

## **NEPAD Public-Private Partnership Forum 2009**

### **Theme: Effective Implementation of Public Private Partnership (PPP): Nurturing Partnerships and Addressing Major Challenges**

**Ladi Kwali Hall, Sheraton Hotel and Towers, Abuja,  
Nigeria**

**24<sup>th</sup> – 25<sup>th</sup> November 2009**

#### **Background**

1. The New Partnership for Africa's Development (NEPAD) is a major regional initiative aimed at the political and economic renewal of Africa. The key objectives of NEPAD are the promotion of sustainable growth and development, eradication of poverty, and ending marginalization of Africa in this era of globalization.
2. As an engine of growth and development in a market-driven-economy, the private sector can make an important contribution to the achievement of these objectives of NEPAD. The Forum is anchored on deepening collaboration between the public and private sector in support of national and regional development.
3. Funds from States are becoming increasingly insufficient to meet the ever expanding frontiers of expenditure. To bridge the yawning fiscal gap, Public-Private Partnerships have emerged as an effective tool for accelerating development. Globally, Public-Private Partnership has

enhanced the role of the private sector, as well as strengthened the capacity of the public sector in project development and implementation. Even though the Federal Government of Nigeria had, over the years, embarked on a privatization programme, ostensibly to reduce public sector involvement, the results these efforts are yet to fully manifest.

## Opening Session

4. The NEPAD Public-Private Partnership Forum 2009 was held at Ladi Kwali Hall, Sheraton Hotel and Towers, Abuja, Nigeria, from Tuesday 24<sup>th</sup> to Wednesday 25<sup>th</sup> November 2009. The Forum was organized by NEPAD Business Group Nigeria/West Africa, in partnership with NEPAD Nigeria (Presidency), Economic Community for West African States (ECOWAS) Commission, United Nations Economic Commission for Africa (UNECA), Infrastructure Concession Regulatory Commission (ICRC) and the Government of Niger State of Nigeria.
  
5. The Forum had in attendance a number of dignitaries: Chief Ernest Shonekan, GCFR, former Head of State and Commander-in-Chief of the Armed Forces, Federal Republic of Nigeria, and Chairman ICRC; Dr. Mu'azu Babangida Aliyu, OON, Executive Governor and Chief Servant, Niger State of Nigeria; Amb. Tunji Olagunju, Special Adviser to the President on NEPAD and Head of NEPAD Nigeria; Dr. Bamanga Tukur, President African Business Roundtable and Chairman NEPAD Business Group Africa; Mr. Goodie Ibru, Chairman NEPAD Business Group Nigeria; Chief (Mrs.) Nike Akande, Director, NEPAD Business Group Nigeria; and Amb. Commodore Dan Suleiman (rtd), former Ambassador to Russia. There were also several resource persons and experts from various public and private sector organizations. Development partners also played an active role in the Forum: African Development Bank Group (AfDB), German Technical Cooperation Agency (GTZ), UNECA, UNIDO, and the World Bank. There

were also delegates from a number of West African countries – Benin, Cote d’Ivoire, Ghana and Senegal.

### **Welcome Address by Mr. Goodie Ibru, OON, Chairman NEPAD Business Group Nigeria**

6. In his Welcome Address, Mr. Goodie Ibru, Chairman NEPAD Business Group Nigeria, harped on the importance of infrastructure to national and regional socioeconomic development, and that the realization that governments alone could not be expected to fund infrastructure development has led to the idea of the establishment of Public-Private Partnerships (PPPs). It was this realization that led to the establishment of the ICRC in Nigeria, which he pointed out was a welcome development that was in line with the NEPAD vision.

### **Opening Address by Amb. Tunji Olagunju, Special Adviser to the President on NEPAD/CEO NEPAD Nigeria (Presidency)**

7. Dr. Tunji Olagunju, who was represented by Prof. P.T. Ahire, Director African Peer Review Mechanism (APRM), welcomed the all present to the Forum and expressed his confidence that the timing and calibre of participants at the meeting would yield outcomes that would impact positively on infrastructure development in Nigeria and beyond.
8. Dr. Olagunju pointed out that NEPAD is anchored on partnership, which is the platform for Africa’s prosperous future and as Africa’s home-grown initiative, through partnerships NEPAD could fulfil its developmental goals. He said that in order for African countries to reduce the infrastructure gap, NEPAD recognized the importance of PPP in mobilizing funds for development of the sector. He also said that NEPAD recognises that government has “no business in business”, hence the need to set up channels for the participation of private companies and investors.
9. He acknowledged that Nigeria has made some progress in the area of PPP through setting up of a legal framework and the establishment of the ICRC,

and emphasized that NEPAD had already identified PPP as a tool for economic development. He expressed concern over the apparent weakness of the private sector in Nigeria, the need to address the pessimistic bias concerning PPP, as well as the need to build public confidence through a series of quick-wins. He challenged the private sector to be more proactive and serve as an avenue for genuine partnership, stressing that in achieving successful PPPs, there is need for good corporate governance and the inculcation of global best practices. He concluded his address by expressing his hope that deliberations at the Forum would be useful in nurturing effective partnerships that would make PPP viable. He then thanked the organizers for the rare privilege given to him to declare the Forum open.

