



PUBLIC PRIVATE PARTNERSHIP – AN IMPERATIVE FOR NIGERIA’S INCLUSIVE NATIONAL DEVELOPMENT

Presentation 2019 Procurement Conversion Training



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INFRASTRUCTURE CONCESSION REGULATORY COMMISSION

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Recognition



1. Africa Infra Regulator
2. FoI Award – No. 1
3. Public Service Innovation Award – No. 1



PPP RECENT DASHBOARD ~ 1



1. PPP Disclosure Web Portal No. 1 in the World Bank
2. NYSC Call Up Web Portal
3. Lekki Deepwater Port Flag Off
4. Silos Concession
5. FMWPH Rooftop Solar PPP
6. Warehouse in a Box Medical Stores
7. NIWA Onitsha River Port

PPP RECENT DASHBOARD ~ 2



8. Ibom Deepwater Port
9. Ajaokuta Kaduna Kano Pipeline ~ TSP
10. Farm Mechanization PPP
11. Ecowas Biometric Card PPP for Immigration
12. SME Portal for FMITI
13. DICON Sur and Sur Turkey Military Clothing and Allied Services
14. Integrated Produce Export Cities PPP
15. Navy Dockyard/Gurara Dam

What are PPPs? – WBI



Video



Keywords and Sentences from Video



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

Outline



1. Nigeria....Challenges & Opportunities; Extensive Intro to PPPs
2. Nigeria's PPP Experience
3. Nigeria's Legal and Regulatory Framework for PPPs
4. PPP Procurement Routes and Case Studies
5. Potential PPP Pipeline
6. Key Actions, Conclusions and Transforming Nigeria

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Small scale IPPs supplied by China



Higher Education Housing in Some Places



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



Infrastructure + Nigeria = Progress



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

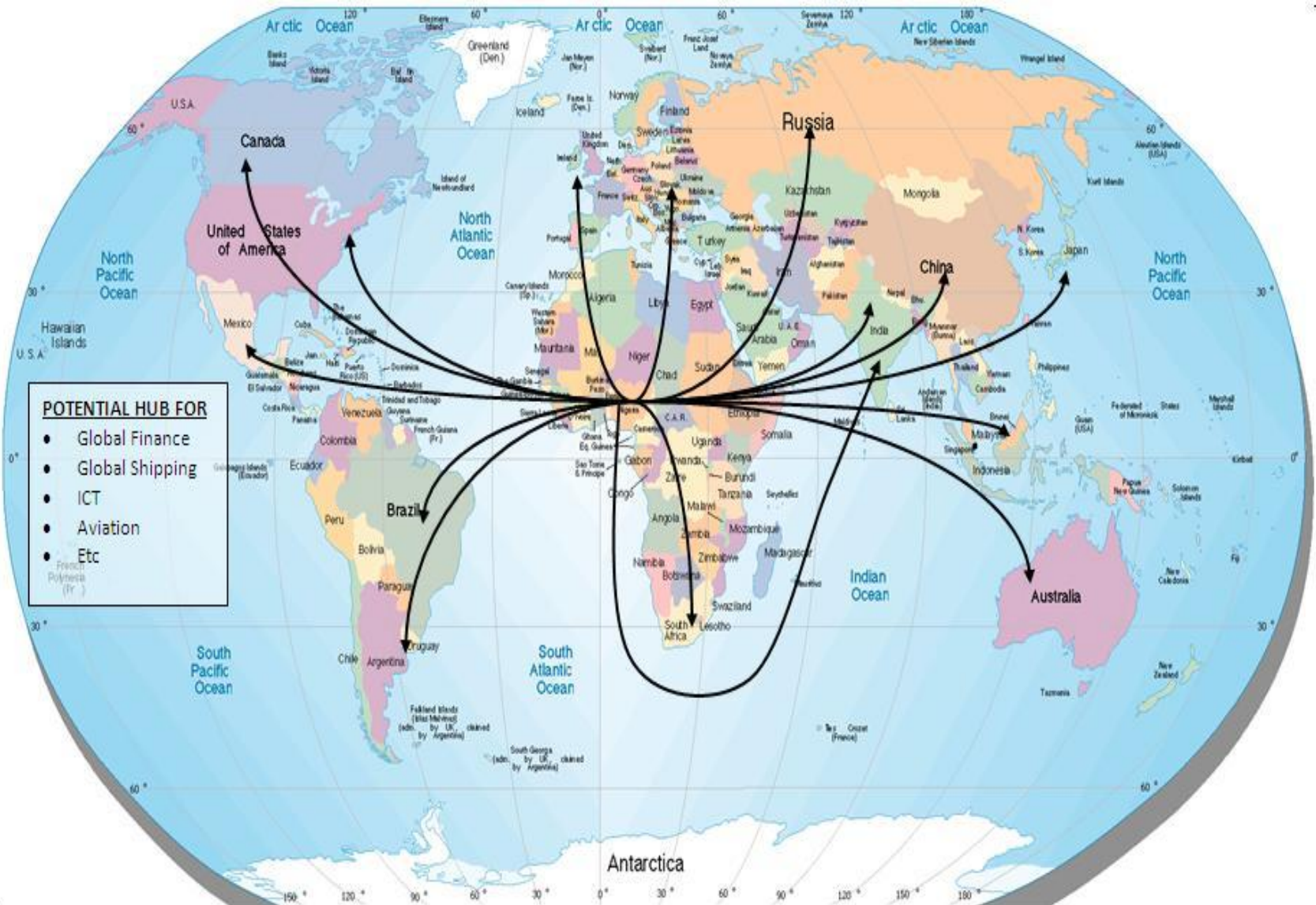
*“If Nigeria was a three legged
stool I would say its stability and
future depends on how well
and how fast we tackle the
infrastructure problem – the
shaky leg of the stool”*

World Bank Official



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

Introducing...Nigeria centre of the world



Africa's Most Formidable CV – Past and Present



- Largest Economy in Africa
- 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 – 190 Million
- Largest Entrepreneurial Population in Africa, Large Mobile Phone User Base
- 2nd Largest Movie Industry in the World
- 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 of Our Dreams



Roads



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Interchanges



Traffic Surveillance and Control Centers



Modern Infrastructure Bundle



给水
管

电信
管

电力
管

污水
管

雨水
管

雨水
管

污水
管

电信
管

给水
管

煤气
管

Pipelines: water supply, telecommunication, electricity, gas, sewage, storm-water

World Class High Speed Rail



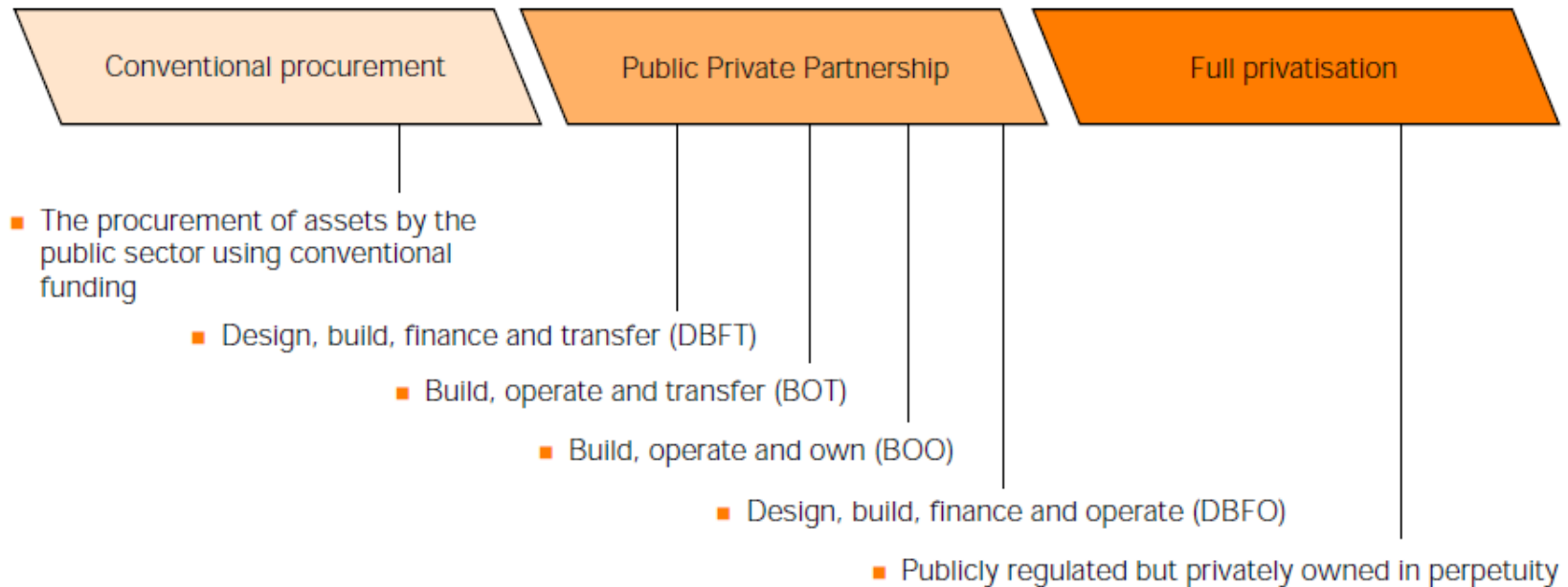
Infrastructure Procurement Options

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Procurement Continuum



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



Source: KPMG, KLegal

**Public
Sector**



Risk Spectrum

**Private
Sector**

PPP Definition



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

**Wide
Infrastructure
Gap**

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

**Small and
depleting
Government
resources**

**Urgent need for
alternative funding of
Infrastructure**

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

PPPs are Fundamentally Different



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 a procurement option

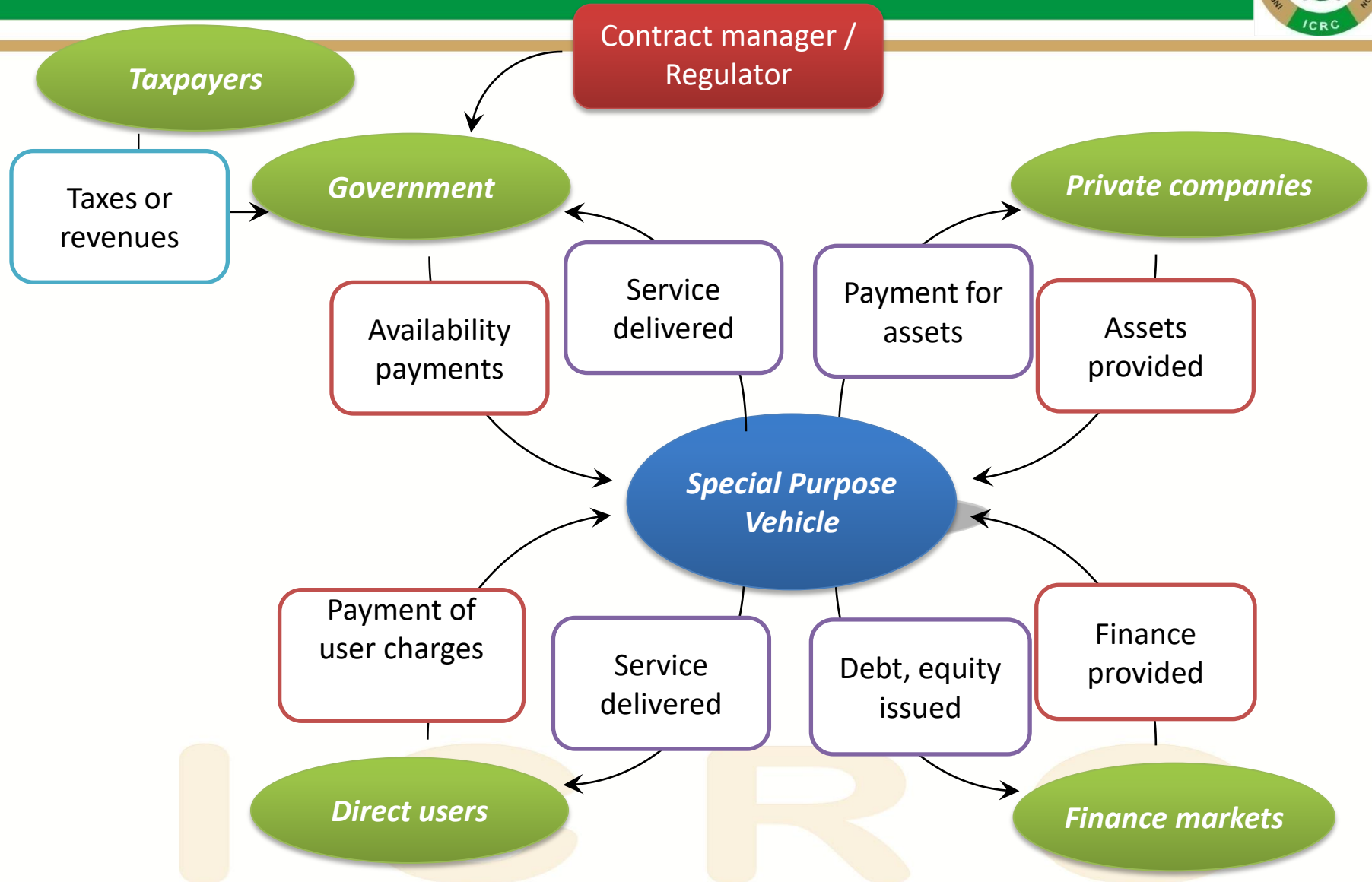


The final responsibility for service delivery continues to remain with the public sector agency

