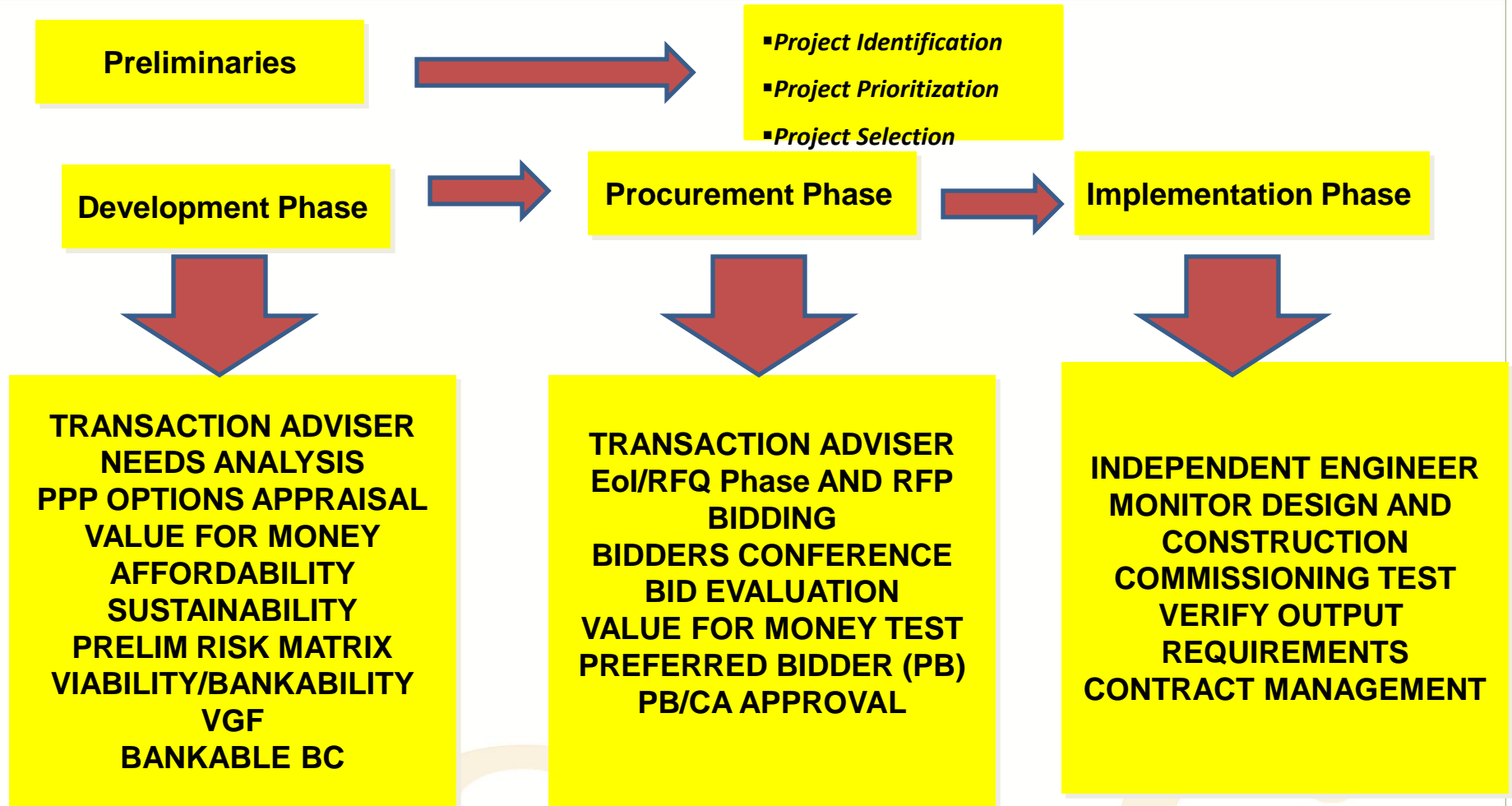
**Growing  
demand for  
private sector  
participation in  
infrastructure**

**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**

# Sub National PPP Lifecycle





# 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

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# 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

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# 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 authority or Government ministry 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 Authority)

# PPP Implementation for States and LGs



***We need a Sub National PPP Resource Centre to serve states and local governments {ALGON link} Like CDIA in The Asia Pacific***

- 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 or Authority 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 local bankers and investors lend or invest?