### Goodwill Messages

10. **Dr Bamanga Tukur, President, African Business Roundtable (ABR)** said that the relationship between the public and private sector had metamorphosed from one of distrust and disaffection, to one of genuine partnership. He admonished that the term PPP should not just be a cliché, but should result in definite positive changes in the developmental journey of African countries and at different levels of government. He acknowledged that there would be constraints and challenges, but that there was a need to find a way to overcome them. He admonished all parties to join hands to build our various societies. He pointed out that the interdependence between the public and private sectors has become all the more visible in the course of recent global events emanating from the economic crisis. He concluded by recognizing the pivotal role that ECOWAS, UNECA and other important partners have played in advocating for PPP in the region.
  
11. In his own goodwill message, the **Resident Representative, African Development Bank** expressed his delight in attending the Forum, praising the exploits of NEPAD Business Group in promoting a strong and vibrant private sector in Africa. He also praised NEPAD's role in putting Africa in

frontline of the international development agenda. He said the African Development Bank (AfDB) founded the ABR and that the NEPAD Business Group was established with the overall objective of raising private sector awareness through dialogue, brainstorming as well as attracting the Diaspora and African business leaders through local and international fora. He praised the NEPAD Infrastructural Facility Fund on its commitment to projects across the continents through PPPs with a total of 30 projects currently spread across Africa. He further stated that NEPAD Business Group has chosen to focus the attention of stakeholders on PPP as a key instrument for infrastructure development in Africa. He concluded, saying that PPP is a viable and promising instrument that would help improve access to infrastructure services in Africa in particular, and help in bridging the huge infrastructure gap of our continent.

### **Remarks by Dr. Mu'azu Babangida Aliyu, OON, Executive Governor and Chief Servant, Niger State**

12. In his own remarks, Dr. Mu'azu Babangida Aliyu thanked NEPAD Nigeria for inviting Niger State to the Forum, which he believed was in recognition of the efforts of the State Government in embracing private sector participation in her development process. He stated it was of paramount importance that the twin issues of leadership failure and corruption be addressed in the political life of Nigeria. He therefore posited that those who are in power need to have a clear understanding of the essence of leadership, which is service of the people who gave the mandate, as well remain conscious that a day would come when they would have to account for services rendered. He also charged participants to be mindful that everyone is one leadership position or the other and would account for his/her actions and inactions.
  
13. Dr. Aliyu further emphasized the need for governments to create an enabling environment, which Niger State had embarked on using various schemes to encourage non-indigenes and foreigners to invest in the State.

14. He acknowledged the good work of NEPAD Business Group Nigeria, and said that the founding fathers of ECOWAS needed special recognition for their foresight, pointing out that other regional blocs across the globe were strengthening their ties. Therefore the integration of ECOWAS, and indeed the AU, ought to be vigorously pursued to their logical conclusion.
15. Dr. Aliyu went further to intimate Participants of Niger State's efforts at working with the private sector using the PPP model, including the provision of 2,000 housing units and a number of other projects successfully completed. He stated that other infrastructure projects were in the pipeline that would engage the use of PPPs. Some of the challenges the State faced in implementing these projects included the lack of capacity in the engagement in PPPs and he said this was one of the reasons for their participation in this particular forum.
16. He also regretted that endemic corruption remained a problem at the national and local level, and related it to some cultural practices. He however pointed that it must be addressed, if we are serious about attracting investment in infrastructure development and other sectors. In conclusion, he reiterated that we must be prepared to fight corruption as a matter of life and death. He said that there is a need to review our laws, with a view to meting out more severe punishments on those convicted for corrupt practices.

***Keynote Address by Chief Ernest Shonekan, GCFR, Chairman, Governing Board, Infrastructure Concession Regulatory Commission (ICRC): Institutional Arrangements for the Implementation of Public Private Partnership Policy in Nigeria***

17. Chief Ernest Shonekan, who was represented by Dr. Bernard Verr of the ICRC, commenced his Keynote Address by saying that the NEPAD was

considered as a principal partner of the ICRC in the task of infrastructure development in Nigeria

18. He stated that bridging the huge infrastructure gap in Nigeria is a daunting proposition, and has necessitated the use of concessions and other PPP arrangements in the provision of services, as had been done with great success in other countries. Massive investments needed to be made, beyond what is available to the public sector, hence the need to turn to alternative funding mechanisms.
19. With the provision of the legal framework in the establishment of the ICRC, and the development of a National Policy on PPP, the Federal Government had established and would maintain clear and consistent processes, guidelines and procedures for all aspects of concession and other PPP transactions
20. He defined the risks that faced the ICRC, which include loss of focus; conflict of interest due to the dual role of the ICRC as a resource centre and compliance monitoring centre; assumption of primary responsibility of MDAs in PPP transaction; and public service remuneration of staff which would not attract and retain the right staff.
21. Chief Shonekan harped on the need for the full cooperation of all Ministries, Departments and Agencies (MDAs) with the current efforts. State Governments on their own part were expected to embark on similar arrangements and the ICRC would therefore also seek collaboration with State Agencies. He acknowledged the role played by multilateral and bilateral partners, notably World Bank and UK Department for International Development (DFID) in the establishment of the ICRC. In concluding, he said that the private sector remains the most critical partner in this endeavour, and urged them to seek to contribute to the attainment of national development aspirations.

