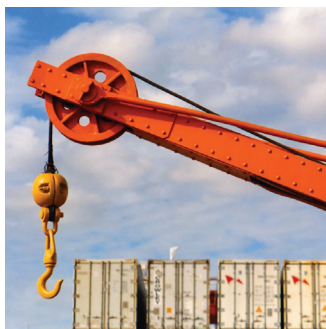




# PPIAF

Enabling Infrastructure Investment

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## Nigeria's Public-Private Partnerships Successes and Failures

Since 1999 the Public-Private Infrastructure Advisory Facility (PPIAF) has supported the Nigerian government in facilitating private sector infrastructure investments in the port, water, and energy sectors. PPIAF commissioned an independent impact assessment in February 2016 to review past technical assistance; identify and validate legal, institutional, and policy reform outcomes encouraging private participation in infrastructure; and assess impacts of public-private partnership (PPP) projects. The port sector showed measurable satisfactory results for efficiency and income gains. The water and energy sectors, however, fell short at the regulatory level, with success and failure tied to stakeholder engagement and a functioning institutional framework having well-identified and coordinated public and private stakeholders.

With an estimated population of 182 million and GDP of US\$481 billion in 2015, Nigeria is Africa's most populous country and largest economy,<sup>1</sup> yet still faces infrastructure challenges, having committed US\$38.96 billion in infrastructure investments since 2000, with 37 active PPP projects under construction or in operation as of December 2015.<sup>2</sup> The World Economic Forum's Global Competitiveness Report 2015 ranked Nigeria's infrastructure score 133rd out of 140 countries.<sup>3</sup> Nigeria's PPP readiness shows a mixed performance, as scored by the World Bank Group's *Benchmarking PPP Procurement 2017*.<sup>4</sup> Though performing better than other Sub-Saharan African countries, Nigeria scored worse than other low-to-middle-income economies in two dimensions of the benchmarking analysis: PPP preparation and contract management.

1 World Bank Data, Nigeria, Sep 20, 2016, <http://data.worldbank.org/country/NG>.

2 PPP Knowledge Lab, Nigeria, Sep 20, 2016, <https://pppknowledgelab.org/countries/nigeria>; PPI Database (custom query), <http://ppi.worldbank.org>.

3 Website: [http://www3.weforum.org/docs/gcr/2015-2016/Global\\_Competitiveness\\_Report\\_2015-2016.pdf](http://www3.weforum.org/docs/gcr/2015-2016/Global_Competitiveness_Report_2015-2016.pdf).

4 Knowledge Lab, <https://library.pppknowledgelab.org/documents/3751>. The four dimensions scored in the benchmarking analysis are PPP procurement, preparation, contract management, and unsolicited proposals.

## PPIAF SUPPORT

**Water sector.** Since 2000, various PPIAF activities have supported private participation in water utilities at the federal and state levels (Lagos, Kaduna, and Ogun). The impact assessment reviewed only two PPIAF-funded activities in 2000 and 2001. Supporting the Lagos state government, the first activity facilitated an appropriate market structure for private water and sanitation services. Funding was provided for a regulatory and institutional assessment of the Lagos Water and Sanitation Project and for a PPP strategy implementation plan for the Lagos State Water Corporation. Secondly, PPIAF supported Lagos in 2001 in establishing a detailed regulatory framework to introduce private participation in the water sector. This included formulating regulatory instruments; harmonizing regulations between state and federal authorities; and preparing detailed guidelines for quality and tariff regulation. Stakeholder workshops, in which corresponding studies were shared, complemented PPIAF's activities. From the different studies, Ogun and Lagos adopted recommendations (without implementation).

