



LEVERAGING ON PPP AS A FINANCING MODEL FOR DELIVERY OF **NATIONAL INTEGRATED INFRASTRUCTURE MASTER PLAN**

PRESENTED AT THE JOINT PLANNING BOARD/NATIONAL COUNCIL ON DEVELOPMENT PLANNING MEETING. 29TH - 31ST OCTOBER 2013



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DIRECTOR GENERAL INFRASTRUCTURE CONCESSION DELIVERY COMMISSION

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Infrastructure Concession Regulatory Commission



Presentation Outline

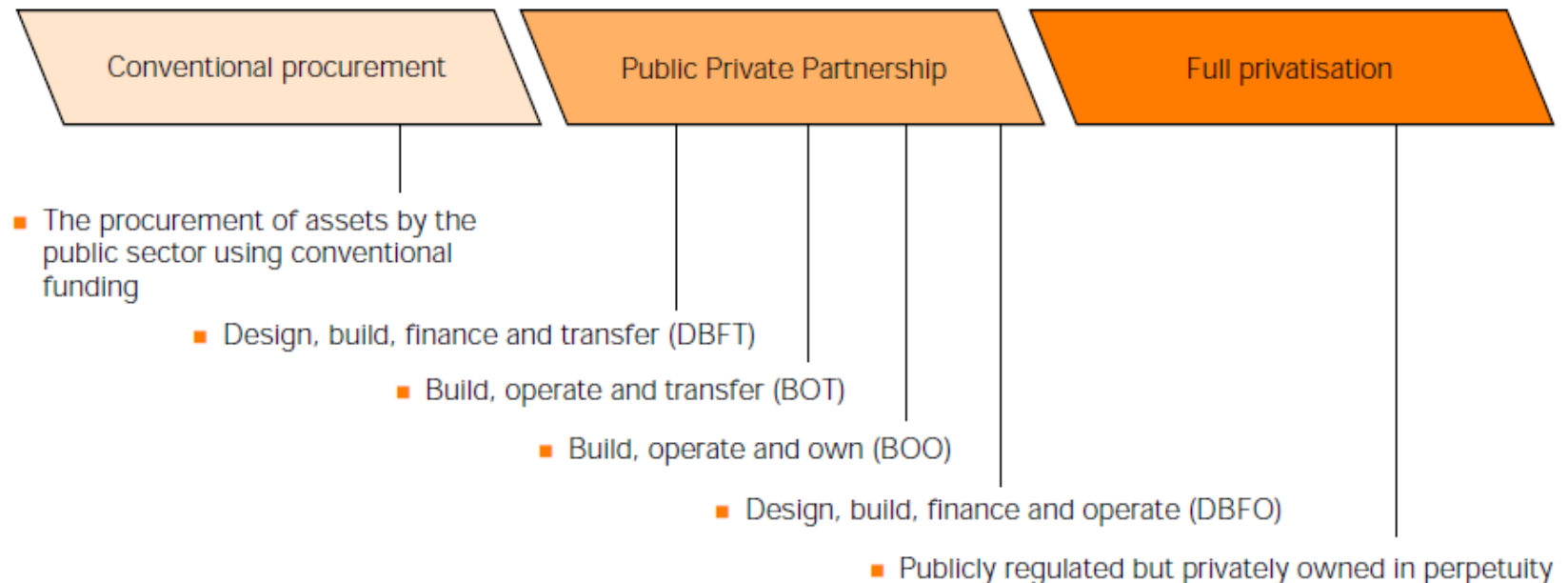
1. The PPP Alternative
2. Nigeria's PPP Framework
3. Critical Success Factors
4. The PPP Process
5. Challenges & Mitigation
6. Current Policy Initiatives
7. Conclusion