## Plenary Session 1

### *Public Private Partnership (PPP) as a Tool for Regional Integration* by Prof. N'Galadjo Lambert Bamba, Commissioner for Macroeconomic Policy, ECOWAS Commission

22. According to Prof. N'Galadjo Bamba, ECOWAS Heads of State adopted a new "Vision 2020", which is aimed at moving away from the "ECOWAS of States" to an "ECOWAS of the People" a paradigm shift that encourages collaborative efforts in the developmental agenda of the sub-region. He therefore described PPP as a tool for regional integration.
23. He defined the building blocks of regional integration as follows
  - i. Trade, market integration and free movement
  - ii. Infrastructure and other sector policies
  - iii. Macroeconomic convergence and financial and monetary integration
  - iv. Peace, security and governanceImplementation of these building blocks would require substantial funding that could not be provided by governments alone.
24. He also opined in his paper that there was a difference between the "classical PPP approach" and "PPPs for development"; in the former, private sector players bear the risk and seek returns for long-term concession or provide fees for services, while in the latter, the PPP combines the business interest of companies with the developmental goals of government. He also described Community Development Programme (CDP) as the main integration vehicle for ECOWAS, which employed a participatory approach that involves the private sector, civil society and research; it entails the involvement of non-State actors in the conception, planning, funding, implementation and monitoring of CDP.
25. He enumerated a few of the infrastructure projects being implemented with the PPP model and gave examples of fields for cooperation such as



value chains, infrastructure and new technologies. He pointed out that there were high expectations on the part of the public sector.

## **Plenary Session 2:**

**Topics: Use of PPP in Improving Performance of Strategic Sectors Status, Challenges and Best Practices**

**Role of the Private Sector in PPP**

**Chair: Dr. Wale Babalakin (SAN), Bi-Courtney Consortium Limited**

***Infrastructure – Energy: Power Generation and Transmission by Jonathan Amoako Baah, West African Power Pool, ECOWAS***

26. The presenter started his paper by saying that PPP is important and that ECOWAS is promoting PPPs in energy sector. He said the sector is characterised by feeble energy resources which are still mostly traditional. Mr. Baah emphasised that ECOWAS identified with these energy challenges and that they are working to address them. This was what led to the ECOWAS Protocol on Energy that created the West African Power Pool (WAPP). He stated that there are PPP energy projects such as the West African Gas Pipeline, which is private sector driven and ECOWAS is only involved in the implementation contrary to belief that ECOWAS was handling it. He stated that there are policy documents to initiate participation of the private sector as stakeholders in energy, and that this is the solution to West Africa's weak energy sector programmes. He intimated the Forum that ECOWAS was setting up the ECOWAS Regional Electricity Regulatory Authority (ERERA), and that emphasis was being laid on participatory approaches for private sector involvement in other aspects of the energy sector such as transmission, pricing, etc. Similarly, efforts geared towards the diversification of energy sources through the

use of renewable energy were being made and for this reason the Regional Centre for Renewable Energy and Energy Efficiency was established.

### ***The Lagos State Experience by Dr. Opuiyo Oforiokuma, Lekki Concession Company (LCC)***

27. In his presentation, Dr. Oforiokuma shared the experience of the Lekki Concession Company (LCC) in Lagos State. He went on to explain the different models of PPP, which could be public placements and concessions, and stated that concession is mostly applied in the roads sub-sector, citing the Lekki–Epe Express Road as an example. He pointed out that in concessioning, government transfers the risk to the private sector and mostly the private sector actors recoup their investment through toll fares or shadow payment principles. Stressing that PPP is widely used in developing countries of Asia and the developed countries of the West, Dr. Oforiokuma stated that concession is not the usual traditional model of government such as contracts, but that as investors now take on the risk. He pointed out that one of the numerous advantages of concession is that funding from government targeted for such projects could be used for poverty alleviation purposes and other social programmes. Also, there is use of improved technologies and prompt service delivery as well as discipline. He cautioned that not all projects are suitable for PPP and that there must be appropriate legislation in place before and investor should embark on such partnerships, citing the Lagos State Road Law (2004) and Federal Government’s establishment of the ICRC.
  
28. He stressed the need for establishment of regulatory framework which must be clear without political bias. How do you invite private sector? There is need for transparency and the absence of red-tapism. He concluded by saying that PPP is not a panacea as not all project are viable and some could be quite complex. The private sector should also take care to avoid the risk of displacements and resettlements. Lastly, financing was identified as a key component for successful PPPs and on the part of the

public sector, there was a need to screen prospective private sector partners and vice versa. He suggested ways to attract private sector actors into infrastructure development, as follows:

- Legislation and enforcement: The rules must be clear, and consistently and fairly applied.
- The partnership depends on the government to ensure the stability of policies.
- Transparency of the procurement process is necessary, if knowledgeable and credible investors are to participate.

29. The presenter pointed out that when you are entering into PPPs you are engaging in a process of change, which naturally breeds resistance. There is therefore a need make plans to manage the change process. He emphasized on the need to make these early efforts at PPP successful, so as to ensure that more players are encouraged to get involved.

