

PRESENTATION PAPER ON “LEVERAGING ON PUBLIC PRIVATE PARTNERSHIP (PPP) AS A FINANCING MODEL FOR THE DELIVERY OF NATIONAL INTEGRATED INFRASTRUCTURE MASTER PLAN (NIIMP)” BY ABDULRAZAQ ADEKUNLE OYINLOYE, MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER, THE INFRASTRUCTURE BANK PLC PRESENTATION TO THE JOINT PLANNING BOARD (JPB)/NATIONAL COUNCIL ON DEVELOPMENT PLANNING (NCDP).

The Honourable Minister, National Planning Commission

His Excellency, the Executive Governor of Aquia-Ibom State

The Secretary, National Planning Commission

Permanent Secretaries, Directors, Heads of Departments

Distinguished participants

Ladies and gentlemen

Background/Introduction

It is globally acknowledged that Nigeria is abundantly blessed with natural and human resources, which need to be positively harnessed towards the achievement of far reaching and sustainable economic growth. The irrepressible desire by the nation to realize this immense latent potential inspired the vision 20:20 - placing Nigeria among the top 20 largest economies in the world by year 2020. I am a fervent believer in vision 20:20, and that Nigeria will achieve “first world” socio-economic status in my lifetime.

Indeed, given a population of 162 million with about 50% under the age of 18, Nigeria need only focus on improving the productivity of her people to harvest the “demographic bonus” to achieve the much sought after strong and sustainable economic growth. Yet, the road to a productivity-driven vision 20:20 must be paved with world-class infrastructure developed on a national scale and in an integrated and sustainable manner. Otherwise, Nigeria may be trapped in the dynamics of a relatively highly educated people stymied by low wages, shrinking productive base, declining per capital income and stagnated quality of life. It was

therefore delightful news for all well-meaning Nigerians, when the Federal Government of Nigeria, through the National Planning Commission, took the decisive step to develop the National Integrated Infrastructure Master Plan (NIIMP).

Infrastructure Deficit¹

According to NIIMP, the “core infrastructure” stock (road, rail, ports, airports, power, water, ICT) of most developed countries is about 70% of GDP; a benchmark which presently hovers between 35-40% for Nigeria, and even lower when other areas of infrastructure to include social housing, security, mining, and agriculture, are included. To bridge this gap between Nigeria and the developed countries, there is the need to spend approximately US\$2.9trillion over the next 30 years; i.e. about US\$100billion per annum. It is good to note that Nigeria presently spends about US\$10billion annually on infrastructure with about 50% coming from the private sector. Also Nigeria’s infrastructure spend as a percentage of GDP needs to leapfrog from the present levels of between 3-5% to an average of 9% over the next 30 years. Whilst emphasis has been majorly on developing new assets, there is the need to maintain existing ones with expenditures levels at about 2% of GDP in line with international best practices.

An accelerated growth path needs to be religiously adhered to if Nigeria wants to ramp up on its infrastructure provision. This has been successfully implemented by China and Vietnam which followed the accelerated growth development path. Nigeria could do the same with annual spend on infrastructure amounting to US\$25billion for the next five years and getting to about US\$200billion by year 2040. Even if a linear growth path is followed, the average annual spend for the next five years would be a minimum US\$18billion rising to US\$ 230billion by year 2040.

Ladies and Gentlemen, whilst many leaders of thought and highly revered institutions have talked and projected about the need for infrastructure spend in Nigeria, not many has been able to proffer sustainable solutions and roadmap for

¹ This is culled from the NIIMP Report

attracting funding to critical infrastructure assets in Nigeria. This The Infrastructure Bank Plc has been trying to do within the infrastructure finance space.

Leveraging Private Sector Resources

The NIIMP report has amongst its objectives the promotion of private sector participation in infrastructure development. The framers of the NIIMP already recognize the criticality of the private sector in the delivery of infrastructure. With Nigeria's current herculean infrastructure deficit it becomes manifestly clear that the nation's infrastructure deficit CANNOT be funded by the public sector alone, if we are to begin to materially close the deficit. More so, as Nigeria's real Gross Domestic Product (GDP) has grown at average of 8% since the turn of millennium, it is plausible that narrowing the infrastructure deficit could shoot the economic growth rate into double digits.

As the creation of economic value through the intelligent, conscientious and confident deployment of capital is self-perpetuating and accretive to the capitalist, the private sector, with its show-me-the-value ethos, is well equipped and incentivized to continue to invest in infrastructure *ad infinitum*, provided value can be created and harvested. Accordingly, it can be said that whilst public sector funding is subject to the limitations of fiscal vagaries, the funding ability of a private sector disciplined by the fear of capital erosion and the determined pursuit of yield is unlimited. Private capital from around the globe would always seek yield and safety, regardless of where the opportunity is.