1.1 The PPP Alternative

... Procurement Methods

1.3 Asset procurement options under PPP

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



Source: KPMG, KLegal

1.2 The PPP Alternative

... PPP Advantages

Transfer **finance** to the private sector

Accelerate infrastructure provision

Promote **faster implementation** of projects

Engender **reduced whole life costs** of project

Better risk allocation between public and private sectors,

Better & sustainable incentive for private sector performance

Engender **accountability** in fund utilization

Improve the **overall quality of service**

Generate **additional revenue** for government

Improve **overall value for money** for the entire economy

Increased **efficiency** in the provision of services

2. Nigeria's PPP Framework

... PPP Framework

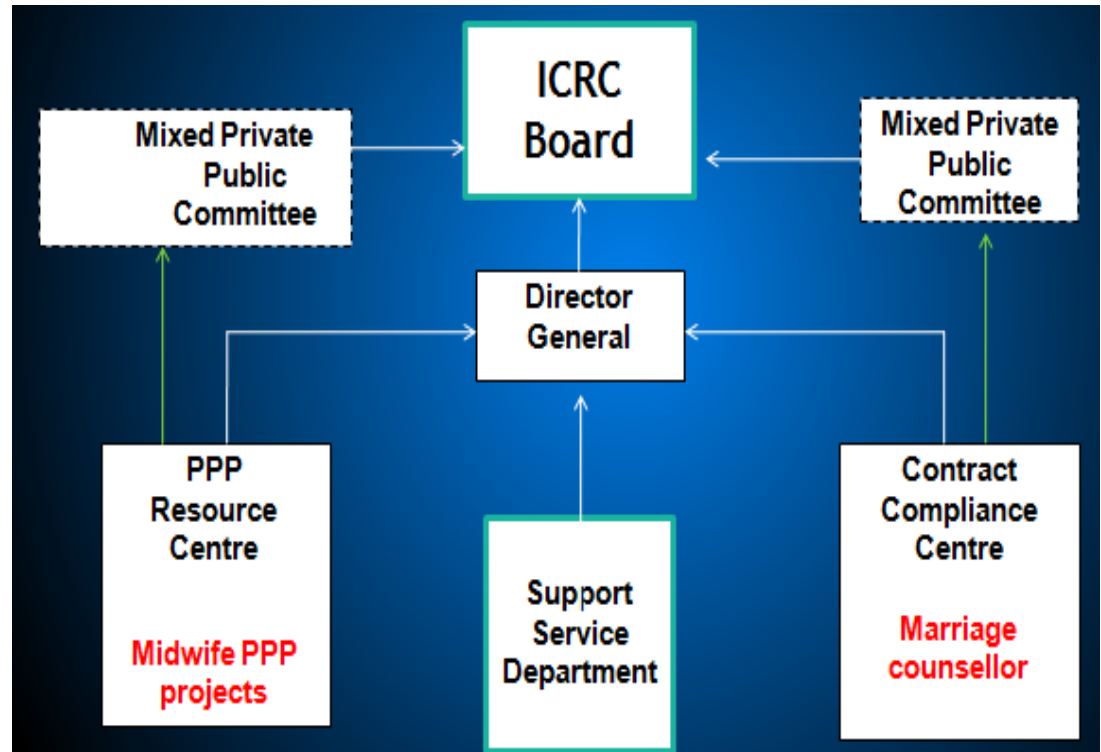
Establishment of the Infrastructure Concession Regulatory Commission. (Sec 14. 1)

Provides general policy guidelines, rules and regulations.

Take custody of every concession agreement.

Ensure efficient execution of any concession agreement or contract entered by the Federal Government.

MDAs **may enter into a contract with or grant concession** to any duly pre-qualified private sector proponent for the financing, construction, operation, and maintenance of any infrastructure that is financially viable or any development facility of the Federal Government. (Section 1.1).



3.1 The PPP Process

... Key principles

- **Value for Money**

The project appraisal will take account not only of cost but also risks and service quality

- **Public interest**

Adequate and prior consultation with end-users and other stakeholders of an infrastructure project should be the standard.

- **Output requirements**

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

- **Transparency**

The programme needs to have fiscal discipline and high standards of public and corporate governance to enhance its credibility, as transparency and probity can reduce concerns over corruption.

- **Risk allocation**

Risks will be allocated to the party best able to manage them.