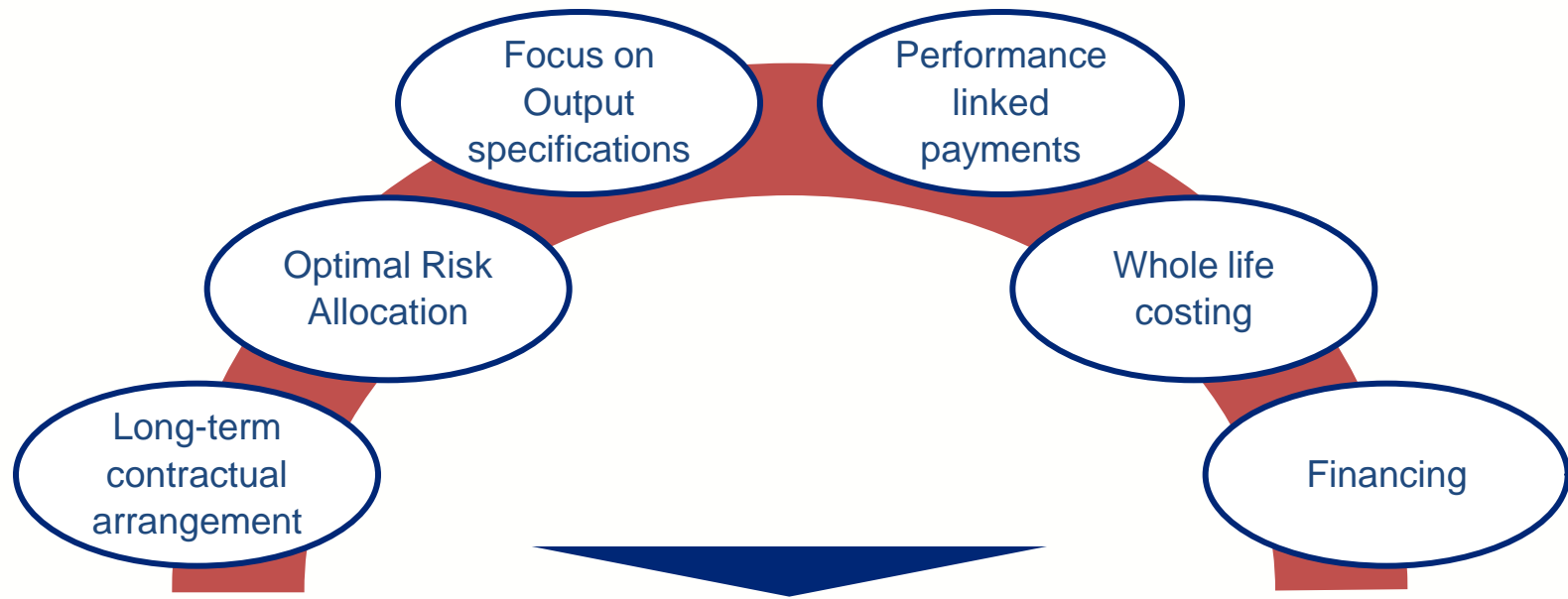
- PPP is only one of the several options available for procuring infrastructure
- PPPs should not be seen as a replacement of traditional public procurement
- PPP should be applied only where it can provide optimal value for money for the public sector
- PPPs recognize that both public & private sector 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

How PPPs work



Characteristics of PPP



Characteristics of PPP

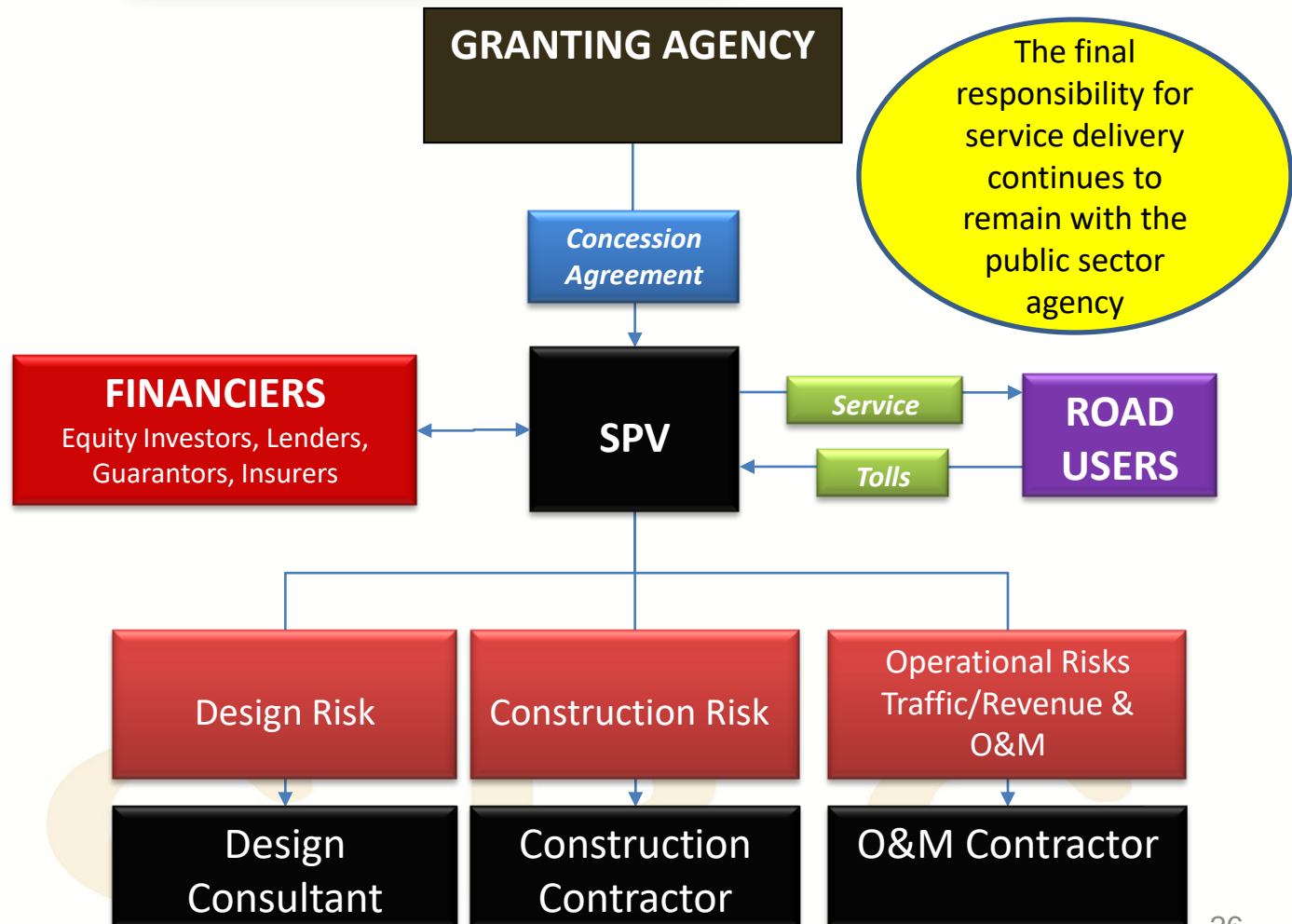
Role of public sector: Facilitator & Enabler

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



Why PPPs?

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Why Public Private Partnerships

- ❑ PPPs fill a critical resource and expertise gap in infrastructure procurement, delivery and operation
- ❑ PPPs engender accelerated procurement of infrastructure and services
- ❑ PPPs also promote faster implementation of projects, and reduced lifecycle costs due to private sector efficiencies
- ❑ PPPs provide for better risk allocation between public and private sectors, thus offering a better and sustainable incentive to perform
- ❑ PPPs engender accountability in resource utilization and also improve the overall quality of service
- ❑ PPPs often lead to the generation of additional revenue and overall value for money for the entire economy

Signature Marks of PPPs



Characterised by the Public Sector:

- **Entering into contracts to acquire services, rather than procuring an asset**
- **Specifying the service requirement on the basis of outputs, not inputs**
- **Linking payments to the private sector to the level and quality services actually delivered**
- **Often requiring a 'whole life' approach to the design, building and operation of project assets**
- **Seeking optimal risk transfer to the private sector**
- **Requiring private partner to be responsible for raising some, or all, of investment finance required**
- **Utilising diverse payment mechanisms, such as market revenue, shadow tolls, capacity availability payments and so on**

Key Parties in a PPP Procurement



- ❑ Private Partner: The private sector partner selected through a competitive procurement process to provide the contractual service to the Public Partner. The Private Partner might be known as Project Company, Consortium, Special Purpose Vehicle, Concessionaire or Contractor.
- ❑ Public Partner: The public sector entity which enters into the Project Contract. This may be a federal, state or local government, ministry, department or agency, or an end user such as a hospital or school board.

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...role of the different parties



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

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

What a PPP is & what it is not



1. **PPP is not privatisation or disinvestment**
2. **PPP is not about borrowing money from the private sector**
3. **PPP is more about creating a structure**
 - ... in which greater value for money is achieved for services
 - ... through private sector innovation and management skills
 - ... delivering significant improvement in service efficiency levels
4. **This means that the public sector**
 - ... no longer builds roads, it purchases kilometres of maintained highway
 - ... no longer builds prisons, it buys custodial services
 - ... no longer operates ports but provides port services through world class operators
 - ... No longer builds power plants but purchases power

Rationale for PPPs? – The Good and the Bad

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Main Rationale for PPPs



- **Availability of Private sector finance (most commonly cited reason):**
 - Through PPPs government can leverage public sector resources with private sector finances to meet the infrastructure needs
- **Achieving greater Value for Money through Efficiency gains:**
In principle, PPPs can improve VfM by:
 - Incentivising On-Time and Within-Budget delivery
 - Optimizing the Life-cycle Costs
 - Providing an opportunity to innovate
 - Optimizing risk allocation

Right Reasons to do PPPs



- Project is suitable (i.e. delivers VfM) and affordable to public sector
- Project is likely to result in optimal allocation of risks between the public & the private sector to minimize the overall project risk
- Project is likely to bring in private sector efficiencies in infrastructure creation & service delivery & derive efficiency gains from better management of whole life cycle costs by private sector
- Competitive market for infrastructure service delivery exists, & PPPs procured competitively are likely to encourage private sector to develop innovative means of service delivery while meeting public sector's cost objectives
- Private sector is likely to generate higher revenues from the project than the public sector through better asset utilization
- Project is likely to be financially viable to private sector, & affordable to end users without creating significant fiscal liabilities for the public sector

Wrong Motivations to do PPPs



- Project is not suitable for PPP procurement but public sector adopts the PPP procurement route as it **doesn't have funding under its development budget** to undertake the project
- Public sector intends to keep the infrastructure assets (& service delivery) off their books of account to report their improved fiscal position. Concealing true liabilities by moving them **"Off Balance Sheet"**
- Public sector wants to **transfer the entire risk** of infrastructure creation & service delivery to private sector, without being accountable "When PPP becomes Private Partner's Problem"

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Consequences - Enron's Dabhol Power Plant, India

PPP Project

- Gas-based Independent Power Producer to sell power to state utility - Maharashtra State Electricity Board - under a 20 year take-or-pay contract
- The contract was backed by the state's guarantee and counter-guaranteed by the federal government

Events

- In 2001, after the first phase was completed, the state utility did not meet its financial obligations given the high energy purchase price under the Power Purchase Agreement;
- The IPP attempts to call in its guarantees, but the federal government refused to make such payment on the basis of alleged technical breaches

Failure Analysis Dabhol Power Plant, India

	DABHOL's APPROACH	A BETTER APPROACH
Project Identification	By a private party on its own initiative	Sector plans to identify economical investments to achieve objectives
Procurement	By negotiation with a single proponent	An objective & competitive process to discover most advantageous offer of the preferred bidder
Appraisal	World Bank's advice that the project was unaffordable was disregarded	Projects that are not affordable, will not proceed ahead
Contract	Negotiation based on a draft prepared by the private party	Government prepares the contract based on an optimal risk allocation between the parties

Leadership Commitment

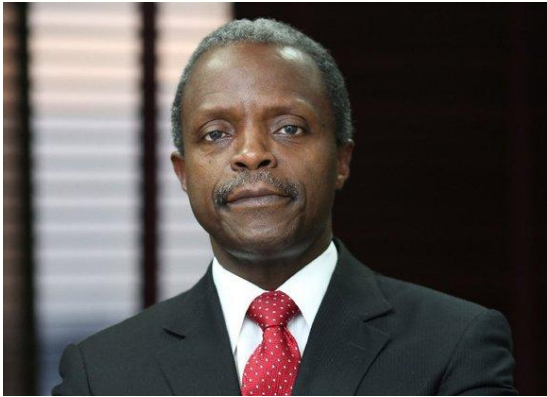


EXCERPTS OF SPEECH OF PRESIDENT MUHAMMADU BUHARI ON AUGUST 23, 2015

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

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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.

