INTERVIEW

'Nigerian states must institutionalise PPP to bridge infrastructural gap'

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Can you please tell us what PPP is all about?

Well, PPP means different things in different jurisdictions but the general consensus is that PPP is a partnership between the private sector and the public sector (government) for the provision or delivery of infrastructural assets and services by the private sector on behalf of the public sector. Of course, there are certain elements or characteristics you want to ascribe to PPP, for instance, with respect to ownership, the legal title of the infrastructure assets remains with the government while the private sector has an equitable title or interest during the tenure of the contract.

The private sector in PPP also plays key roles in managing, operating and maintaining the asset, and organising financing for the PPP project. The parties carry on PPP for a specific number of years expressly mentioned in the PPP contract and in every PPP, it is very important to identify, allocate and mitigate risk. Definitely, the overall purpose of PPP is to ensure that infrastructure assets and services are eventually delivered so PPP contracts have to be more output-based than input based and while the government or the users may pay the private sector based on the delivery of assets, the government has to ensure that the private party follows contract specifications.

Governments tend to use PPP because there is no complete divestment or sale of assets to the private sector especially where social or economic infrastructure are involved. Instead, the private sector provides additional capital, improved skill, efficiency, innovation and expertise in the development of new service or projects which increase economic growth and development. In the end, when a PPP contract expires or is terminated, ownership interest in the infrastructure assets would revert to the public sector, and the private sector is rewarded for its endeavors through what we could call user fee or through government annuities.

What has really propelled you to pursuing PPP initiative?

I would say it was by accident in a way. In the early 2000s when I was doing my Post Graduate studies, I focused my research interest primarily on foreign investment with particular emphasis on classification of foreign investment into direct investment and portfolio investment. It was during my research I stumbled onto privatisation. At the time, Nigeria had started the privatization programme and there was a lot of interest in emerging markets such as Nigeria so I was able to learn more about privatization and my interest was developed in this regard. By the mid-2000s, however, the active part of the privatization programme was winding down and the new thinking was concessioning of government assets which has now become PPP. Luckily, I worked as an advisor with one of the government agencies that was at the forefront of this evolution at the time. We drafted agreements, did advisory work and trainings which piqued my interest in PPP. Prior to this, while I was studying, I had made contact with the International Project Finance Association in London where I received a lot of resources and support and since they were actively looking at Africa, I got in touch and I became their first country Chair in Nigeria and their representative in West Africa.

Considering PPP initiatives critically, is Nigeria heading in the right direction?

Yes, I think it is. I think Nigeria has already done a number of things and is currently doing the right things that will develop the PPP market. When you talk about encouraging PPPs, the first you look at the legal and institutional framework which sit right there at the top and in the case of Nigeria, we already have these in place. For instance, we have a law in place that establishes the Infrastructure Concession Regulatory Commission (ICRC) which regulate PPP and I will say this is a very important step. Nigeria also

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has the right political leadership. The ICRC itself, which is the Agency that regulates PPP, is domiciled in the Presidency and this is also a very good indication of the political support that PPP has at the federal level.

Another area in which Nigeria is heading in the right direction is in the aspect of capacity – the ICRC is currently led by one of the most arguably seasoned practitioner in the industry which is very demonstrative of how well the ICRC is doing. ICRC, as a whole, also has very experienced hands-on people who are knowledgeable and have now gotten practical experience.

How will PPP benefit the ordinary man on the street?

Well, I think that although PPP may not have benefitted the ordinary man on the street as much as he or she would want, there is a clear PPP policy direction that focuses on ordinary people. So, if you look at PPP, you see that it seeks to provide more employment opportunities, more access to infrastructure, more access to quality infrastructure and it is going to lead to ease of doing business. A very clear example may be made from the Lekki Expressway in Lagos State. The Lekki Expressway was procured through PPP and this expressway has opened up the Lekki corridor into an economic zone where you find a good number of residential estates and businesses, and is now even becoming more industrial with the refinery and sea ports.