- **Competition**

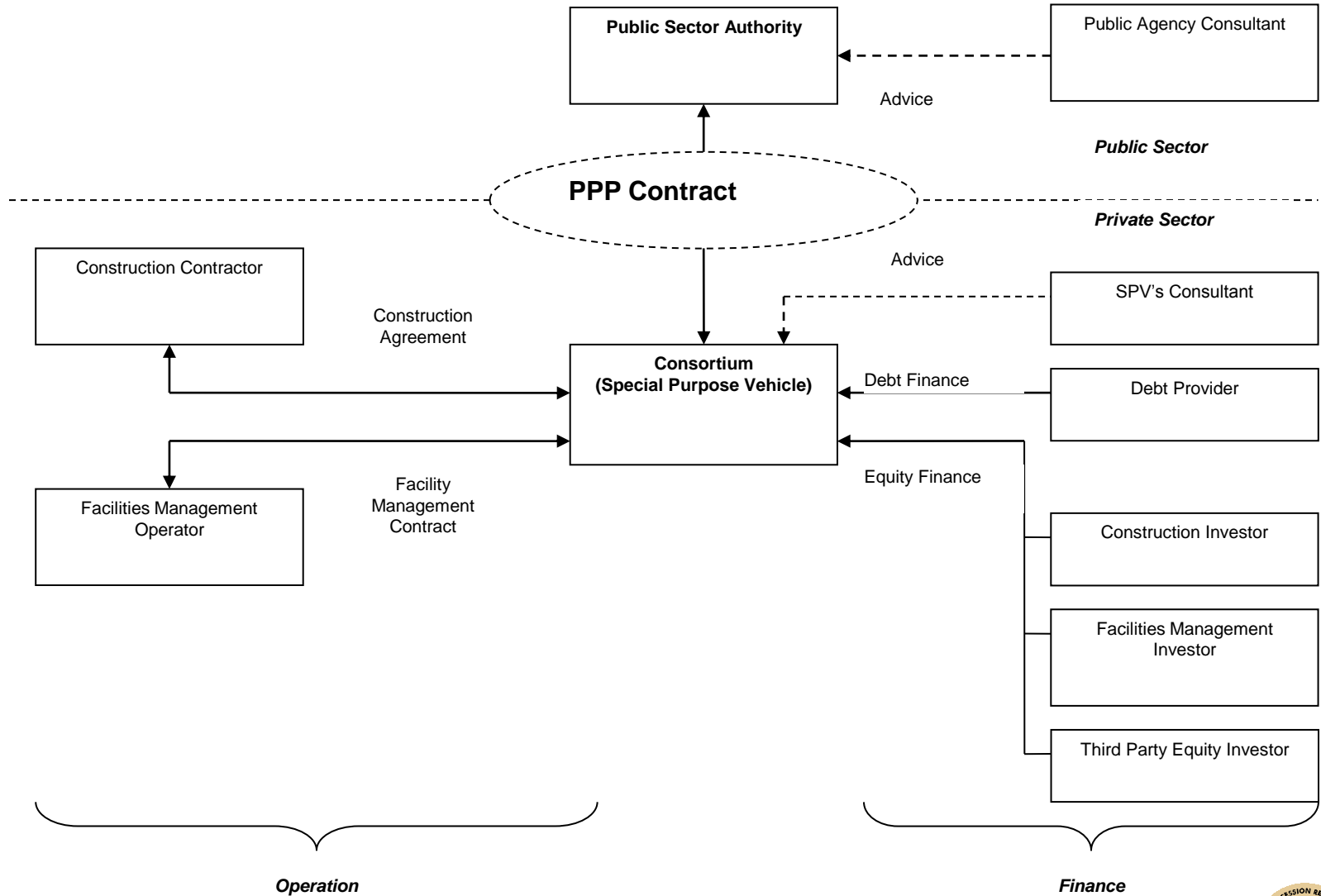
The benefits of private sector participation in infrastructure are increased by ensuring that business activities are subject to competition and appropriate commercial pressures, dismantling unnecessary barriers to entry, and implementing and enforcing adequate competition laws.

- **Capacity to deliver**

Authorities responsible for privately operated infrastructure must have the capacity to manage the commercial processes involved and to partner on equal basis with their private sector counterparts.