Myth Bursting

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Finance is not the problem? - Funding



The world invests
\$2.5 trillion annually
in transport, power,
water, and telecom

Today

The world needs to
invest **\$3.3 trillion**
annually just to meet
growth forecasts to

2030

**How can
the world bridge
its infrastructure gap?**

Find a way to attract the

\$120,000,000,000,000

under management by banks and
institutional investors to
infrastructure finance through ...

**A better
pipeline of
well-developed
projects**

**Changes to
regulation and
risk mitigation**

**Market
facilitation and
standardization**

**Solid
cross-border
investment
principles**

Herdsmen & Farmers Clashes – Transportation Infrastructure Problems

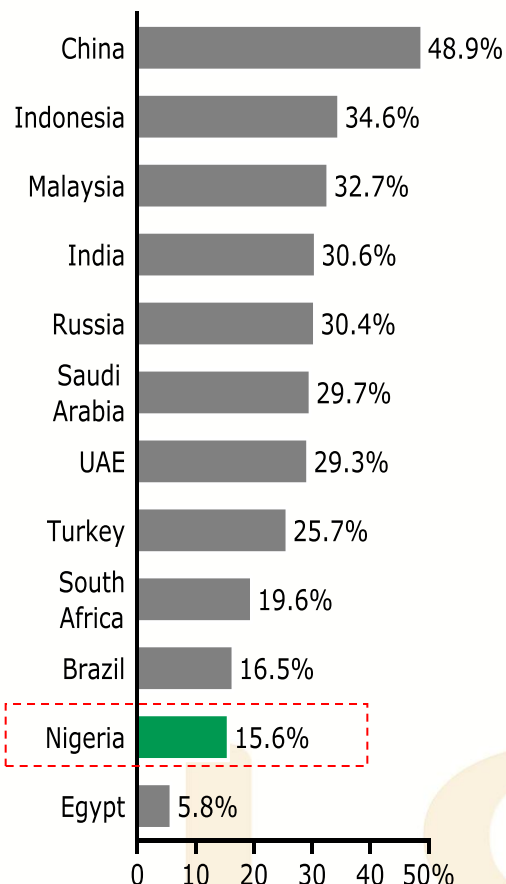


Domestic financial depth: Nigeria fares poorly on domestic savings, investments and government spending vs peers



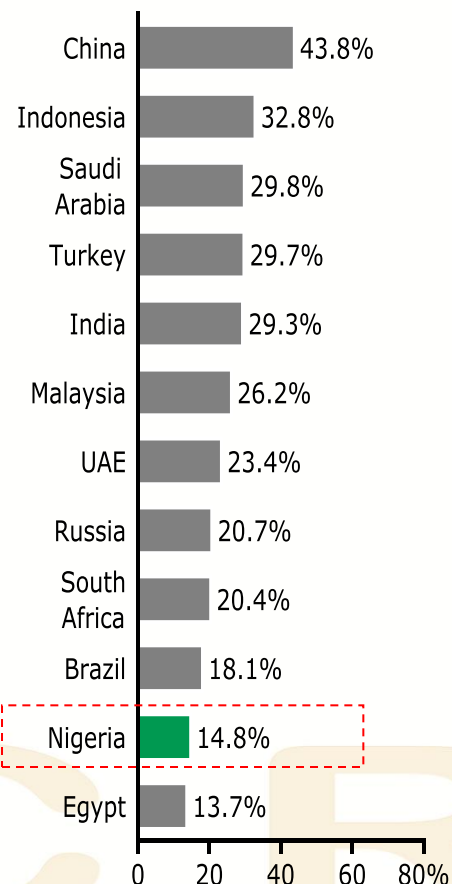
Domestic Savings

Domestic Savings 2015, % of GDP



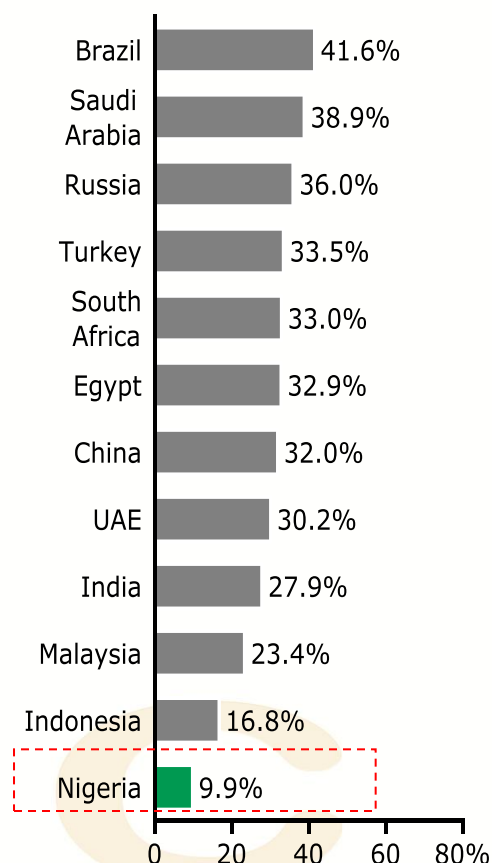
Investment

Investment 2015, % of GDP



Government Spending

Gov. Spending 2016, % of GDP



Types and features of PPPs

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Typology of PPPs



FINANCIALLY FREE STANDING PROJECTS

Examples - Toll Roads/ Bridges, Telecom services, Port projects

1. Role of public sector ~ planning, licensing & statutory approvals
2. No financial support/ payment is made by government
3. Revenues are through levy of user charges by the private sector

PROJECTS WHERE GOVERNMENT PAYS FOR SERVICES

Examples - Roads ~ annuity/ shadow tolls, power ~ under PPAs. In UK ~ prisons, education, health services, defence related services

1. Private sector paid a fee (tipping fee), tariff (shadow toll) or periodical charge (annuity) by Government for providing services
2. The payment is made against performance
3. There may be demand risk transfer – either in part or whole

Note that: In both cases, the design, financing, construction and O&M risks are fully that of the private partner

HYBRID STRUCTURES

Example – toll road project with either viability gap payment by government or annuity payment based road contract with tolling rights

1. Combine the financially free standing nature – levy of a user charge – with payment by the public entity
2. Payment could be as a viability gap subsidy or an annuity payment

Forms of PPP



■ Service contracts:

- ✓ Private sector contracted for specific tasks
- ✓ Capital investment and ownership of the asset is by the public sector
- ✓ Public entity pays the private company for provision of services but retains the commercial risk

■ Management contracts:

- ✓ Private sector manages the utility but does not finance it
- ✓ Capital investment and ownership are retained by the public
- ✓ Public entity pays private manager a fixed management fee
- ✓ Commercial risk is held by the public

■ Lease:

- ✓ Private sector manages the utility and finances the O&M
- ✓ Capital investment and ownership are retained by the public
- ✓ Private operator collects revenues and pays to the public entity a fixed fee
- ✓ Commercial risk is shared

Forms of PPP (Cont...)



■ Concession:

- ✓ Private operator manages the utility and finances new investments as well as O&M
- ✓ Capital investment is made by the private operator but ownership is retained by the public
- ✓ Private operator collects revenues and may pay a concession fee to the public entity
- ✓ Commercial risk is borne by the private operator

■ BOT (and other variations e.g. BOOT, BTO, DBOT, DFBOT, etc)

- ✓ Private operator builds new infrastructure, operates it for fixed period and transfers it to public sector
- ✓ Capital investment is made by the private operator, but ownership is by both at different points in time
- ✓ Public utility pays private operator for services provided by the new asset
- ✓ Commercial risk is usually private, but could also be shared

Types of PPP's – Alphabet Soup



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

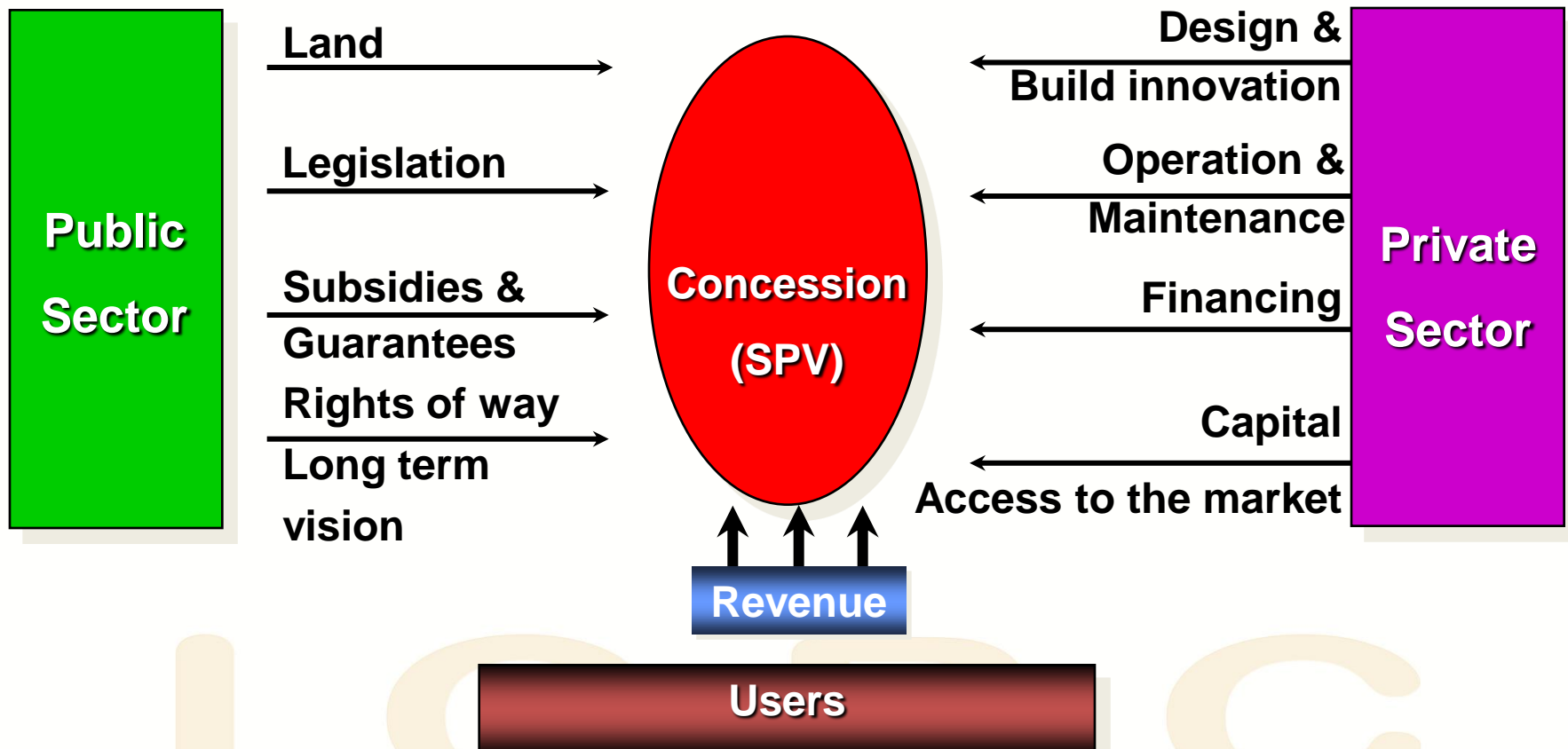
Key Technical Benefits of PPPs Procurement