### Discussion\*

30. Participants wanted clarification on the difference between the Lekki Project and the Lagos-Badagry Road; *at this they were informed that the Badagry Road is totally a Government project, which they hope to obtain the buy-in of private investors after completion, whereas the Lekki Concession was one with the risk being borne from the outset by the LCC.*
31. The question was raised whether it was a viable option for State Houses of Assembly to pass resolutions that would enable them to embark on infrastructure development projects using the PPP model; *the resource panel said there was no reason why all the States of the Federation could not enact such laws.*
32. Regarding ways of striking a balance between legitimate profit-making and the provision of projects that benefit the people, *it was said that*

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\* Responses to questions/comments are in italics.

*regulations would ensure equilibrium for all the stakeholders in PPP projects, and especially protect the end-user.*

33. Some participants wondered what type of PPP should we envisage that would bring about the development of trans-border roads and *they were informed that NEPAD and ECOWAS would play a significant role in facilitating the development of the sub-regional transport corridor.*
  
34. It was observed that little mention was made of nuclear energy. The Forum wanted to know that policies had been put in place, if any, to involve the private sector in these projects? *There are models in the sub-region e.g. in Mali, that have been proven to be successful. Also the thinking is that there should be an energy mix; thus, serious thought is being given to the development of nuclear energy – which is time and capital intensive – but is also cost-effective.*

### **Concluding Remarks by the Chair**

35. Chairman of the Session, Dr. Wale Babalakin, concluded the Session by stating that development is a very serious project and those who embark on PPPs must necessarily have an interest in development, because there is no quick money to be made. The private sector therefore needs to have a significant stake in national development. Furthermore, the judicial system needs to be developed to ensure that disputes are resolved, as this would encourage more investments.

## Plenary Session 3

### Topic: Role of Public Sector: Effective Implementation of PPP

Chair: Dr. Ini Urua, African Finance Corporation

#### *Energy Generation & PPP in West Africa: An Overview by Engr. Amadou Diallo, Secretary-General West African Power Pool (WAPP)*

36. Engr. Amadou Diallo began his paper by presenting the results of a situation analysis of West Africa's energy crisis, which revealed that there are avenues for investment by the private sector to fill the gap. He revealed that this energy crisis that hit the sub-region over the past decades was characterized by load shedding and the aggravation of poverty, and hinted on its causes such as rising energy costs, the poor financial standing of state-owned utilities, and problems of government-owned monopolies with attendant bureaucratic issues that lead to delays in project implementation and increase in overall project costs.
  
37. He stated that alleviating this energy crisis was the objective of the West African Power Pool (WAPP) and that WAPP would do this by integrating national power systems to a unified regional electricity market. The strategic focus of WAPP is developing generation plants and transmission lines; establishing a Regional Information and Coordination Centre; establishing market rules for power exchange; and establishing uniform tariffs. Furthermore he gave an account of the regional instruments enacted by ECOWAS Heads of State, which gave primacy to the role of the private sector in the development of the energy sector of the sub-region. He then spoke of a number of Power Generation Projects that are being put in place such as the Emergency Power Supply and Security Plan (Marie Geita, Aboadze, and OMVS), Félou Power Hydropower Project (Mali), rehabilitation of Mount Coffee (Liberia), and the rehabilitation of Kainji

and Jebba (Nigeria). In the same vein. Transmission lines are also being built through WAPP.

38. Engr. Diallo described some of the WAPP Arrangements embarked upon to make the Regional Power Projects to be attractive for private sector participation. These include: Securing from host governments sites with 'Free Zone' status; provision of equity for power projects; and the creation of a Special Purpose Company (SPC) that would include private actors. He concluded by describing the added value of PPPs as: Accelerating the implementation of projects by packaging and procuring services in new ways; sharing of risks and responsibilities; expedited completion compared to conventional project delivery methods; projects cost savings; and rigorous monitoring of projects.

#### ***PPPs for Public Services Delivery – Public Sector Projects by Mr. Guillermo Mangué Nnandongo, UNECA***

39. This paper consisted mainly of the preliminary findings of an ongoing study by UNECA which is a comparative analysis of the application of PPPs between Africa and South-East Asia. The study looks at the various sub-sectors where PPPs can be applied. The study also shows that African countries are highly dependent on aid, and have a high prevalence of conflict and instability, which is not encouraging to private sector participation. In addition, most policies, before the advent of NEPAD, lacked African ownership. These were the key differences from the Asian economies.
40. The study further classified African countries as follows:
  - i. Countries with access to the Sea;
  - ii. Resource-rich countries (where poor governance was a major issue); and
  - iii. Landlocked counties, which could benefit most from PPPs established in the other 2 categories.

41. The also looked at four areas of infrastructure development:
- Transport (road, air, rail and sea)
  - Telecommunications (fixed, mobile and internet access)
  - Water and Sanitation
  - Electricity (urban and rural) – gaps were particularly wide in rural electrification.
42. There is room for the African private sector to get on board to support governments' efforts. The issue was not whether PPPs would work or not, but on how Africa could leverage on the capacities in the private sector to develop her infrastructure. Infrastructure is known to be capital-intensive and governments need to be very clear on the rules of engagement, and ensure that adequate and timely information is made available of areas where the private sector could be involved. Governments should also carry out in-depth analyses of areas where suitable for partnership with the private sector. The challenge therefore, he stated, was for the public sector to be proactive and make the potential PPPs attractive, as well as improve on governance so as to attract not only local, but also international, investors.