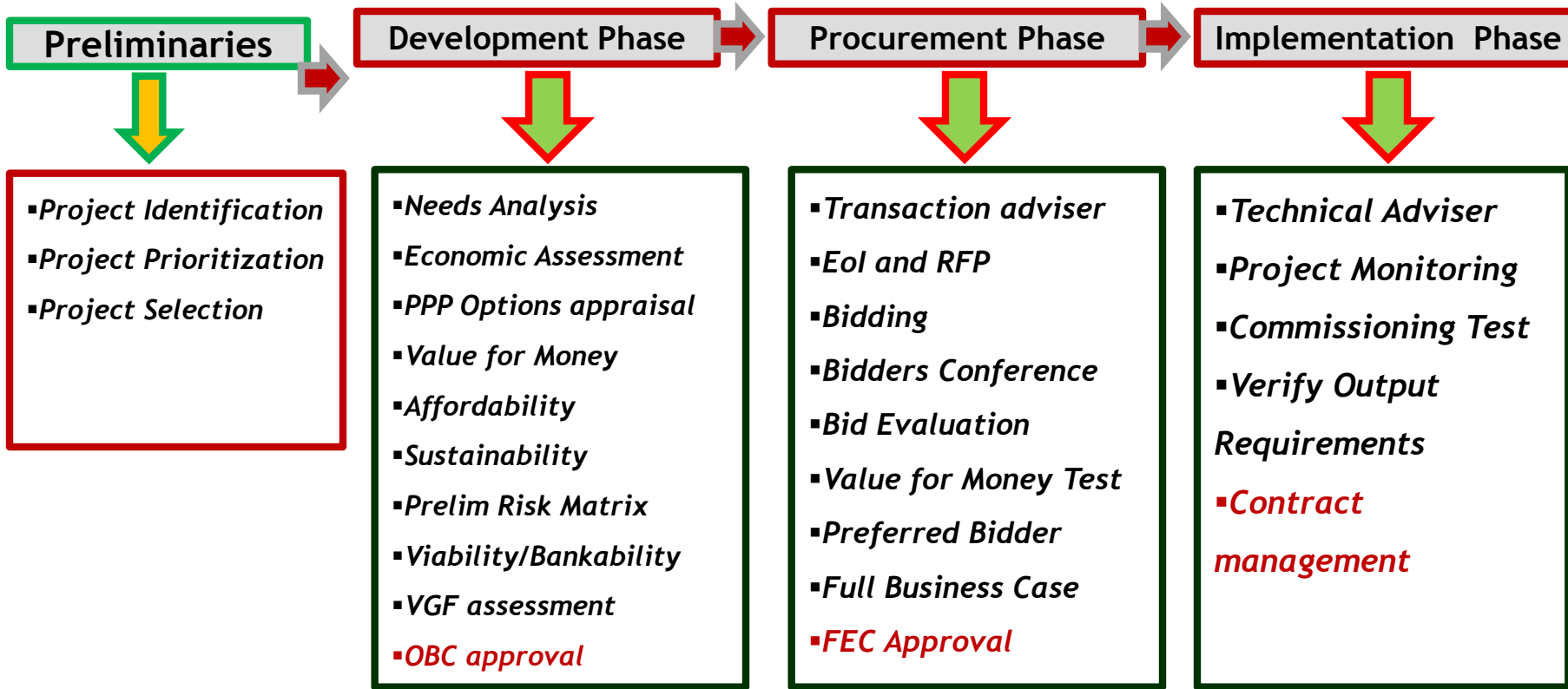
3.2 The PPP Process

... Structure of PPP



3.3 The PPP Process

... PPP Lifecycle



Note: Process showing the different phases of PPP project Development, through to procurement and execution/implementation



3.4 The PPP Process

... Delivery Mechanism

Pre-Contract

Post-Contract

ICRC

ICRC

- Policy, Regulation, Capacity Building
- Ensure Bankability
- Recommend OBC Approval

- Ensure VFM and Appropriate Risk Sharing
- Create a Robust PPP Market Interface
- Recommend FEC Approval

- Take custody and Ensure Compliance with Terms and Conditions of Agreement
- Contract management

Preliminaries

Development Phase

Procurement Phase

Implementation Phase

- Identification
 - Prioritization
 - Selection
- MDA; NPC;
BOF; MoF;

- Needs Analysis
- Economic Assessment
- PPP Options appraisal
- Value for Money
- Affordability
- Sustainability
- Prelim Risk Matrix
- Viability/Bankability
- VGF assessment
- OBC approval

- Transaction adviser
- EoI and RFP
- Bidding
- Bidders Conference
- Bid Evaluation
- Value for Money Test
- Preferred Bidder
- Full Business Case
- FEC Approval

- Technical Adviser
- Project Monitoring
- Commissioning Test
- Verify Output Requirements
- Contract management