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

PPP Advantages (1)



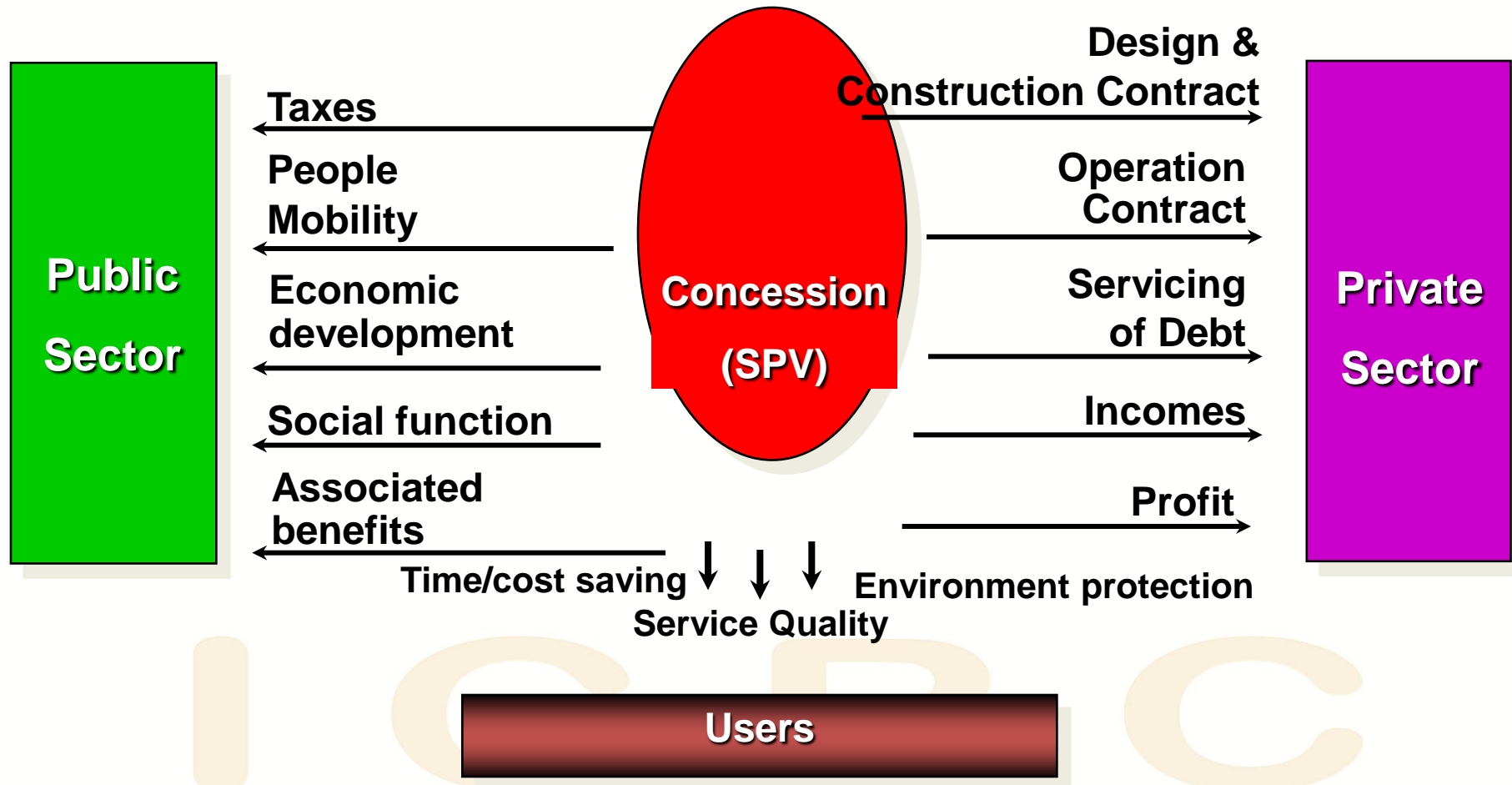
- What each party brings to a PPP



PPP Advantages (2)



- What each party gets from a PPP



Advantages of PPPs



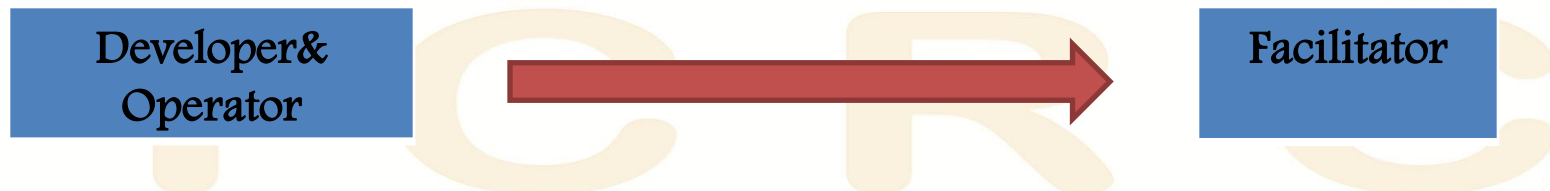
- ☐ Maximizes the use of each sector's strength
- ☐ Reduces development risk
- ☐ Reduces public capital investment
- ☐ Mobilizes excess or underutilized assets
- ☐ Improves efficiencies/quicker completion
- ☐ Improves service to the community
- ☐ Improves cost effectiveness
- ☐ Shares resources
- ☐ Shares/allocates risks
- ☐ Mutual rewards

PPPs are about !!!



1. Mobilizing private sector's money, expertise and capacities for infrastructure development
2. Long- term relationship between government and private sector (usually > 10 years)
3. Sharing of Risks and Rewards *(no lop-sided agreements-privatizing the profits, nationalizing the loses)*
4. Private sector performs to agreed KPIs
5. Life cycle focus *(operations and maintenance)*

Government is moving from role of Developer & Operator to Facilitator



Suitable Candidates for PPP's



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

Experience is transferable ~ “Lessons learned from one . . .”

Public procurement: Traditional v/s PPP



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

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

Key Differences between Privatisation & PPPs

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

PPPs: Common Myths/Concerns



Myth/Concern	Clarification
<ul style="list-style-type: none"> Profit motive of private sector is incompatible with the service motive of public sector 	<p>No. The key is to harness private sector's profit motive, by incentivizing them to provide better quality service and earn <i>reasonable return</i>.</p>
<ul style="list-style-type: none"> PPPs increase user tariffs 	<p>Not Necessarily. When appropriate safeguards like effective regulation and/or adequate competition are in place. However in sectors where existing tariffs are inadequate to cover costs of specified level of service tariffs may initially require some upward adjustment. Over time efficiency gains expected to rationalize tariffs.</p>
<ul style="list-style-type: none"> Money for PPPs comes from private sector "pockets" 	<p>Initially, YES. But private sector would make those investments provided they can recover those investments either from users or the government with reasonable return.</p>
<ul style="list-style-type: none"> Once a private sector partner is brought in, there is little or no role for the public sector 	<p>No. Public sector's role changes from direct involvement in construction and service provision, to ensuring that the PPP delivers value for money for the government and better services for users.</p>

Small Pro Poor PPP Procurement



Public Conveniences



(Cont...)



Yes, this is a public toilet



Some PPP Experience From Nigeria

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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

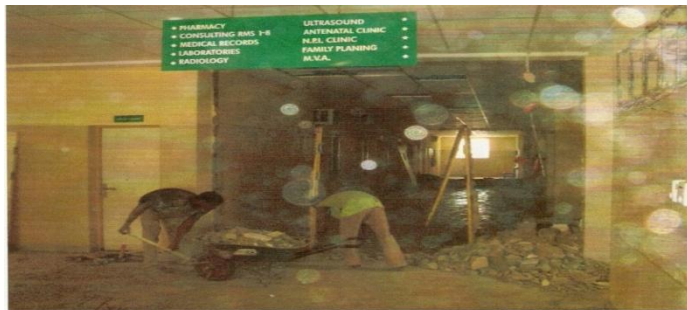
Garki Hospital Abuja



- **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



Ports



- Major Ports reform in 2004, to improve clogged, inefficient, and very expensive ports.
- Experienced private operators engaged through Concessions to rehabilitate and Manage 26 ports.
- Months after the concession of the Apapa-Lagos container terminal, delays for berthing space had dwindled, and shipping lines reduced congestion surcharge from \$525 to \$75, saving the Nigerian economy an estimated \$200 million a year.
- Goal of concession yet to be fully achieved due to external factors and actors

Lessons

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



General Lessons Learned: Project Development



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

General Lessons Learned: Project Procurement & Contracts



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

Nigerian Legal and Regulatory Framework for PPPs

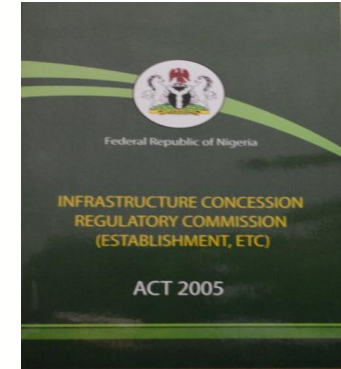
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Framework for PPP

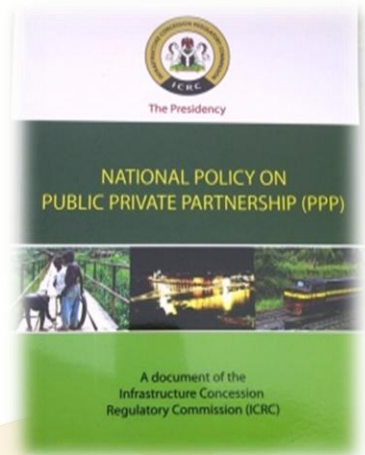


The Infrastructure Concession Regulatory Commission Act (Establishment Etc,) Act 2005.

In 2009, the Federal Executive Council (FEC) approved a **National Policy on PPP** which provides guidance on PPP project structuring.



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



Annual Report to the President presented every year in June.

Transparency and Competition

Framework for PPP



ICRC's Functions:

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

Framework for PPP



What others do :

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

ICRC

Framework for PPP



The PPP Process:

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

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PPP Lifecycle in line with National Policy



The Presidency

NATIONAL POLICY ON
PUBLIC PRIVATE PARTNERSHIP (PPP)



A document of the
Infrastructure Concession
Regulatory Commission (ICRC)



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 CERT ICRC

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**

PPP Projects must be Bankable & Affordable



- $IRR > \text{Weighted Average Cost of Capital}$
 - $RoE > \text{Shareholders Requirement}$
 - Debt Service Cover Ratio $>$ Bankers or Lenders Requirements
 - Loan Life Cover Ratio $>$ Bankers or Lenders Requirements
- Focus on not just comparative but competitive advantage !!!**

Ideas don't get funded bankable projects get funded.

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

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N4P Principles



- **Value for Money**

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

- **Public interest**

Adequate and prior consultation with stakeholders.

- **Output requirements**

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

- **Transparency**

Transparency in all procurements is key requirement of the law.

- **Risk allocation**

Risks allocated to the party best able to manage them.