***PPPs to Address Supply-Side Constraints and Enhance Productive Capacity by Mr. Masayoshi Matsushita, Resident Representative, UNIDO***

43. Mr. Masayoshi Matsushita said that his presentation was meant to demonstrate the important role the public sector should play in strengthening the private sector. With a nominal GDP that is ranked 48<sup>th</sup> and a per capita income that is ranked 115<sup>th</sup> in the world, Nigeria has a lot to do if she is to achieve the Vision of being one of the 20 most industrialised economies in the world.
44. He said that the development of micro, small and medium-scale enterprises (MSMEs) was key in the industrial development of any country. In this respect, he harped on the need for competitiveness, innovation and technological advancement. He also demonstrated the importance of

MSMEs in the development of major industries, citing as an example Japan's automotive industry, where most of the components of cars are developed by MSMEs, as well as other allied industries. In order to do harness this potential, there was a need for strong infrastructure development to strengthen the industrial sector.

45. The paper also showed that national image and quality management are a very important form of support that the government could give to the private sector. Again, using Japan as a case in point, that country used to have a very poor image in terms of quality; this was overcome through the support of various government initiatives towards capacity building in this area e.g. through establishment of government standards enforcement agencies. An emphasis on Total Quality Management (TQM) is necessary, he said, to create a better corporate culture. He described the top-down approach to TQM initiatives, and how these work in consonance with bottom-up managerial practices to ensure the upgrading of quality along the value-chain. Also, the introduction of "basic work disciplines" was proposed as a means of raising quality in the production process.
46. Mr. Matsushita spoke of the work of UNIDO in supporting industrial development in Nigeria such as renewable energy generation with several pilot projects for interventions across the country e.g. small hydro projects; trade capacity building (TCB) which is modelled for implementing the Trade for Aid Initiative; employment creation and productive sector development, to mention a few. Plans are underway for these efforts to be scaled up across the country.

### ***Capacity Building - Implementation and Management Capacity by Mr. Ismail Radwan, World Bank***

47. The presenter stated that better infrastructure leads to faster economic growth and that Nigeria was lagging behind other developing countries in infrastructure development. He also said that PPPs are complex and represent a new way of doing things particularly in the area of pricing and



value for money. There is therefore the need for capacity building for the development of effective PPPs.

48. The paper gave the basics of the PPP approach and the benefits of PPPs, stating that without PPPs, there will not be much progress in the crucial areas of infrastructure development. He described the PPP Institutional Framework which included policy development, capacity building and institutional strengthening, then technical assistance, and finally transactions advice and support with financial closure and supervisory support. South Africa is the most advanced on the continent, in terms of the development of PPPs.
49. PPPs are fixed on solving government failures and we don't just go into them for the sake of having PPPs. The paper advocates the establishment of a PPP unit and in doing this he described some of the available options such as bundled versus unbundled; whether there would be new public borrowing or optional; promoting versus approving; functional versus sectoral specialists; in-house versus outsourced; and reporting relationships, among other things. He described the functions of PPP units which are to address the failures of government in the areas of procurement practices, coordination, poor skills, high transaction costs and the lack of information. He stated that the best place to situate the PPP Unit is the Ministry of Finance.
50. He shared the international practice of PPP Units with the caveat that PPP units are not a panacea to governance practices in any country. To this effect he proceeded to describe some of the problems of the PPP model.
  - Policy framework
  - Training People
  - Project Development training

51. The biggest challenge is the lack of capacity of government to deliver PPPs and how to increase the capacity effectively and as quickly as possible. There is therefore the need to scale up all efforts to entrench the institutional framework for PPPs in Nigeria.

***PPP in Niger State: Challenges and Prospects by Dr. Abdul Malik Ndagi, Niger State Government***

52. The presenter showed the areas of focus in Niger State namely, infrastructure, agriculture, health, education, etc., and gave a synopsis of the status of various PPP projects embarked on by the State Government – and although there were many success stories, some of the projects failed and had to be taken over by the State Government.
53. Some of the major challenges that the State has faced in course of venturing into PPPs are: The absence of a Transaction Advisor; lack of feasibility reports; poor monitoring and evaluation; weak investors and/or developers; lack of sustainable financing; unfavourable business environment; and weakness of existing infrastructure.

***Public Institutions Promoting PPP by Managing Director, Niger Delta Development Commission (NDDC)***

54. The representative of Mr. Chibuzo Ugwuoha, Managing Director, NDDC, began by telling the Forum that the Niger Delta region is faced with serious infrastructural challenges and has also suffered massive environmental degradation. This lack of infrastructure has been identified as the major reason for youth activism and militancy in that region. He also informed the meeting that the NDDC is funded by the Federal Government and the oil companies, and that in recent times this funding had dwindled in real terms.

55. He went further to say that the Niger Delta Regional Master Plan, if implemented, would lead to significant development in the region. However, the current funding mix did not allow for massive infrastructure development. He described some of the joint-funding initiatives (not PPPs) that have characterized some of the Commission's recent projects, and informed Participants that recently the NDDC had set up a unit to enable her to embark on PPPs. These PPPs are intended to be tripartite in nature, with State Governments and private sector companies participating, since the NDDC was not strictly a government outfit.
56. He called on all, and particularly the private sector, to participate in the development of the Niger Delta Region, for the overall wellbeing of the nation.