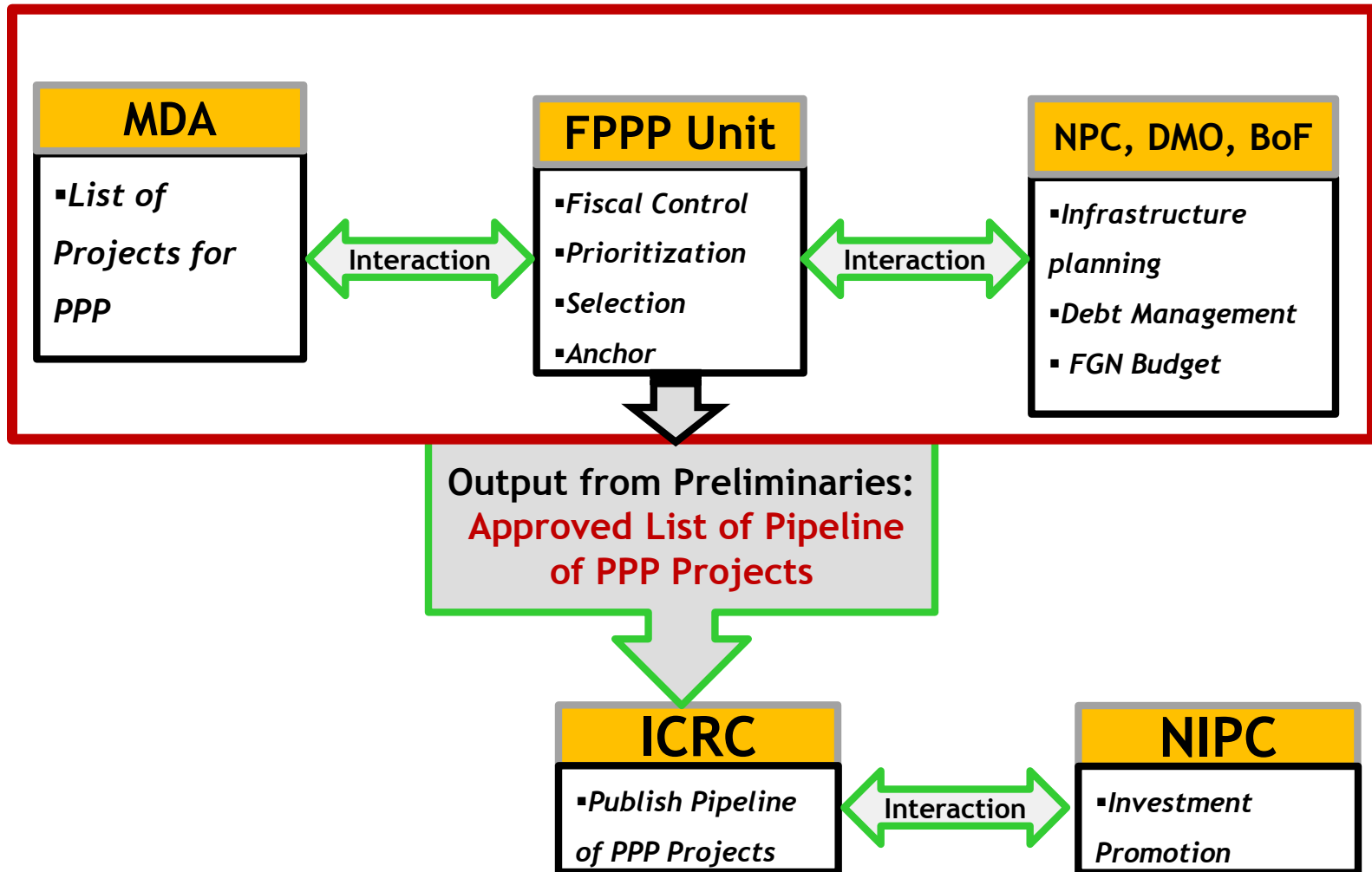
FPPP Unit

Project Delivery Team (PDT)

MDA



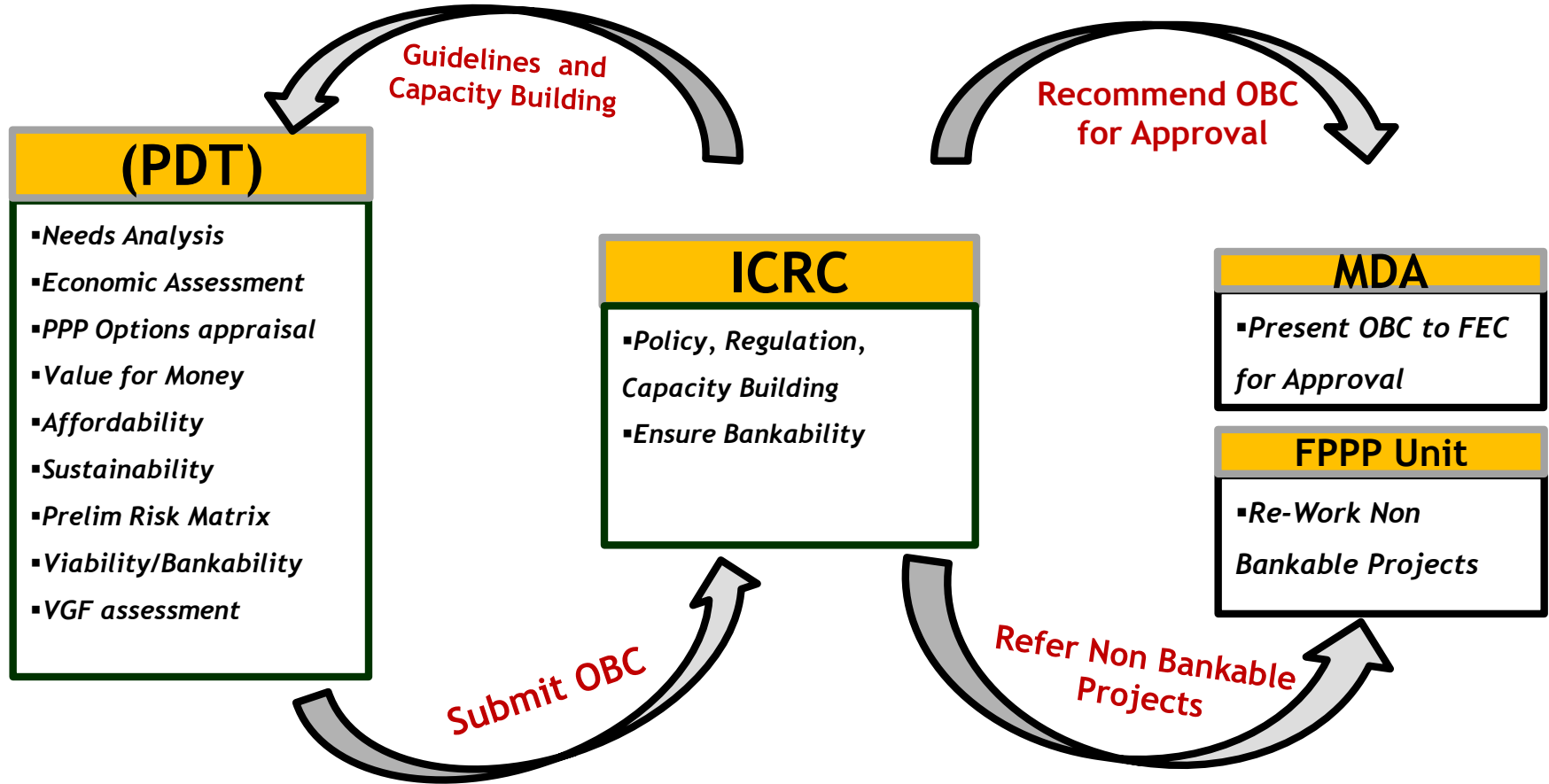
3.5 The PPP Process - Preliminaries



Note: Preliminary activities leading to the presentation of a list of approved Pipeline of PPP projects to the ICRC. List is Published by ICRC, before commencement of development activities. Submission to ICRC is by FPPPU, after scrutiny with MDA, DMO, NPC, and BoF