The ordinary man in Lagos, for instance, is obviously impacted by PPP. If you go to the ports as well, you will be able to observe massive investment through PPP in the ports and you would see that the ordinary man is also benefitting. To an extent, PPP has delivered infrastructural assets but more still needs to be done in social infrastructure from which the ordinary person will benefit more directly. By the time we start having more deals going to the market, it means that the economy will expand and there will be employment opportunities.

Few years back you did a conference on PPP, may I ask how did this impact on the economy?

I believe that the conference ought to hold annually. The last conference had delegates from about ten countries attending and there is need for constant engagement. The conference put the nation on the map; it was advertised in London, Dubai, New York and major capitals of the world which meant that Nigeria was on the investment map. From the last conference, we were able to build a community, an ecosystem which had interested parties show interest in Nigeria, build and develop local capacity as well, for instance, we can now undertake a lot of advisory work locally without recourse to any other jurisdiction or expertise. I think a lot of lessons have been learnt and I think we should have more of these engagements, these kind of forum or fora where we have international delegates come into Nigeria, and where we have Nigerian projects showcased because, you know, investment promotion is a huge part of getting the right investors. We need to tell our stories by ourselves and control the narrative.

PPP is often misconstrued with privatisation, as an expert in both fields, is there any real difference?

PPP is always confused with privatization but both concepts are quite different. A very simple way to look at it is that the main difference is in ownership. In PPP, government retains legal ownership of an asset whereas in privatization, government divests its interest in an asset, that is, the government interest is sold out absolutely. I give you a good example – if you look at the ports, for instance, you have the private sector operating in that space, investing in that space, and running the ports but ownership of the port is still with the federal government. At the end of the agreed period (usually 20, 25 or 30 years), depending on the arrangement, the asset reverts to the government. On the other hand, privatization is complete and total divestment so the government sells off completely but under PPP, it retains the ownership. Finally, in PPP, government shares the risks with the private sector but in privatization, it transfers all the risks to the private sector.

Nigeria has a huge infrastructural gap with the rising population; do you think the government is doing enough leveraging PPP?

I think the context for this is to look at Nigeria as a federation so that we have the Federal tier of government, the State tier of government and the Local tiers of government. For the Federal tier, I will say Nigeria is on track but we will still need to shift the gear up a notch. While projects are being properly developed and more projects keep coming in, there is still a need to accelerate the projects that are coming into the PPP market. The ICRC is of course already doing a good job but still needs to do more. At the State level, more work needs to be done in the States that are more suited for PPP especially with regard to the provision of infrastructure assets for schools, hospitals, housing, portable water systems, and waste management systems, etc. The State has huge potential for PPP and there is an increasing need for PPP to be implemented in each State; so the States need to step up and play key roles in the development of PPP. Generally speaking, not much is being done at the State level in terms of creating a legal and institutional framework, which impacts negatively on project development and this has to change. At the local government level, PPP development is non-existent and this is sad because the local government is the closest to the people and PPP projects developed by the local government will directly impact the ordinary man.

How do you rate PPP in Nigeria?

The PPP market in Nigeria is definitely developing. I would rate the Federal government a 6 out of 10 because they have been able to establish the legal and institutional frameworks, have the Commission running and it can only get better. For the State government, I would give a two and a half out of 10 because as we speak, some States have legal but not institutional frameworks and many States need to put more in place to get more deals to go into the PPP market. Out of 10, I would score the Local government a 0 because not much has been done and there is high potential in the local government areas which are closer to the grassroots and can provide infrastructure that would benefit the ordinary man.

Lastly, what are your thought on how PPP can be moved forward?

Well, like I said before, States need to institutionalise PPP and a lot more work needs to be done. In its entirety, I think we need to build capacity in the right direction and look more inwards than outwards to develop our local capacity all across the value chain. Government needs to do a lot more capacity building at the State and the Federal levels and project development at the Federal level needs to be much more thorough. One of the things I have seen on the field is that a lot is left to the advisers to decide and I think the government needs to do a bit more in project ownership, that is, play a little bit more active role in this regard and the project development aspect needs to be more robust.