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
1.1 The PPP Alternative

1.3 Asset procurement options under PPP

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

- Conventional procurement
  - The procurement of assets by the public sector using conventional funding
    - Design, build, finance and transfer (DBFT)
      - Build, operate and transfer (BOT)
      - Build, operate and own (BOO)
    - Design, build, finance and operate (DBFO)
      - Publicly regulated but privately owned in perpetuity

- Public Private Partnership

- Full privatisation

Source: KPMG, KLegal
## 1.2 The PPP Alternative

### PPP Advantages

<table>
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<tr>
<th>Advantage</th>
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<td><strong>Transfer</strong> <strong>finance</strong> to the private sector</td>
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<td><strong>Accelerate</strong> infrastructure provision</td>
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<td><strong>Promote</strong> faster implementation of projects</td>
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<td><strong>Engender</strong> reduced whole life costs of project</td>
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<tr>
<td><strong>Better risk allocation</strong> between public and private sectors,</td>
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<td><strong>Better &amp; sustainable incentive</strong> for private sector performance</td>
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<td><strong>Engender</strong> accountability in fund utilization</td>
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<td><strong>Improve the</strong> overall quality of service</td>
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<td><strong>Generate</strong> additional revenue for government</td>
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<td><strong>Improve</strong> overall value for money for the entire economy</td>
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<td><strong>Increased</strong> efficiency in the provision of services</td>
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2. Nigeria’s 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

- **Public Sector Authority**
- **Public Agency Consultant**

**Public Sector**

**Private Sector**

- **Construction Contractor**
  - Construction Agreement
- **Facilities Management Operator**
  - Facility Management Contract
- **Consortium (Special Purpose Vehicle)**
  - Debt Finance
  - Equity Finance
- **SPV’s Consultant**
- **Construction Investor**
- **Facilities Management Investor**
- **Third Party Equity Investor**

**PPP Contract**

**Operation**

**Finance**
3.3 The PPP Process

**PPP Lifecycle**

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

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

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

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

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

... Delivery Mechanism

ICRC

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

Development Phase

- Needs Analysis
- Economic Assessment
- PPP Options appraisal
- Value for Money
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Procurement Phase

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- Full Business Case
- FEC Approval

Implementation Phase

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

ICRC

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

MDA

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

Preliminaries

- Identification
- Prioritization
- Selection

MDA; NPC; BOF; MoF;

FPPP Unit

Project Delivery Team (PDT)

Infrastructure Concession Regulatory Commission
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

**ICRC**
- Policy, Regulation, Capacity Building
- Ensure Bankability

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

Guidelines and Capacity Building

Submit OBC

Recommend OBC for Approval

**MDA**
- Present OBC to FEC for Approval

**FPPP Unit**
- Re-Work Non Bankable Projects

Refer Non Bankable Projects

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.
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

(MDA)/Concessionaire

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

ICRC

- Take custody of Agreements
- Compliance Monitoring
- Contract Management

PRESIDENCY

Guidelines and Regulations

Annual Report to President

Reports and Documentations

Policy and Regulations Review

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

FOR SUCCESSFUL INVESTMENT, WE NEED

Policy; Objectives; Roadmap
Legal and Regulatory Framework
Institutional Framework & Capacity
Coherent Planning Framework
Human Capital Development
Infrastructure Financing Framework

LEADERSHIP
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**

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<td>Ring fencing project for PPP implementation</td>
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<td>Comprehensive programme of capacity building with support of WB, DFID, AfDB in place.</td>
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<td>Development of the National Integrated Infrastructure Master Plan</td>
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<td>Development of long term financial instructions for PPP Collaborating with CBN, Bankers Committee, DMO, PENCOM etc to catalyse the.</td>
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<td>Establishment of a VGF scheme to enhance PPP projects bankability in collaboration with FMF</td>
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<td>Colloboration with state govts to establish similar subnational frameworks to ensure a robust and coherant PPP market nationwide</td>
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<td>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</td>
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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

Barr. Aminu Diko
Director General/CEO
Infrastructure Concession Regulatory Commission
Plot 1270, Ayangba Street, Area 11, Garki, Abuja, Nigeria
Phone: +234 (9) 4604900/+234 (9) 8750286
Email: info@icrc.gov.ng
Website: www.icrc.gov.ng