#### ***Port of San Pedro Case Study by Constant Koidou, Secretary-General***

57. The presenter gave a historical background to Port of San Pedro, initially as government project, but was crippled due to lack of equipment, accessible roads as well as high cost of importation. He identified the potentials of San Pedro which include wide domain for ships, high draft, rich national and regional hinterland, to mention a few. He further stated that through PPP, there had been massive investment in excess of USD 20 million. This investment in transshipment terminals and other equipment has forced down the cost of importation and increased port revenue.
58. He stressed the need for the public and private sector to be involved in infrastructure projects even though most have different objectives for going into partnership. He highlighted three phases of PPP, which are preparatory, building and after-signing phase. He concluded by stating that government commitment is important in starting and in implementing PPP projects.

### *ICTs for Development and e-Government by Dr. Raphael Koffi, ECOWAS*

59. The presentation commenced with a description of the legal framework that has been put in place at the sub-regional level to enhance the development of ICT infrastructure, as this was found by studies to raise the GDPs of countries. To this end, Articles 32 and 33 of the Revised ECOWAS Treaty as well as the ECOWAS Heads of State Vision 2020 were geared towards creating this framework for the entire sub-region.
60. He described some of the projects that were currently ongoing, such as INTELCOM I and II submarine cable systems, the former commenced in 1994-95 and the latter more recently in 2002, which would increase interconnectivity and reduce intra-regional transit times and by extension costs. For INTELCOM II, he informed the Forum that it was now about 45% operational, although four (4) countries were yet to have the infrastructure. SAT-3 was another system that had been put in place, though now it was virtually saturated. He said that international communication costs remained high in the sub-region because there are few interconnectivity linkages as compared to other regions.
61. Regarding the regulatory framework, he said that disputes usually occurred over interconnection – this needs to be focused on in developing the framework. He also said that funding for these projects was another problem, particularly in the rural and sub-urban areas. A document was developed by ECOWAS to guide the funding process for these underserved sections of the society, and as these were often not profitable for private sector companies, there is a need to create a fund to ensure that critical ICT infrastructure is made available to all peoples in the sub-region.
62. On the prospects, the expected landing of some major systems, such as MAIN-ONE, Glo-1 and EASSy, were key and the private sector needed to take advantage of these beginning from 2010. To this end, there is a need to build partnerships that will enable land-locked countries, as well as the

interior of coastal countries, to benefit from these systems, by developing inland linkages to their coastal elements.

## Discussion

63. Niger State has been proactive in the development of PPPs, but caution is advised given the relative inexperience of State actors. Also there is a need to know how the success of the PPP projects was assessed. In addition, all contractors that were blacklisted by the State should be made known to other State Governments. *The Niger State representative assured the Forum that they are not necessarily rushing into these schemes but is actually prioritizing her PPP projects, He also invited interested Participants to render consultancy services to the State Government for successful implementation of PPPs.*
64. The overlapping mandates of some the various government agencies working in the Niger Delta region was a cause of concern to some Participants and they called on the Federal Government to address this.
65. There is no capacity for objective evaluation in the country and therefore there is a need to include the ability to evaluate as a part of all capacity building initiatives.
66. The issue of environment and the impact of the activities of industries seem to have been omitted in the presentations. There is a great need for adequate involvement of communities and other stakeholders in infrastructure development projects. *The status and impact of PPPs on the environment is indeed one of the first stages of the initiation of any infrastructure project and is therefore implicit.*
67. The high gearing ratio of the WAPP projects is a bit worrisome, given the prevailing economic conditions. *The Protocol is looking at multiple funding*

*sources for the WAPP and the perceived high gearing ratio will not be problematic.*

68. Financing is a major problem for Nigerian private sector, which cannot compete with foreign investors who can borrow at lower rates and also enjoy government subsidies. Furthermore, when there is economic crisis in the West, interest rates are dropped to encourage investors, while in our setting, they are raised in the midst of the downturn. *Participants were advised to bring their bankers in early and on a project-by-project basis; however the issue of interest rates was one of overall macroeconomic policy to be determined by the Central Bank and like institutions.*
69. The Federalism being practiced in Nigeria was an issue for some Participants: They were of the view that State Governments should be allowed to partner with regional bodies such as African Finance Corporation (AFC) and NEPAD to take advantage of what is available at the regional level. *The AFC is partnering with a number of state governments, within the limits of the country's laws; constitutional issues could however not be determined at this particular Forum.*
70. Some were of the opinion that in our PPPs, it looks like the different sectors do not have mutual understanding of their collective goals and objectives. There is a need to find common ground for PPPs to move forward, and particularly involvement of the academia. *NEPAD has already taken the lead in this through the NEPAD e-Schools Programme – more details on this could be obtained from the NEPAD e-Africa Commission.*
71. Some PPPs, like the concession of Dakar port, actually led to reduction of manpower needs, such as in the case of the port concessioning. *The San Pedro concessioning was done to improve the traffic; the creation of jobs was due to the fact that initially there was no real activity going on at the port before concessioning.*