3.6 The PPP Process

... Development Interactions

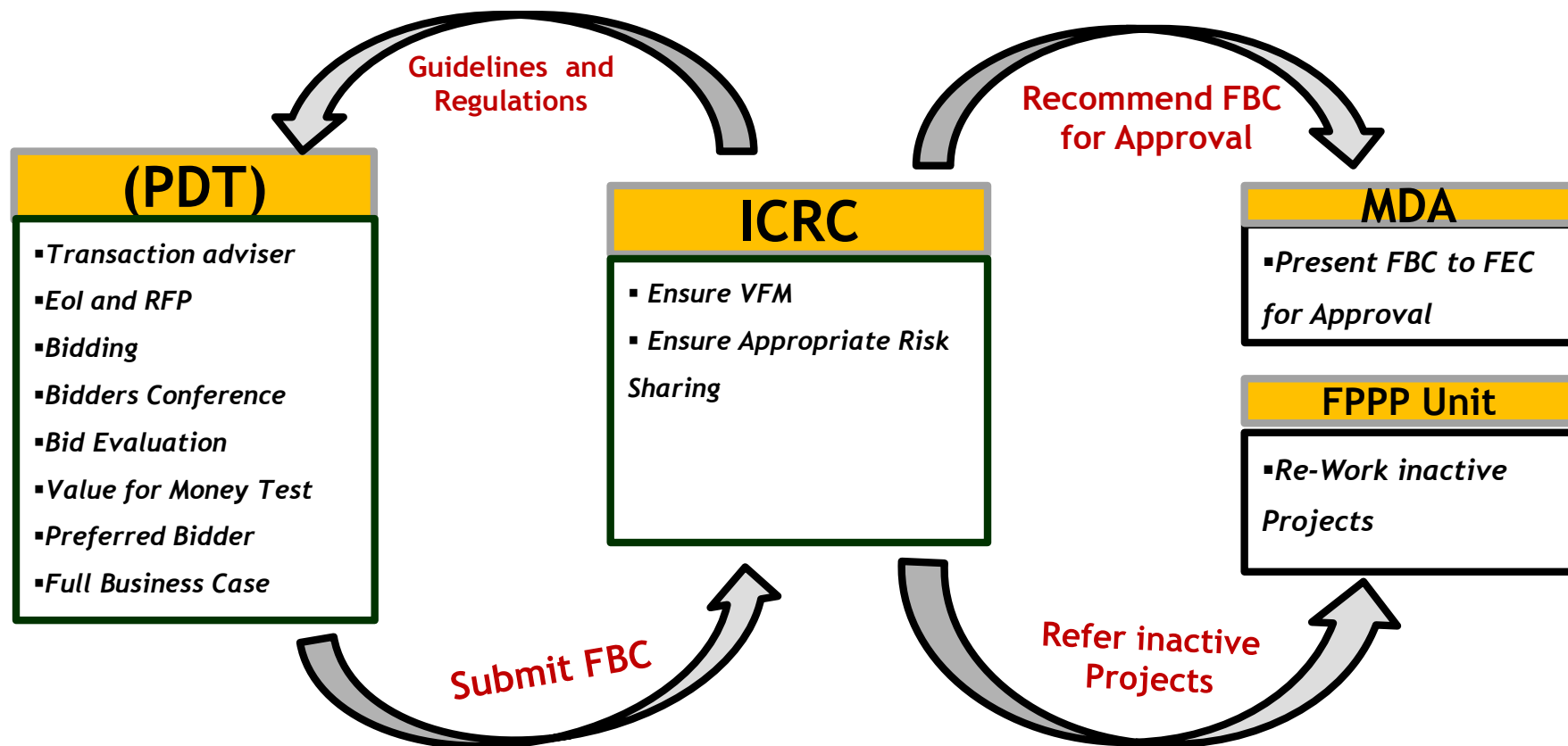


Note: ICRC provides Guidelines and Capacity Building only. PDT submits OBC to ICRC for No Objection. ICRC Recommends OBC for approval, or sends back to FPPP Unit if found to be non-bankable. Minister of MDA presents recommended OBC to FEC for Approval