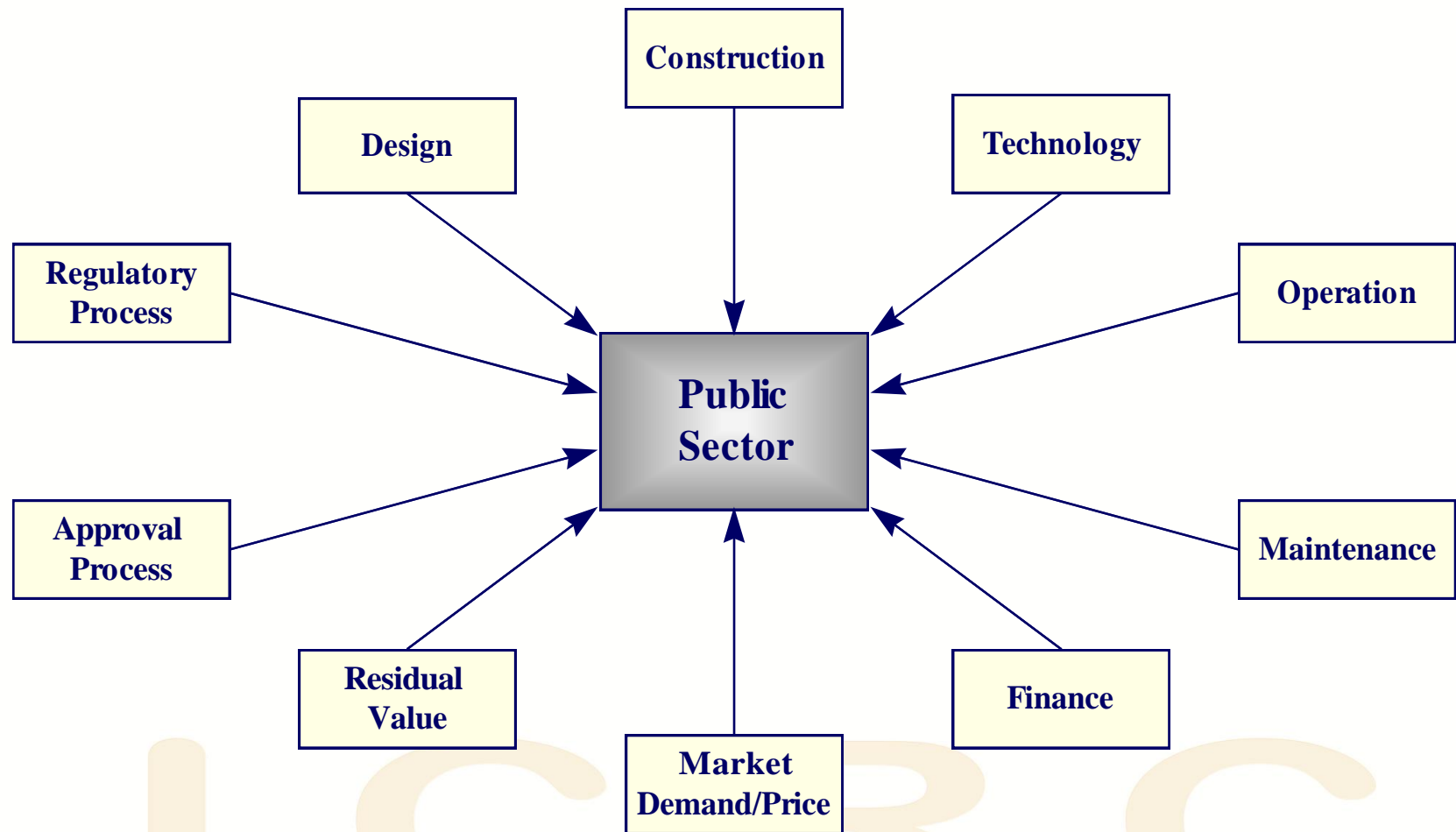
- **Competition**

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

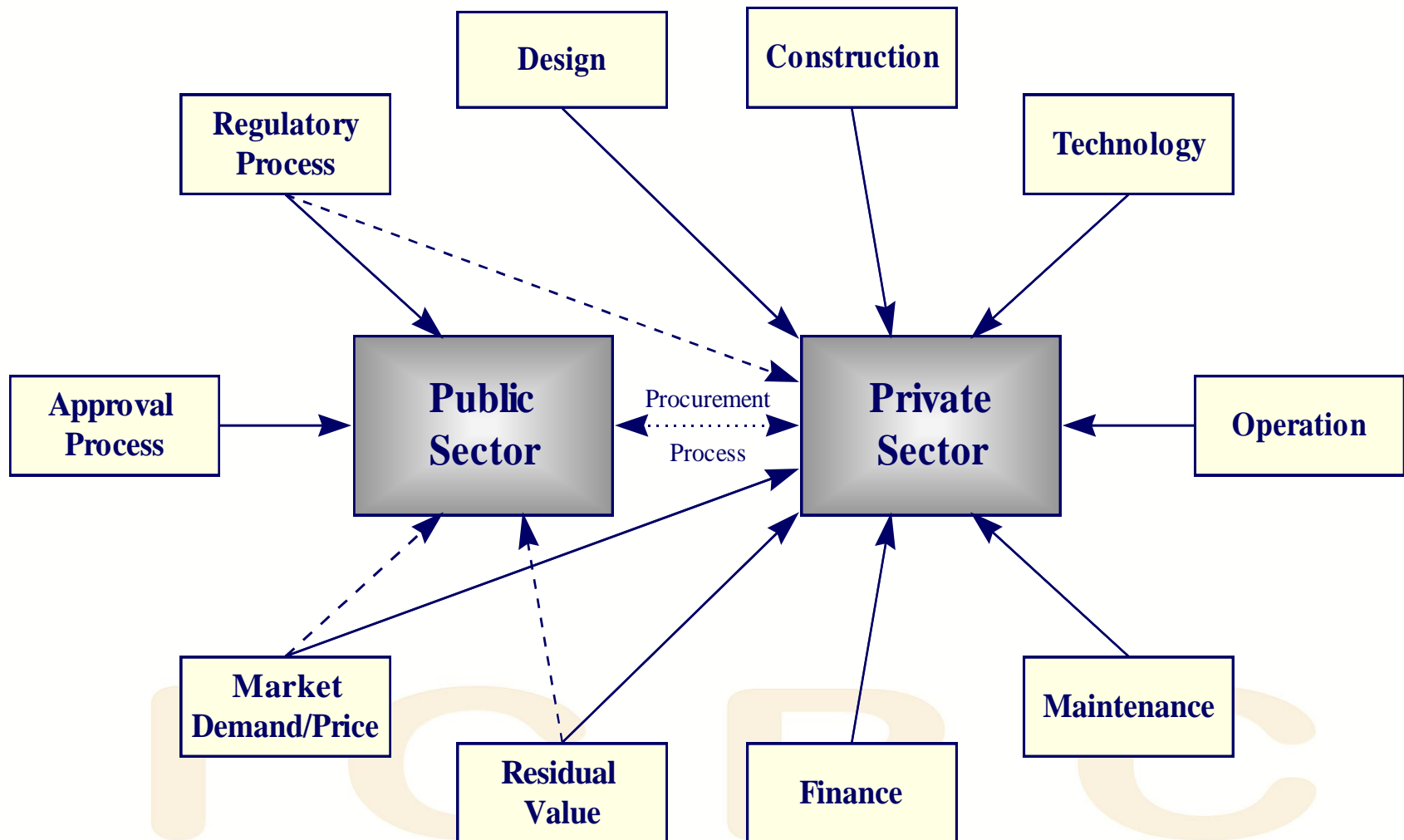
- **Capacity to deliver**

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

Traditional Risk Allocation



PPP- Risk Allocation



PPP Procurement Routes

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SOLICITED ROUTE

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

UNSOLICITED ROUTE

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

Unsolicited PPP Proposal Route



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

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

USP - straight to the PPP Procurement Phase

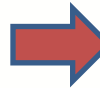


- Project Identification
- Project Prioritization
- Project Selection

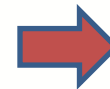
Preliminaries



Development Phase



Procurement Phase



Implementation Phase

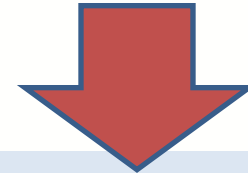


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PPP OPTIONS APPRAISAL
VALUE FOR MONEY
AFFORDABILITY
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VIABILITY/BANKABILITY

USP is here



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BIDDING
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COMMISSIONING TEST
VERIFY OUTPUT
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CONTRACT MANAGEMENT

Queen Alia International Airport Jordan

Background

- QAIA is Jordan's largest airport (97% of all air traffic)
- The existing terminal is insufficient, in terms of capacity and quality of services, to effectively meet growing traffic demand (growing at 7% p.a. since 2000)

Government Objectives

- Increase terminal capacity to 9 MAP & Maintain the architectural expression of a conceptual design by Foster & Partners (FP)
- Develop QAIA as a regional hub airport
- Increase service-quality standards in line with international best practices
- Ensure a revenue stream for the GoJ (Govt. of Jordan)
- **Received USP from Malaysia Airports Consortium offering 20% revenue share and GoJ invited IFC to help her negotiate concession**



Bidding Results



In April 2007, Aeroports de Paris Consortium (AIG) was selected as the Conditional Winning Bidder (out of 5 bids submitted for the Project).

The highest revenue sharing arrangement recorded globally in similar

Consortium Name & Members		Years 1-6	Years 7-12	Years 13 +	Rank
ADP	<ul style="list-style-type: none"> - Aéroports de Paris Mangement (France) - Joannou & Parskevaides Ltd – J&P (Cyprus) - Abu Dhabi Investment Corporation (UAE) - J&P Avax (UK / Greece) - Noor Financial Investment Co. (Kuwait) - EDGO Ventures (Jordan) 	54.47%	54.64%	54.64%	1
AAP	<ul style="list-style-type: none"> - Hochtief AirPort (Germany) - Mubadala (UAE) - Saudi Oger (Saudi Arabia) - United Arab Investors (Jordan) 	51.11%	53.63%	59.04%	2
ASG	<ul style="list-style-type: none"> - ANA Aeroporto de Portugal (Portugal) - International Investment Group (Kuwait) - Soares de Costa (Portugal) - Banco Efisa (Portugal) - MID Contracting (Jordan) - Siemens Project Ventures (Germany) 	38.13%	41.09%	48.18%	3
UDCH	<ul style="list-style-type: none"> - Malaysia Airports (Malaysia) - UDCH – Kharafi Group (Kuwait) - Kuwait Jordanian Holdings (Jordan) 	32.70%	32.70%	32.70%	4
TAV	<ul style="list-style-type: none"> - TAV Airports Holdings Co. (Turkey) - Consolidated Contractors – CCC (Greece) - Kawar Group (Jordan) 	23.10%	25.15%	27.30%	5