## **Chairman's Closing Remarks**

72. Participants were informed by the Chair that the NEPAD IPPR is for regional infrastructure projects and there is also the Project Preparation Facility for in-country projects. Companies were invited to take advantage of some of these, as well as some of the telecom projects being financed by regional institutions

## **Plenary Session 4**

### **Topic: Financing and Resource Mobilization for PPP**

#### **Chair: Amb. Commodore Dan Suleiman**

#### **Remarks by Dr. Mansur Ahmed, Director-General, ICRC**

73. Dr. Mansur Ahmed remarked that the President had just presented a budget, with provision to the tune of about 10 billion US Dollars for infrastructure development in the year 2010. This amount was not sufficient to meet the required funding to fill Nigeria's infrastructure gap – currently standing at up to 30 billion US Dollars per annum. The private sector was therefore being looked to as a suitable partner in the quest to meet national developmental goals. He noted however that there was a need for an environment that reassured the private sector of continuity, security and profitability and that it was for this reason that the ICRC was set up.
74. He said that there is also a need for long-term financing and that the ICRC was mandated to work with the private sector to develop a framework for such long-term financing. He reemphasized that there is therefore a dire need for collaboration between the private and public sector to ensure the availability adequate funds for the development of infrastructure in Nigeria, if we are to achieve the Vision 20:2020.

### ***Relevance of Debt Management Office to PPP Schemes by Dr. Abraham Nwankwo, Director-General Debt Management Office***

75. Dr. Abraham Nwankwo, Director-General, Debt Management Office (DMO), who was represented by an Assistant Director, informed the Forum that one of DMOs main strategic objectives was to develop the local, domestic bond market in order to provide funds for the financing of infrastructure projects.
76. The presentation showed the increasing interest in recent times in the bond market since DMO issued its first sovereign bond in 2002, and that subscription to sovereign bonds currently stood at about 62% of the market. He said that they had also moved from the issuance of short-term to long-term bonds, with a 20-year instrument recently raised in the market.
77. He highlighted the relevance of the DMO to PPPs. The availability of sizeable funds is necessary for the success of infrastructure projects, which form the bulk of PPPs. However, as there are contingent liability implications – the DMO is mindful of the debt sustainability of the country – and for this reason the Agency should be involved in the preliminary design and negotiation of all major PPP projects.

### ***Encouraging Sustainable Investment in Infrastructure by Wole Shonibare, United Bank for Africa Plc***

78. The presenter reviewed the infrastructure deficit with Nigeria spending about 3.5% of GDP on infrastructure, while there was a need to spend about 20% if we are to achieve the Vision 20:2020. Such funds were simply not obtainable from the public sector.
79. He pointed out that it was necessary to bear in mind that while bringing the private sector into infrastructure development, the local private



sector, on one hand, currently lacks the capacity to engage in these kinds of deals, while on the other, international investors lack local knowledge and are therefore risk-averse. This makes it all the more important that the necessary policy and regulatory frameworks are put in place.

80. He said that Commercial Banks depended on short-term deposits, and this made it difficult for them to raise long-term financing for the private sector. As a result, most Banks are now thinking of raising bonds, though corporate bonds are not very attractive at the moment because of tax issues. Another challenge to raising long-term credit is the poor liquidity in the system. He suggested that pension funds are another possible alternative, but that there is as yet not the right vehicle for their deployment. He also said that the processes of multilateral finance organization are rather lengthy and that the macroeconomic environment is an equally important consideration, the challenge of policy continuity, to mention a few.
81. He observed that the telecommunications, energy & transport sub-sectors are the key areas where private players are working at the moment. He went further to describe the characteristics of a good project and stating that these criteria were used to score projects from different parts of the world, giving the example of Chile which has a robust ongoing PPP programme that made it possible for the private sector to work with local banks in the local currency to raise the required financing. This, he said, was the ideal situation which should be replicated in Nigeria and in the sub-region.

### **Financing and Resource Mobilization for PPP by Director-General, Nigeria Stock Exchange**

82. The representative of the Director-General started the presentation by saying that as far back as Vision 2010, building on the identified infrastructural gap, an estimated 360 million USD was found to be needed

for manufacturing sector alone. He went further to say that countries with great infrastructural needs are those countries with least investments. He also said that the African stock exchanges numbered twenty (20) members, but overall they are still averagely capitalized; these stock exchanges have however now become a source of financing in Africa, with much improvements seen in some countries e.g. Ghana.

83. The Nigerian Stock market has been available for State Governments to raise and generate funds for investments. He further said that financing PPPs through stocks still needs to be looked into critically, with a view to adopting the best model and financing options, stressing that privatization has been widely implemented. He also said that with the global financial meltdown, there has been increase in public investment in the Africa, especially in northern Africa. This presented an opportunity for the private sector to leverage on.
84. He pointed out the difficulties attendant to stock markets such as stability, micro and macroeconomic challenges, legal issues and lack of a conducive environment. He emphasized the need for fast-tracked integration of African stock markets in the face of improved technology, stressing the need for stronger political will. He concluded by saying that the Nigerian stock market has gone international and that the market is now open to PPPs and is also open to possible areas of funding.

### ***Financing and Resource Mobilization for PPP Projects by African Development Bank Group***

85. The presenter showed the linkages of infrastructure to the growth and development of other sector, and that this could not be financed by government given the lean budgetary provisions. PPPs would promote competitive markets amongst other things.