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

•

# 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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# **PUBLIC PRIVATE PARTNERSHIP**

## **EDUCATION MANAGEMENT ORGANIZATION - EMO**

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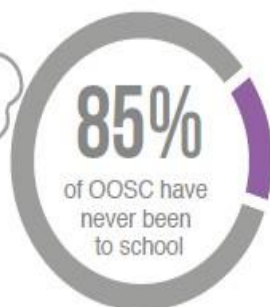
# Pakistan Education Crisis



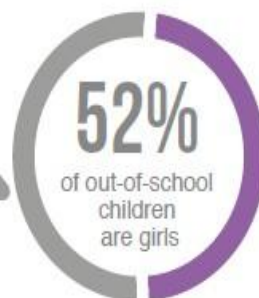
More than half of all children in Sindh are not in school



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 AILAAN  
<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

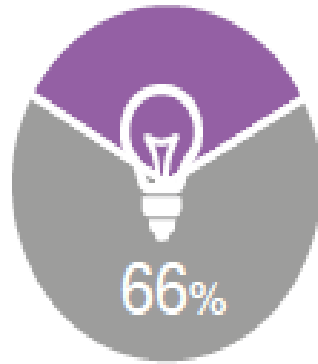


**65%**

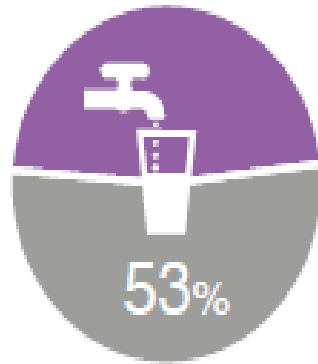
of class 5 students cannot do simple two-digit division



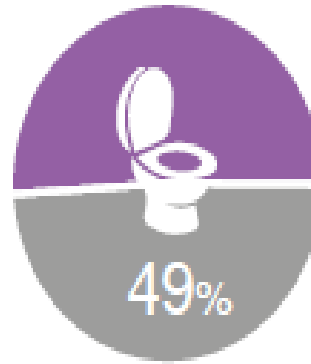
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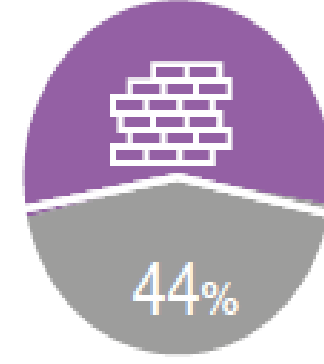
2 out of every  
3 schools are  
without  
electricity  
(66%)



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%)

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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