Before



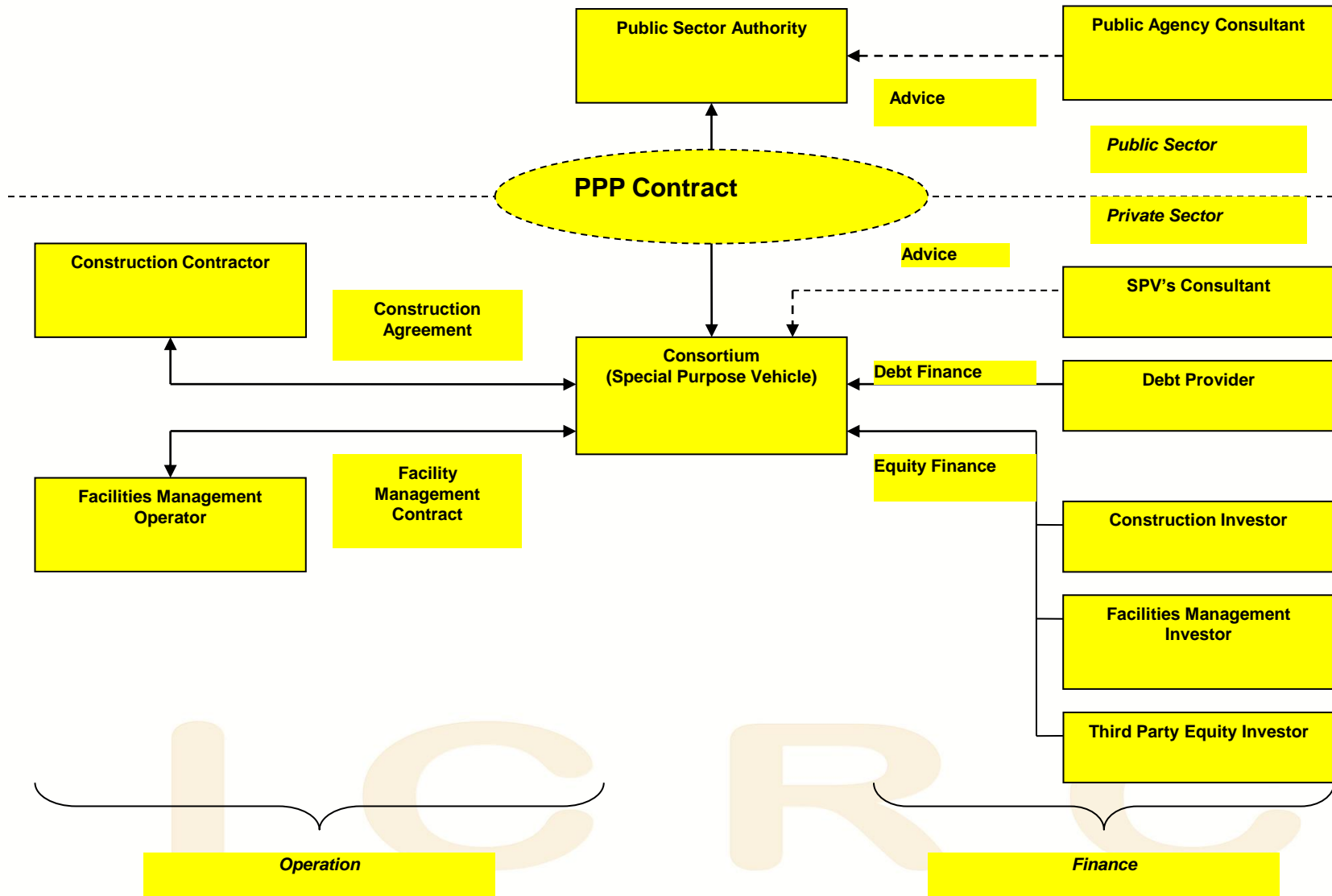
Now



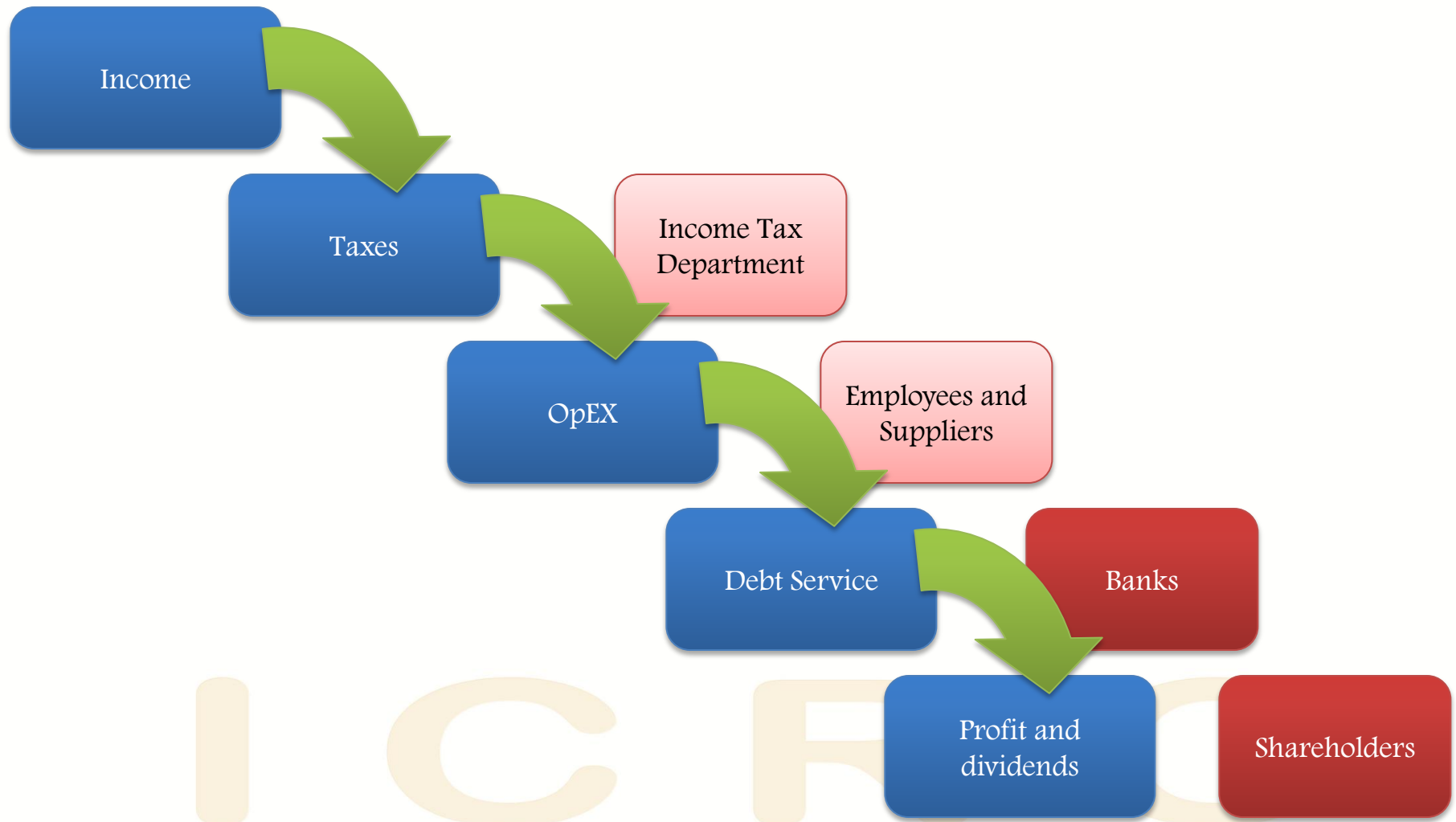
PPP Structure

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...Structure of a Typical Large PPP Project



Cash Flow Waterfall



Sample PPP Experience From Other Regions

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Lesson from Senegal

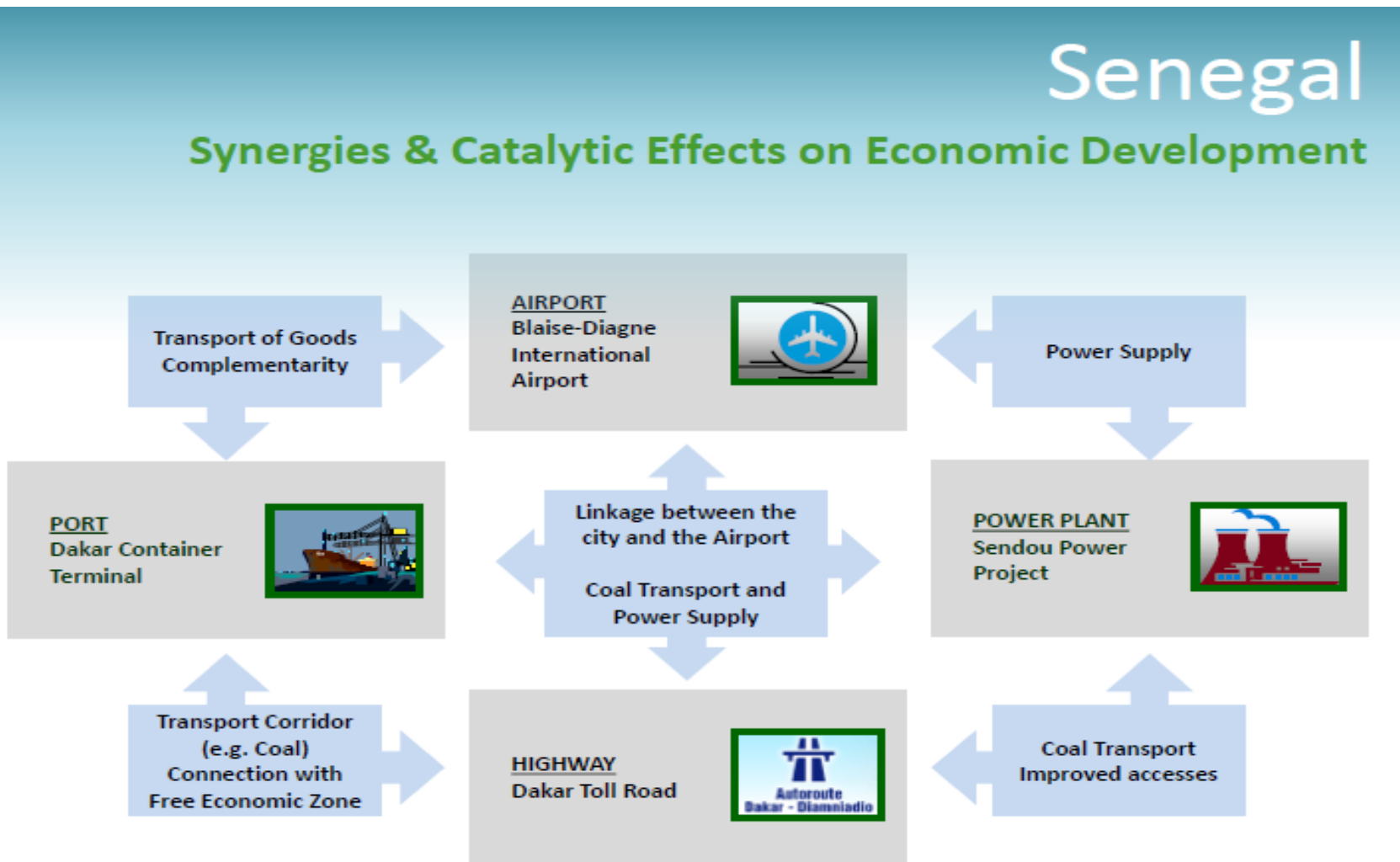


Multi Modal and Connected



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

Lesson from Senegal ... Cont'



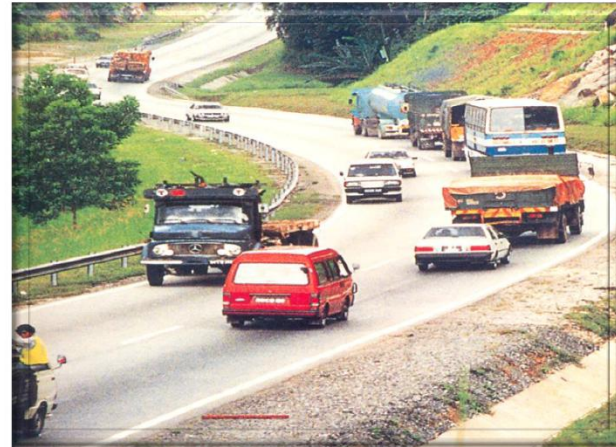
Lessons from Malaysia



MALAYSIAN ROADS : 1970 – 1980



Source: Plus Malaysia Berhad, 2015

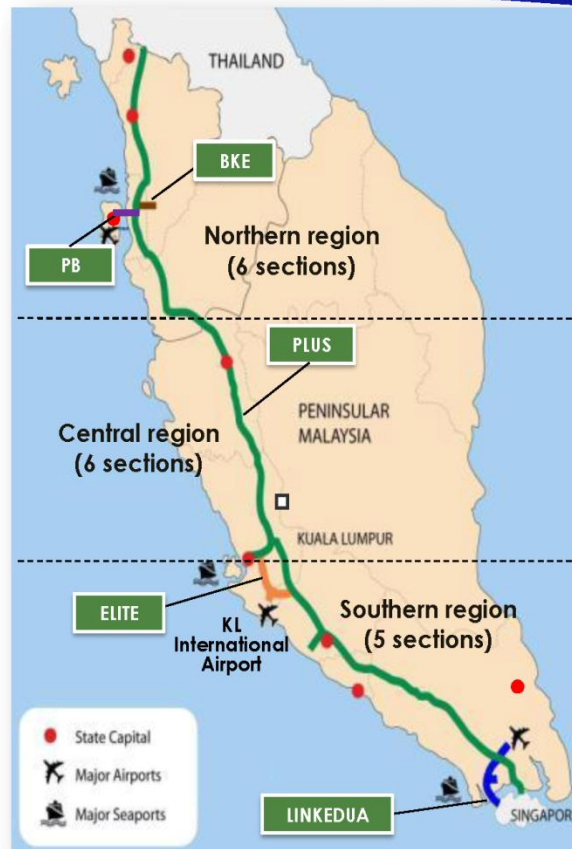


Presentation by Plus Berhad to Engr. Chidi Izuwah November 2015

Lesson from Malaysia ... Cont'



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

Lesson from Malaysia ... Cont'

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

**RESIDENTIAL
AREAS >200**

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



>44 NEW TOWNSHIPS



Nusajaya
Setia Alam
Putra Mahkota
Amanjaya
Putra Heights
Stargate
Bandar Indahpura

**INDUSTRIAL
PARKS >20**



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



**>9 BUSINESS
CENTRES**

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

PPP Case Studies – Medical Mobile Units (MMU)



Public Partner – Government of Bihar

Private Partner – Spake Systems (14 MMUs), Jaagran Solutions (12 MMUs), Jain Studio (12 MMUs)

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

PPPs in Nigeria

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Recent Successes ~ Hydro



- **Client:** Federal Ministry of Power
- **Project Name:** PHCN 3 Large Hydro Power Plants
- **Description:** Concessioneering 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
MIN. 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 / CEO, ICRC