86. Some of the key issues in PPP infrastructure projects were highlighted and the challenges such as availability of bankable business proposals. He proposed that NEPAD Business Group should set up a unit that would help the private sector to attend to some of these capacity gaps.
87. He pointed out that AfDB could only bring 1/3 of any project cost, and that debt capital, equity capital and like components of the financing plan need to be known – capacity needs to be built in this area. He told the Forum what the Bank does in terms of financing from debt and equity streams, and how she has been active in energy, transport, information communications technology, and water/sanitation projects. He gave the contact details of all the AfDB Sector Focal Points for the information of Participants.
88. He also said that the Bank assists African governments to improve the operating environment for the private sector and create catalytic effects by assisting entrepreneurs with specific transactions. He gave the Bank's Eligibility Criteria for Non-Sovereign Financing of projects, which include location within a regional member country, majority interest from the private sector, and a focus on infrastructure development and/or poverty eradication.

### **Presentation by Nigerian Investment Promotion Council (NIPC)**

89. The presenter, Mr. Reuben Gifasi, started his paper with by describing the role of Nigerian Investment Promotion Council (NIPC) in heavy infrastructural investments where NIPC has given tax holidays for PPP projects such as LCC and the new Domestic Terminals popularly known as Murtala Muhammad Airport 2 (MMA2). He encouraged the private sector actors to form an association that would interface effectively with ICRC for investments infrastructure development. He also suggested the establishment of an "infrastructure development bank", as is the case with China, or alternatively the Bank of Industry (BoI) should be adequately

empowered to fund infrastructure development. He concluded that NIPC is embarking on a tour towards the promotion of infrastructure investment targeted at Asian investors and enjoined interested parties to come on board.

## Discussion

90. Some were of the view that is not advisable for government to establish a PPP bank as suggested; also noteworthy is the failure of local mortgage financing institutions. The major concern is prevailing high interest rates, and that there are no other incentives for long-term financing. Thus, under the current system, it would be practically impossible to raise funds to finance infrastructure development. This needs to be looked into by the government.
91. Social impact assessment should also be carried out for all infrastructure projects i.e. taking the stakeholders and communities along in all PPP infrastructure projects in all stages of the project cycle. This is to avoid a reoccurrence of the events in the Niger Delta, where communities were not adequately carried along at the outset, leading to colossal losses to the operators as well as Government.
92. The pricing of infrastructure services should be given due attention at the conception phase of infrastructure projects and care should be taken to ensure that these services do not go beyond the reach of the ordinary Nigerian.
93. Government should as a matter of necessity extend its hand of fellowship to the private sector and make budgeted funds available for the execution of PPP projects. PPP should not be seen as a device for governments not to play their own part.

## Chairman's Concluding Remarks

94. The Chair admonished Participants to maintain a positive stance on developmental issues in the nation, and that in spite of the challenges faced by the country, there were many positive aspects of our political journey, and he cited as examples the “reconstruction, rehabilitation and reconciliation policy” at the end of the Civil War; and the manner in which Government had devised home-grown solutions to the Niger Delta crisis. He concluded by saying that all stakeholders, public or private, need to invest their resources to develop the country, since no one was going to do it for us.

## Concluding Session

### Chair: Amb. Commodore Dan Suleiman

### Framework for Plan of Action

95. A committee was drafted to develop a proposal for the Framework for Plan of Action. Members of the group are as follows: ABR, AfDB, NIPC, ICRC, NDDC, Port of San Pedro , ECOWAS, UNIDO, World Bank, UNECA, UBA, GTZ, WAPP, NBG; Niger, Rivers, and Edo States.
96. The Action Plan was developed with five (5) strategic areas and with requisite actions as follows (see Annex):
- a. Information and Communication dissemination**
    - i. Disseminate existing information
    - ii. Provide an ongoing database on professionals and expertise in PPPs
  - b. Capacity building for private and public sector**
    - i. Organize PPP workshop for 36 States with best practices
    - ii. Create PPP units in each State
    - iii. Create agencies akin to the ICRC at the State level

- iv. Nurture programs to assist States and Countries (ECOWAS, World Bank, AfDB)
  - c. *Regulatory framework ECOWAS, Country and State level***
    - i. Provide appropriate regulatory framework with specific guidelines
  - d. *PPP Project identification and preparation***
    - i. Each State/country should identify priority sectors for PPP projects
  - e. *Financing***
    - i. Provide information about financing programs for PPP
97. The Chair advised the organizers on the need for the creation of an implementation committee to ensure that the plan of action is implemented.

## **Closing Remarks**

98. The Vote of Thanks was delivered by the Chairman NEPAD Business Group Senegal, who thanked the Chairman for expertly conducting the affairs of the day. He expressed his delight in coming to Nigeria and welcomed the camaraderie existing between people from different countries with a common goal. He thanked all the resource persons for their presentations and the issues they highlighted towards the informing private sector actors on the merits of PPPs and the various opportunities that are available to be exploited. He thanked the various supporters of the Forum, NEPAD Nigeria (Presidency), ECOWAS Commission, UNIDO, ICRC, Lekki Concession Company, WAPP, The World Bank and AfDB and the government of Niger State. Finally, he thanked NEPAD Business Group Nigeria and the Organizing Committee.