3.7 The PPP Process

... Procurement Interactions



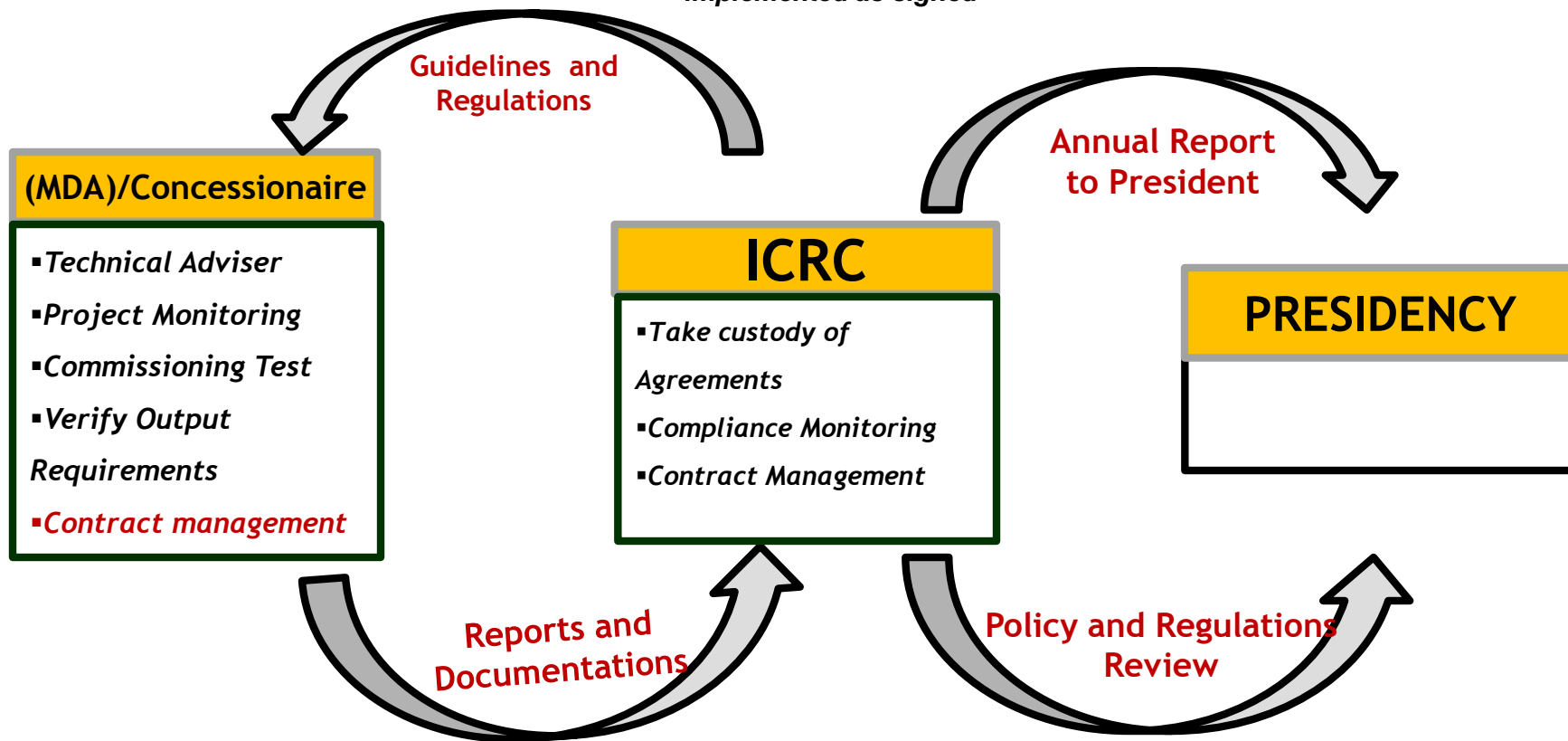
Note: ICRC provides Guidelines and Regulations only. PDT submits FBC to ICRC for No Objection. ICRC Recommends FBC for approval, or sends back to FPPP Unit if found to be unfair on risk allocation or becomes inactive. Minister of MDA presents FBC for FEC Approval