Infrastructure Concession Regulatory Commission
Plot 1270, Ayanbaba Street, Near FCDA Headquarters
Area 11, Garki District, Abuja, Nigeria
Tel: +234-9-4604900, email: info@icrc.gov.ng
Website: www.icrc.gov.ng

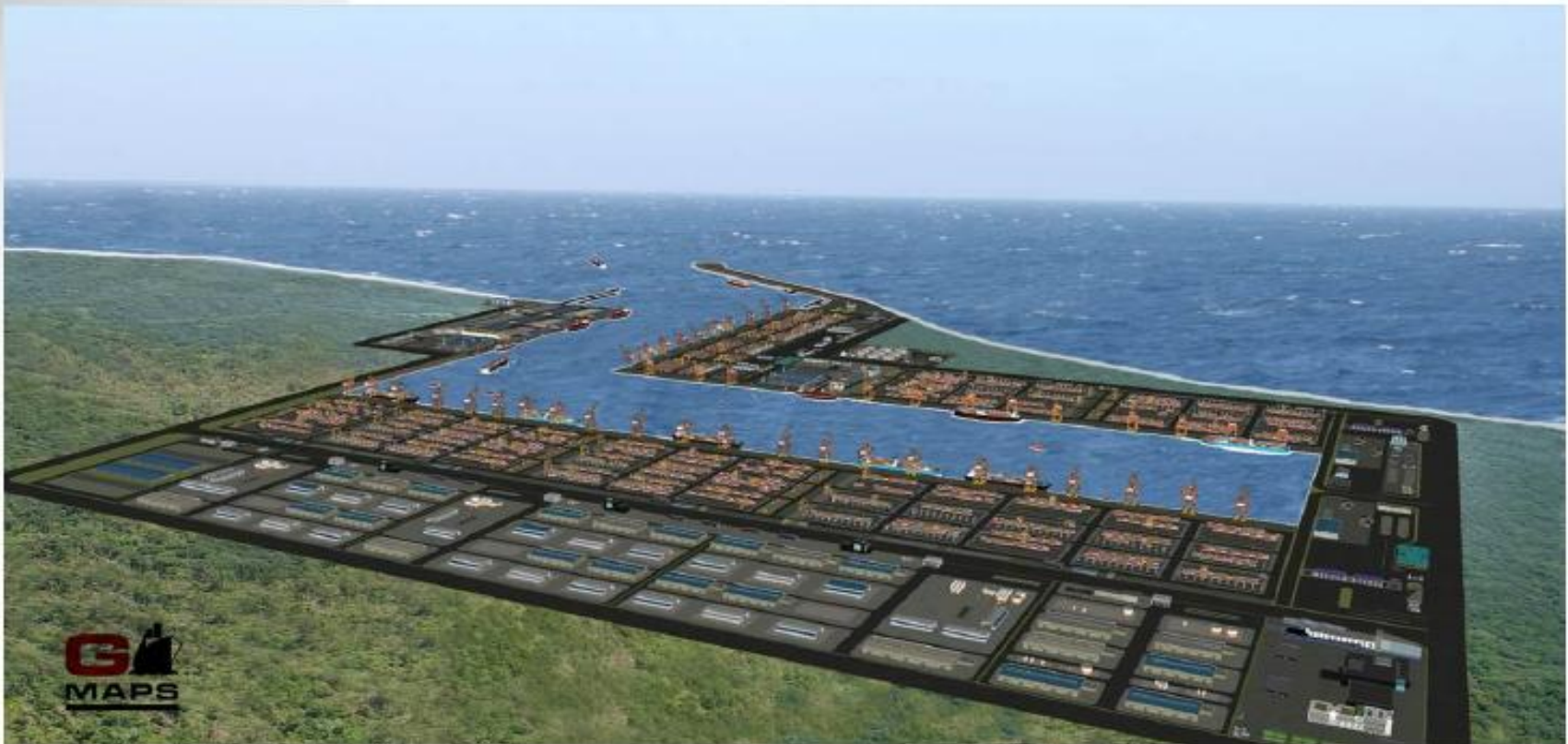
Lekki Deepwater Project - Flagship PPP



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.



Nigeria Entertainment City - Lagos



Re-development of National Arts Theatre, Lagos

Ports and ICD Opportunities



- Bakassi Deepwater Port
- 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/Aviation Leasing Company**
- NNPC Pipeline and Depot System
- National Stadium
- Transmission
- Health Facilities – Hospitals, Diagnostics, PHC etc

Road PPP Opportunities



1. Lagos Ibadan Expressway
2. Rehabilitation and upgrade of 368 Km Shagamu~Benin~Asaba Expressway
3. Reconstruction and Upgrade of Abuja – Kaduna – Kano Dual Carriage Road
4. Reconstruction and Full Dualization of Ibadan – Ilorin ~ Tegna ~ Kaduna Highway
5. Reconstruction and Upgrade of Enugu to Port Harcourt Expressway
6. Reconstruction and Upgrade of East West Road
7. Reconstruction and Upgrade of Aba~Ikot Ekpene ~ Calabar

PPP Support Initiatives



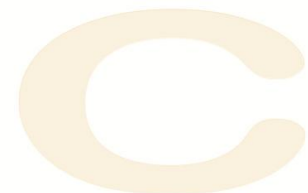
- Nigeria Integrated Infrastructure Masterplan
- Presidential Infrastructure Development Fund
- Annuity PPPs
- Nigerian Sovereign Investment Authority (NSIA) and Infra Credit Guarantee Fund
- PPP Units in MDAs
- Federal Roads and Bridges Tolling Policy
- Standardization Efforts (Business Case, Contracts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

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What's The Road Block to Good PPPs



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



Some Key Actions



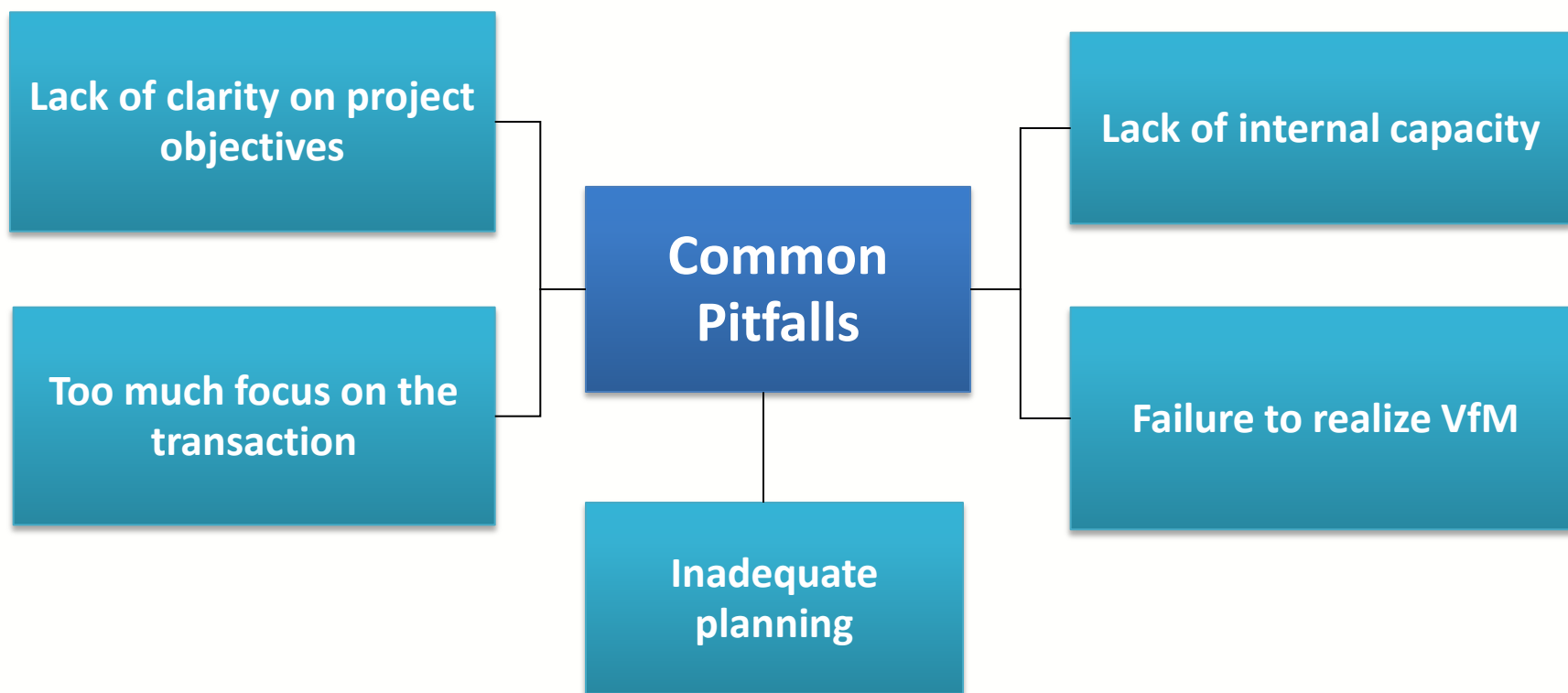
- ☐ Transparency ~ PPP Web Portal and Removal of Fees
- ☐ Panel of Advisers and Agreed Pipeline of PPP Projects; Accelerated PPP Process
- ☐ PPP Regulations, PPP Manual and Toolkits
- ☐ PPP Infrastructure Project Development Fund and PPP Budget Item
- ☐ We have a national infrastructure emergency and 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

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**

How to do PPP - Common pitfalls to avoid



Source: *Building Flexibility, New delivery models for public infrastructure projects*, Deloitte

PPP Next Steps

- Establish PPP Unit as per HOSF circular
- Allocate Budget
- Strengthen institutional framework (PPP Unit) by focused capacity building
- Procure TA Services
- Identify and Select Pilot Projects, Develop Business Case and Obtain Approval for Brown Field go straight to RFQ/RFP phase
- Prepare PPP Procurement Phase and seek PPP partners
- Obtain FEC approval
- Operate and Monitor PPP project

FINAL POINTS

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

... in Conclusion



- ❑ PPPs offer Nigeria a dependable and sustainable funding option, increased accountability, accelerated infrastructure provision and faster implementation of projects.
- ❑ Nigeria's huge infrastructure deficit is an opportunity to partner on a win win basis with the private sector in virtually all economic and social infrastructure spaces.
- ❑ Project preparation and development is key – PPP also stands for Preparation Preparation Preparation...or Patience Patience Patience