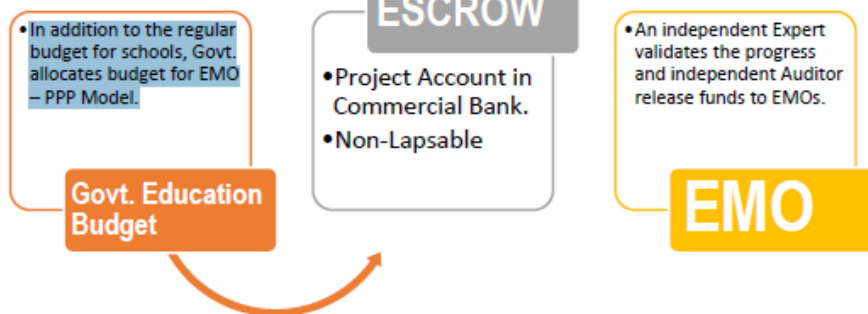


# How EMO Innovation Works?

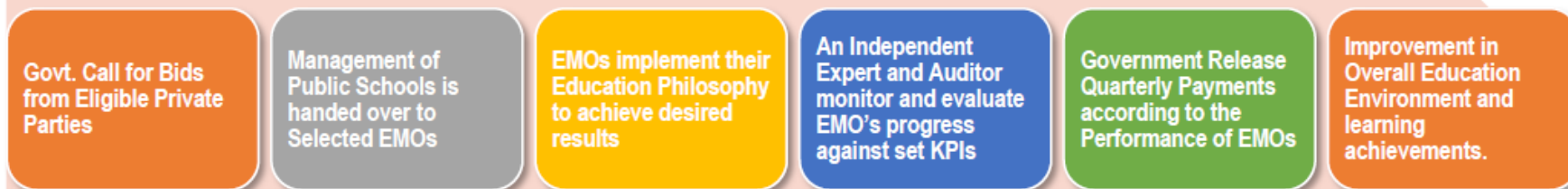


## HOW EMO INNOVATION WORKS

### FINANCIAL FLOW



### PROGRAM FLOW



# 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***

# 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

## RECENT AGORA REDEVELOPMENT



**BEFORE**



**AFTER**

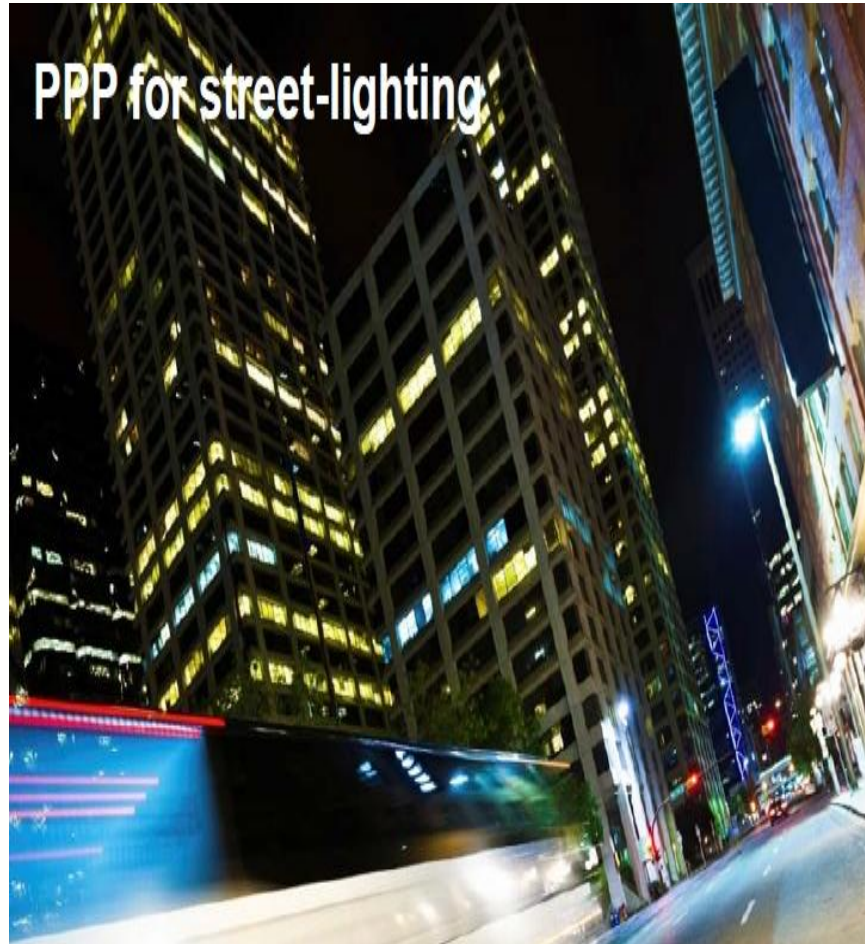


# PPP for Truck Stop Facility



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

# Bhubaneswar Street-lighting Project, India





# 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%



# Pro Poor PPP Procurement - Public Conveniences



**Yes, this is a public toilet**



# Way Forward Caution and Progress Nuggets

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Inter-American Development Bank



Multilateral Investment Fund  
Member of the IDB Group



THE  
WORLD  
BANK

## *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

# 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**

# 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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# Reminders

## **THE '6' REMINDERS FOR PUBLIC OFFICIALS WHILE CONSIDERING PPP PROPOSALS**

*The following "reminders" were offered by James Cuorato, City Representative and Director of Commerce for the City of Philadelphia, at Public-Private Real Estate Partnerships workshop conducted by NCPMP on June 5, 2002.*

James Cuorato argued that for a partnership to succeed, it must have the following characteristics:

1. It must be a real partnership, with shared burdens and shared rewards for both the public and private participants
2. There must be real incentives for the private sector or they will not participate
3. The public-sector must use its resources effectively and judiciously, focusing on projects where there can be success
4. Keep it simple for the private-sector by minimizing the bureaucratic procedures that can cripple a project
5. Remember that "Land is King"--it provides the public with the opportunity to control the projects
6. Public-private partnerships are a necessary and important part of the process of doing public good when properly planned and delivered

# 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
- PPPs will create enabling environment for industrialization towards creating good quality jobs.
- Remember that 1% increase in a nation's infrastructure increases GDP by 1%.
- ICRC is willing to make her in house PPP technical expertise in PPP transactions available.
- CDIA did it for Asia NPPPN/Sub National PPP Resource Centre will do it for Nigeria

# Learning from Others



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

**We cannot waste our time.**

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

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



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