**Energy sector.** PPIAF funded a natural gas strategy implementation plan in 2001; an assessment of Nigeria's Power Sector and Action Plan in 2010 to execute performance contracts; and a series of analyses in 2014 to build local stakeholder capacity to develop, finance, and contract independent power producers (IPP). The first study identified the need for private financing in the gas sector and recommended fiscal and pricing policy changes to increase gas production and transmission and enhance availability and accessibility. The study recommended establishing an independent regulatory body for the gas sector. Secondly, the assessment of Nigeria's Power Sector and Action Plan determined performance indicators for each power segment and accordingly drafted performance contracts for generation and distribution companies. For photovoltaic projects, the third activity produced solar IPP technical, commercial, and feasibility reviews and due diligence reports for two IPP developers.

**Port sector.** Requested by the government, a PPIAF study in 2001 helped formulate port sector reform. The study recommended that (a) the Ministry of Transportation have responsibility for maritime policy improvements in planning and developing new port facilities and creating vital intermodal links with corresponding infrastructure; (b) the National Ports Authority be divided into seven autonomous geographic authorities, acting as "landlords" to manage leases and concessions of port property, develop tariff policies, and provide nautical services (e.g., vessel traffic management); and (c) private companies manage port operations and services (terminals, cargo handling, warehousing, and delivery).

**Institutional development.** In 2006 PPIAF supported finalizing the Nigerian Infrastructure Advisory Facility to strengthen capacity to plan, finance, regulate, operate, and maintain an efficient economic infrastructure. PPIAF supported a study to enhance the policy, legal, and institutional environment for PPPs; assess the need for a PPP resource center; and design a new institutional framework.

In 2009 PPIAF provided technical assistance to the Infrastructure Concession Regulatory Commission (ICRC) and other lead ministries, departments, and agencies for initiating priority activities aligned with the PPP policy framework. This included a report on PPP fiscal commitments and the contingent liability management framework and a guidance note on disclosing these commitments.

## IMPACTS

PPIAF interventions targeting private participation did not produce expected outcomes in the water sector, while interventions in energy had limited success. The regulatory space, however, realized better impact. The ICRC is set up as a nodal body for PPPs, incorporating well-established procedures, and the Nigerian Ports Authority transitioned from operator to regulator, creating port policy and procedures. Successful port sector interventions resulted in 29 concession agreements—86 percent are brownfield—totaling US\$7.17 billion (2005-2013),<sup>5</sup> with performance greatly improving. In 2013 quantity rose by 70 percent to 77 million tons (41 million tons in 2004) and vessel turnaround times dropped to 5.2 days (6.4 days in 2004); port revenue in 2014 increased to US\$450 million (US\$262.7 million in 2000).<sup>6</sup>

## LESSONS

- Stakeholder management, consultation, and participation at local, ministerial, and media levels and sound principles of risk allocation and investment value are fundamental to successfully facilitate private infrastructure services, exemplified by Nigeria's port reforms.
- Communicating a clear PPP definition, impacts on access and quality of infrastructure services, and user fees is essential. Regarding PPIAF's water sector support (1999-2002), government officials and utility management conducted insufficient outreach to citizens, creating perceptions of non-transparency. Constant references to PPPs as funding sources rather than procurement mechanisms led citizens to believe municipalities wanted to transfer their responsibility for infrastructure services to the private sector, thus anticipating higher user fees under potential PPP schemes.
- Unbundling power utilities is good, but does not ensure adequate availability and performance. Nigerian distribution companies still need higher investments to improve performance, altogether requiring better creditworthiness of utilities, adequate metering, and cost models to attract private investments.
- Clear lines of authority are fundamental to engage the private sector successfully, as demonstrated by the Nigerian Ports Authority singularly resolving concession issues. Thus, the federal government needs a more coherent and cohesive PPP regulatory framework with clear lines of authority.

5 PPI Database (custom query), <http://ppi.worldbank.org> (award method unavailable for four concessions).

6 E. van Randwijck, *Technical and Financial Assessment of the Nigerian Port Sector*, Jan 29, 2002 (available in PPIAF's Activity Tracking System Database).