3.8 The PPP Process

... Execution & Implementation

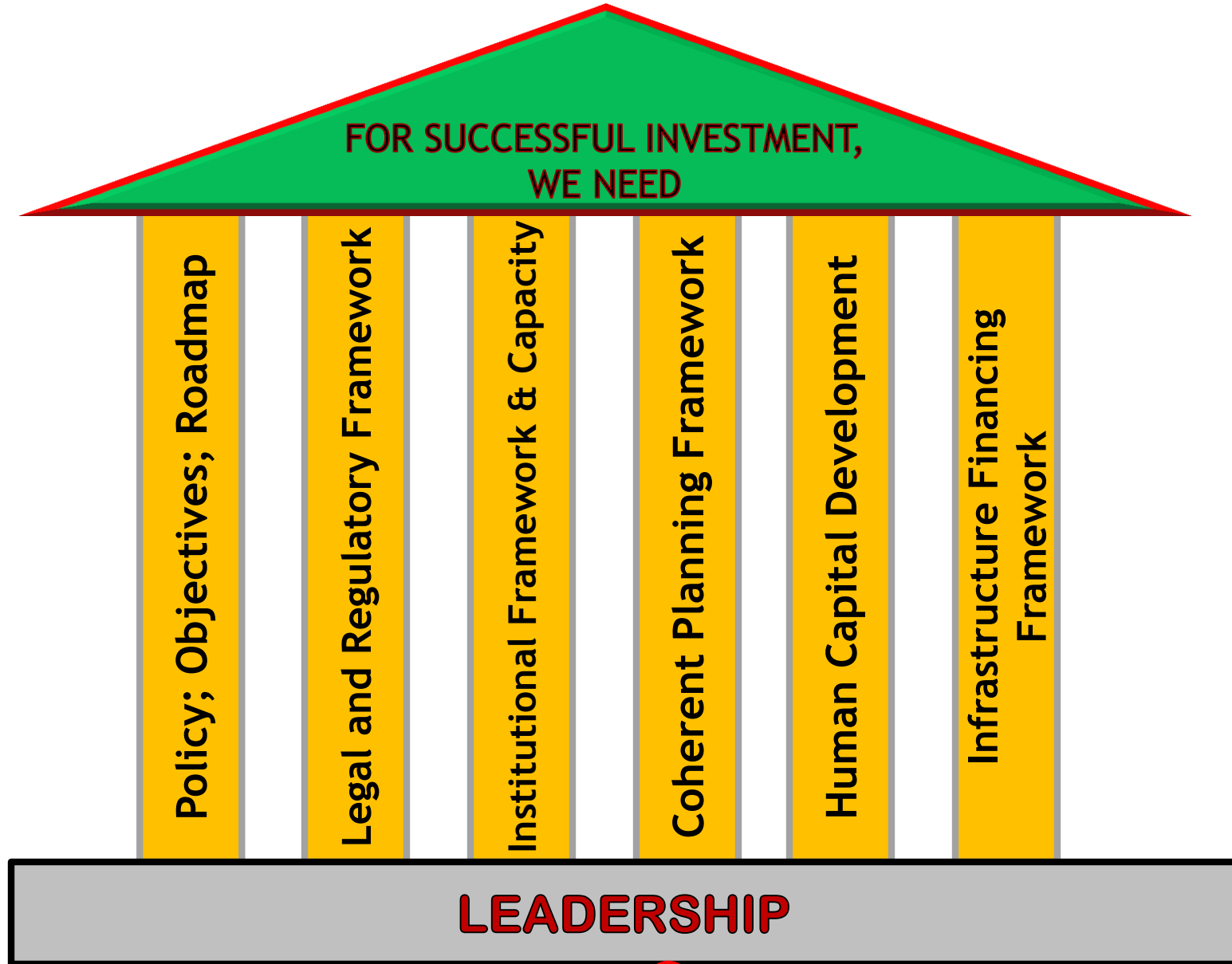
MDA Executes PPP Agreement with Private Partner. Executed Agreement submitted to ICRC, and Agreement implemented as signed



Note: ICRC provides Guidelines and Regulations on Contract management. MDA and Concessionaires submit Reports and documentations as required in the PPP contract. ICRC submits annual report to Presidency, and proposes Policy and Regulatory reviews as necessary



4. Critical Success Factors



5. Challenges & Mitigation

... Issues and Challenges

Having reviewed some of these projects, some of the issues and challenges include:

- Lack of national infrastructure blueprint;
- Unclear political direction and support;
- Weak regulatory and enforcement powers of ICRC;
- Inadequate financial modelling to enable proper affordability and value for money assessments;
- Technical capacity gaps;
- Lack of institutional framework for PPP project preparation;
- Inconsistency in the PPP Project Pipelines;
- Legacy concessions.

6. Current Policy Initiatives

... Other Govt Initiatives

Ring fencing project for PPP implementation

Comprehensive programme of capacity building with support of WB, DFID, AfDB in place.

Development of the National Integrated Infrastructure Master Plan

Development of long term financial instruments for PPP Collaborating with CBN, Bankers Committee, DMO, PENCOS etc to catalyse the.

Establishment of a VGF scheme to enhance PPP projects bankability in collaboration with FMF

Collaboration with state govts to establish similar subnational frameworks to ensure a robust and coherent PPP market nationwide

Putting in place a coherent and effective communications strategy to ensure effective and sustained stakeholder interface and to facilitate flow of information to all key players

7. Conclusion

- ❑ **To Scale up our Public Services (Quantum and Quality):**
 - We must attract Credible, Competent, and Committed Private Investors
 - Our infrastructure investment plan has to be coherent, consistent, coordinated and consistent

- ❑ **To attract such Investors we must Develop and Sustain;**
 1. A Sound Legal, Regulatory, and Institutional PPP Framework which inspires Confidence
 - 2. In Integrated and Coherent Infrastructure Development Plan**
 3. Capacity to Identify, Prioritize, and Develop Projects (In - House) which are **Bankable** and attractive to Private Investors
 4. An Open, **Competitive and Transparent** Procurement processes which ensure, and are seen to ensure **Value for Money**



THANK YOU

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