Our experience at The Infrastructure Bank Plc confirms what most Nigerian investors instinctively already know, Nigeria's infrastructure space has yields attractive enough to woo any investor/financier in today's world. It is the safety part of the equation (institutional, regulatory, and legal framework) that has kept the floodgates of private capital shut to badly needed infrastructure investments. It is therefore very understandable that Nigeria's progression on infrastructure spend is inextricably linked to the growing involvement of the private sector. The Federal Government has led the charge with the privatization of the power and telecoms sector, with investors having visibly invested substantially in Nigeria over

the last decade. Whilst the verdict on the impact of the power sector won't be out for at least three years, the immense improvement in the quality of life of Nigerians and wide availability of affordable mobile telephony is testament to the power of leveraging the private sector to deliver public infrastructure for the greater good. As identified by the NIIMP, other key sectors such as transportation, energy, ICT, agriculture, mining, and municipal amenities are also in need of such large scale private sector intervention.

Thus, as Stakeholders in Nigeria's infrastructure space, the inspiring challenge of our time - leveraging our world-class financial expertise; relentless innovation and invention; and fierce work ethic, inherent in the private sector to unlock and channel domestic and global pools of investment capital into our country's infrastructure sector, cannot be over emphasized. The experience of leading developed nations such as France, United Kingdom, and USA, that have successfully leverage, affirms that, a formidable enabling operating environment, characterized by the supremacy of the rule of law and a regulatory regime that ensures a level field for all participants, within a framework of Public Private Partnership (PPP) is a sine-qua-non to attracting Private Sector Resources.

It is good to note that there are various forms through which Private Sector Resources could be used to develop infrastructure. Licensing could be used as a form of methodology, as well as Franchising, Leasing, Management Contracts, Private Finance Initiatives (PFIs), and PPPs. The difference amongst the aforementioned methodologies lies with the role of Government as a regulatory party, and the increased private sector commitment needed to develop and/or maintain the infrastructure assets. For example in Licensing – a private sector party is awarded a permit to provide a service which Government wishes to supervise; in Management Contract, the private sector operator usually has little investment and simply collect fees from operating a service; while in Leasing the private operator may advance working capital and short term assets while the Government is responsible for major capital expenditures and maintenance. However, for infrastructure development and provision, wherein there is a geographic or asset based component PFIs and majorly PPPs are typically suitable.

PPPs provide a contractual and formalized framework for government to partner with the private sector through apposite sharing of risks and responsibilities for the efficient and effective implementation of infrastructure projects such as road construction, power generation and distribution, railways, and so on. As such, PPP is being “appropriated” by the Federal and State Governments and respective agencies as a strategic tool to deliver modern socio-economic infrastructure for Nigerians. However, progress is often limited by the absence of high-quality financial intermediaries to “interface” between private investors and public authorities. Capable financial intermediaries will have to play leading roles if PPPs are to become entrenched in Nigeria as a viable source of financing for infrastructure; they will be at the vanguard, structuring public projects to achieve comfortable risk-reward thresholds that will attract the vast private sector savings pool. It is my sincerest hope that Stakeholders in public sector understand the intricate linkage between the public and private sectors required for PPPs to work, and as such strengthen the “interface” and allow for increased public sector engagements with financial institutions dedicated to channeling capital to Nigeria’s infrastructure space.

The Infrastructure Bank Plc (TIB) with a vision “*to be the premier focal point for infrastructure development in Nigeria*” has been rigorously engaging with several Ministries, Departments and Agencies (MDAs), and State Governments at the highest level of authority to roll-out infrastructure projects using the PPP financing model. Today, we are working closely with public and private sector project sponsors to develop landmark/signature infrastructure projects, in key States of the Federation including Kwara, Adamawa, Osun, Lagos, Benue, Ekiti and the FCT. We are confident that with the PPP and PFI model gaining speed and understanding at the State Government level, PPP proponents are well on their way to considerably bridging the nation’s infrastructure deficit.

At TIB, we stand ready, willing, and able to support the development and implementation of any viable infrastructure project wherever the need arises in our dear nation. We implore you to reach out to us with respect to your infrastructure project needs and we will stand by you, to structure the needs into

bankable transactions that can easily attract private sector funding. Stakeholders present here today, please note that The Infrastructure Bank Plc has the necessary wherewithal to accelerate the journey in transforming Nigeria's infrastructure deficit, to unleash the potential of our nation.

I therefore, on behalf of the Board and Management of The Infrastructure Bank Plc, warmly thank the Secretary, National Planning Commission, for inviting me to this meeting of great minds dedicated to leveraging the private sector to deliver on the promise of the NIIMP. I am convinced that the NIIMP could serve as the focal point for all Stakeholders to begin addressing the huge infrastructure deficit, and improve the global competitiveness of Nigeria. Nigeria's march to economic greatness has been bumpy thus far, but if we keep the faith, we shall overcome our challenges and accomplish the vision of transforming Nigeria into a developed country with a vibrant and productive people.

I thank you for sharing your scarce time with me and hope this would be one of many opportunities to share ideas with you.