TRANSFORMING NIGERIA IS DOABLE

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I Transformed My Self



ICRC

DUBAI 1990



SAME STREET IN 2003



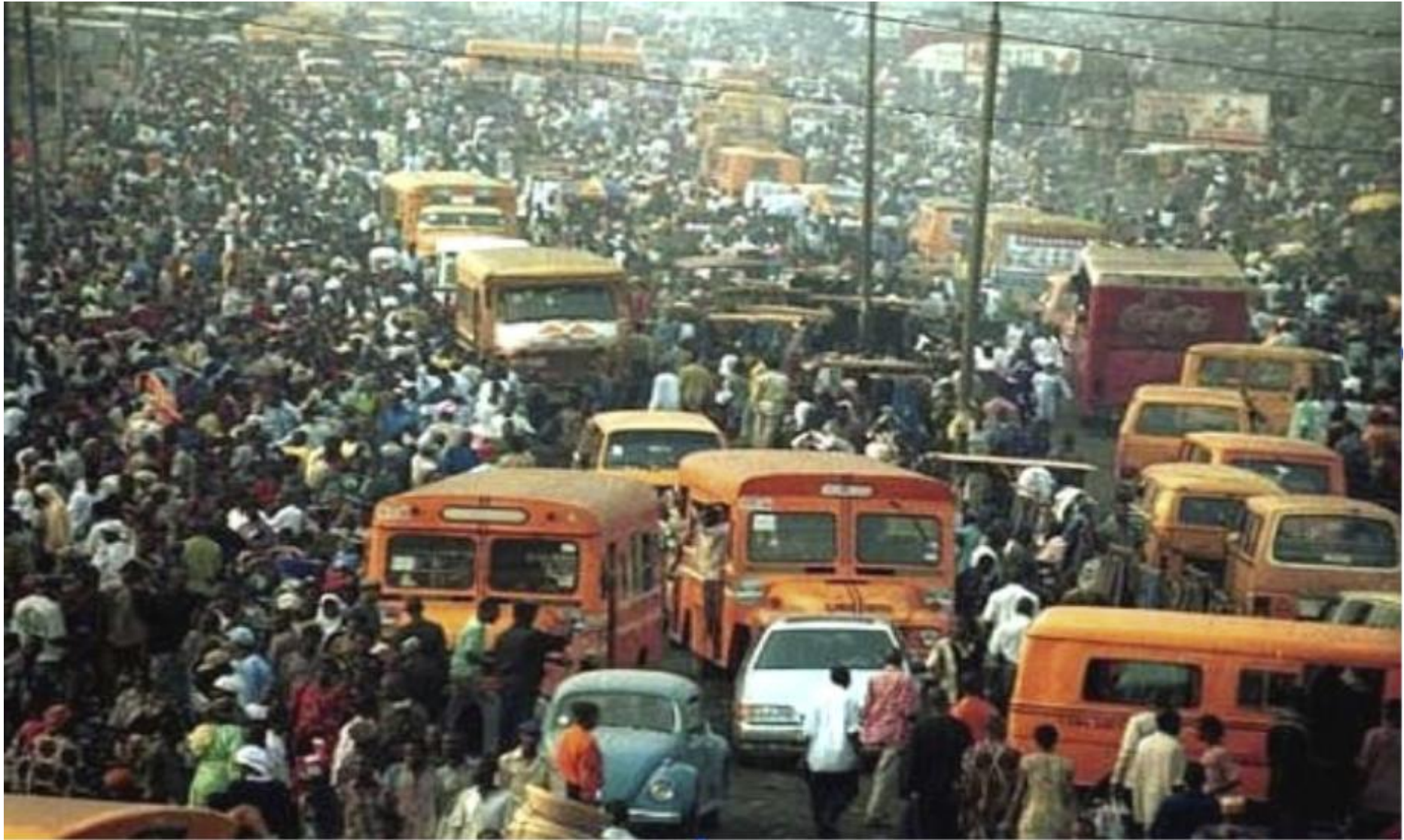
DUBAI TODAY



DUBAI TODAY



GOOD OLD LAGOS – OSHODI (2008)



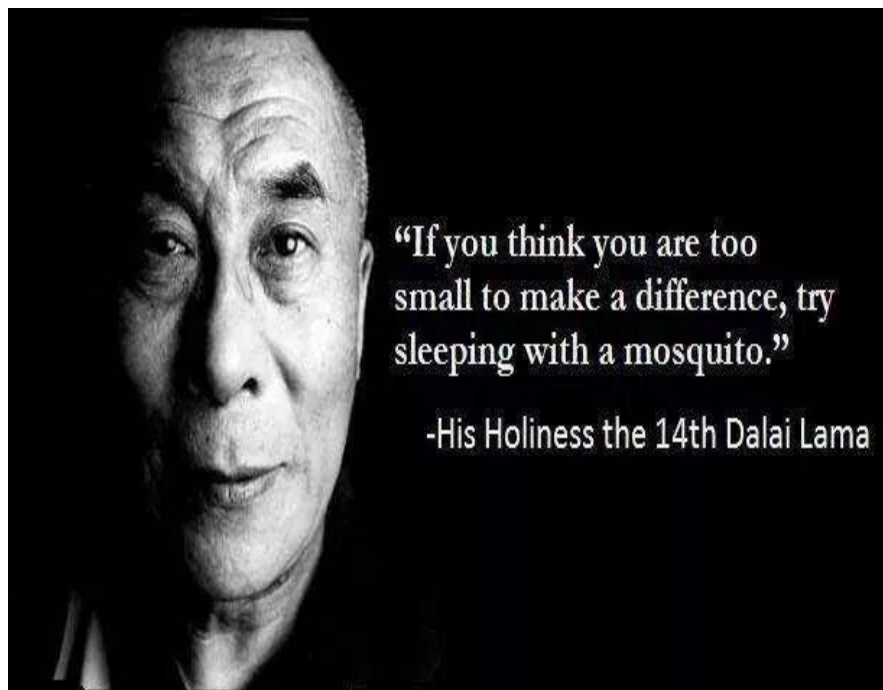
THE NEW LAGOS – OSHODI (2009)



LATEST OSHODI (2018/19) PLANS



Wise Words



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

- Nelson Mandela



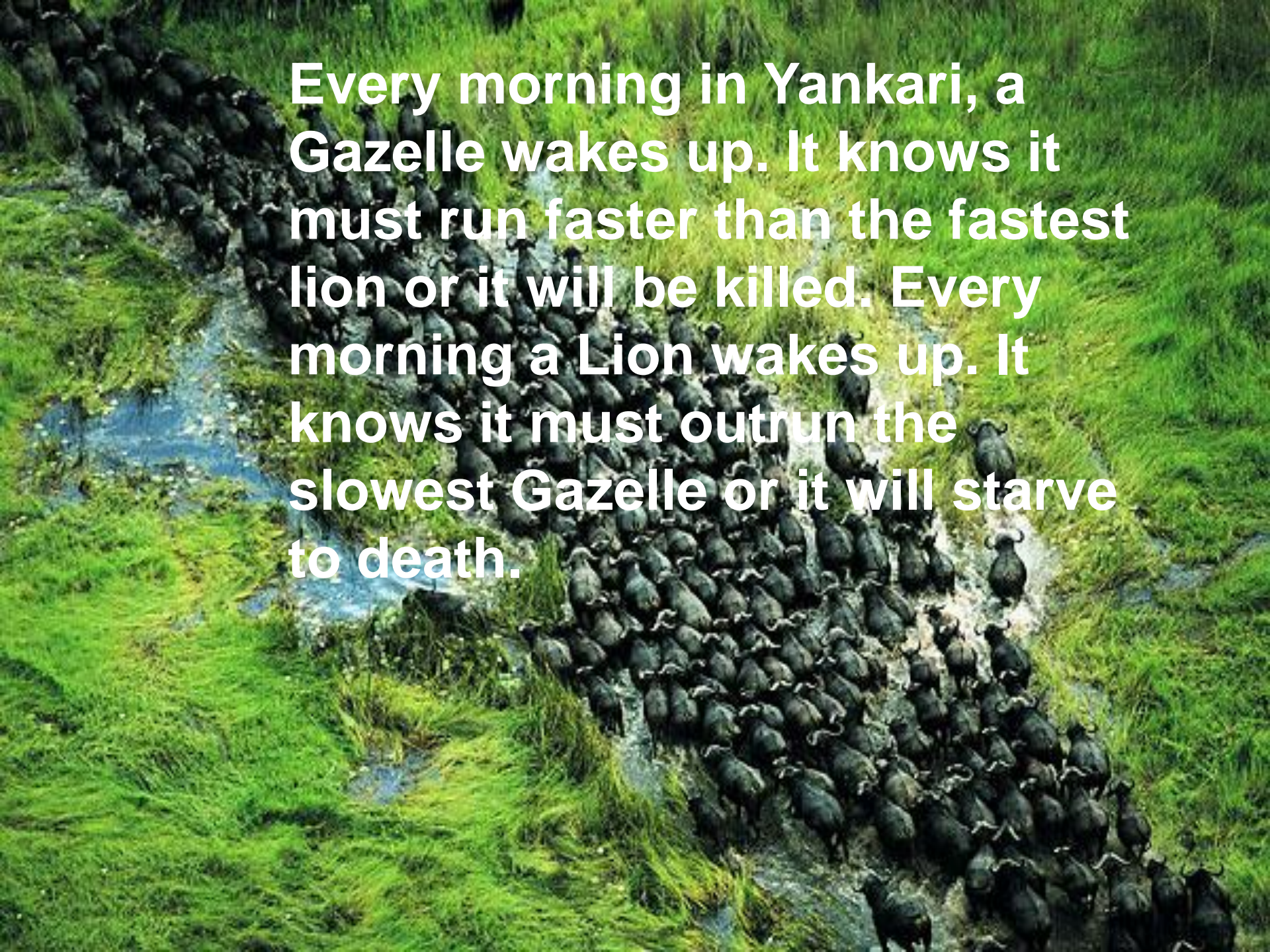
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Advice from My Father



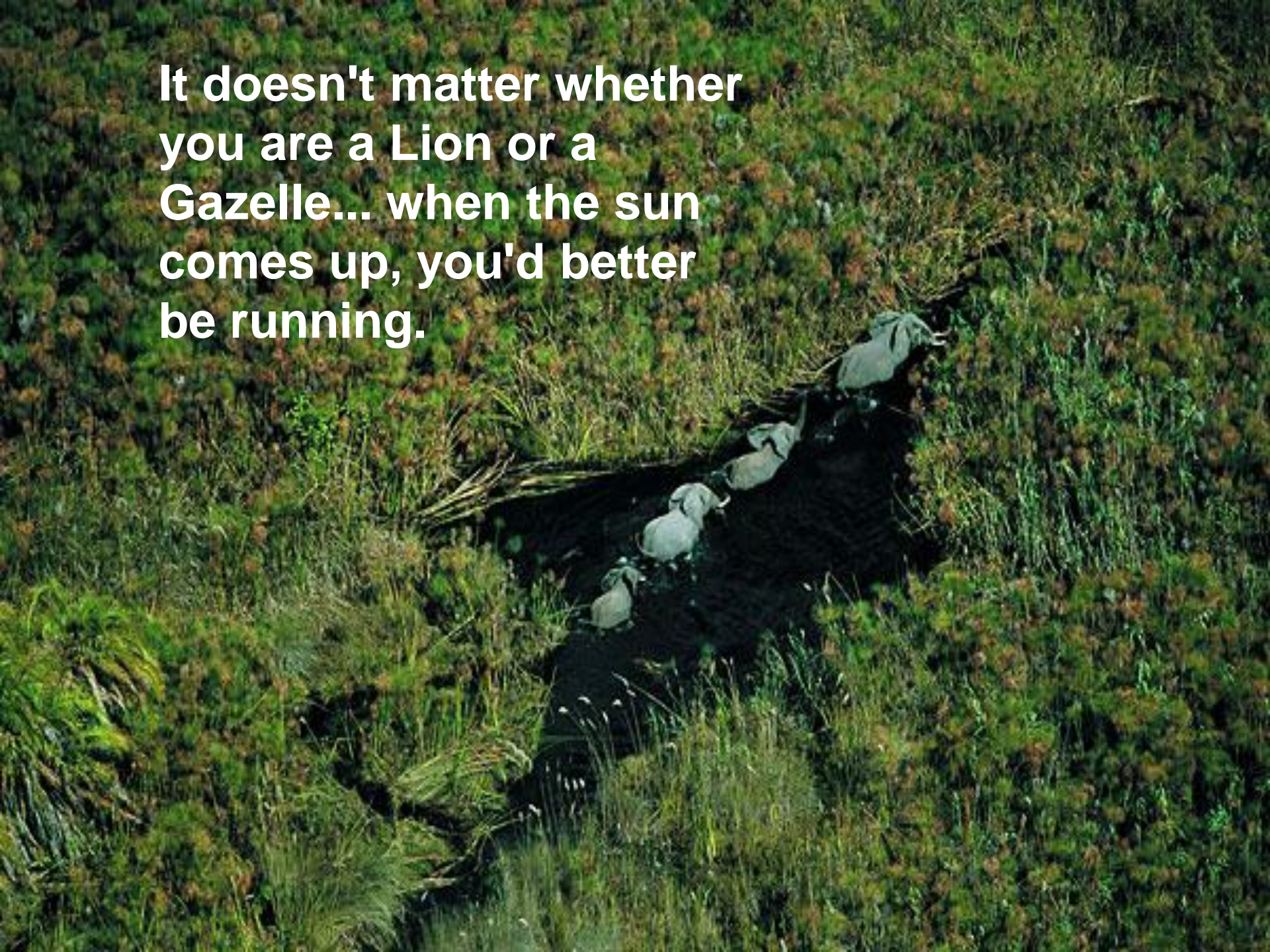
**The moment you assume
leadership you are responsible
and accountable for your
actions, be care and use
restrain, wisdom and fear of
God in exercising your duties as
GOD IS WATCHING & WAITING**

I C R C

A large herd of wildebeest is crossing a river in a savanna landscape. The herd is dense and stretches across the width of the river, with some animals wading in the water and others on the grassy banks. The background shows a vast, open savanna with green grass and scattered trees under a clear sky.

Every morning in Yankari, 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.**



**WELCOME TO NIGERIA....TRANSFORMED BY PPPs –
This is the year2025.....!!!!**

**923,764,000 Square
Metres of Opportunities**



Abuja Medical City PPP Video – Potential Transformational PPP for Medical Care in Nigeria

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INFRASTRUCTURE CONCESSION REGULATORY COMMISSION

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