Terms of Reference for the
United Kingdom Infrastructure Advisory Facility (UKNIAF)

Introduction

Context and rationale

1. Around one-sixth of Africa's population are Nigerians but even with this huge market and a substantial endowment of natural resources, Nigeria has an economy that remains largely dependent on primary production and much of its population near or below the poverty line. The list of challenges that have resulted in this situation is lengthy, and rooted in poor governance structures that have allowed elites to plunder the country's resources over many years. Poor infrastructure is both a consequence of this history and a barrier to the economic restructuring that would diminish the role of government in Nigeria's economy and begin to unlock the potential of its people.
2. The extent to which better infrastructure is a pre-requisite for stronger economic growth and increased productive investment is evidenced by the survey evidence on constraints. Poor power supply routinely tops the list, but bad roads, ports and water supply also feature prominently in constraints analysis alongside access to affordable finance and corruption.
3. In years that followed the 1970s oil boom, Nigeria followed a state led model of economic development that included large public investments in "strategic" sectors such as steel and politically driven direction of the siting of new car assembly plants even where these were funded by outside investors. Initially there were infrastructure projects such as new federal highways and power plants, but these dried up as oil boom turned to bust in the 1980s and a combination of corruption and poor planning ensured that there was little to show economically from the money spent in better times. Mismanagement of public funds continued and maintenance neglected, so that the quality of the country's infrastructure began to erode.
4. When the military handed over to civilian rule in 1999, power supply had been stagnant for years and much of the road network was already out of maintainable condition. In the years that followed, grand plans were made to improve the country's infrastructure using public money, but high levels of corruption and poor delivery capacity meant that little improvement resulted on the ground.
5. Since 2007 DFID has provided support to the Government of Nigeria to improve infrastructure services in Nigeria through the Nigeria Infrastructure Advisory Facility I & II . Reports by the programme Technical Review Panel (TRP) and programme annual reviews have been made available through the portal.
6. DFID now wishes to seek the services of a supplier to implement the United Kingdom Nigeria Infrastructure Advisory Facility (UKNIAF) which will consolidate and build on the achievement of NIAF I & II.
7. The UKNIAF programme consists of five core areas; the power and roads sectors and public infrastructure finance through the budget and private infrastructure finance through Public Private Partnerships (PPPs). There will also be a separate component providing support to Borno and Yobe States in North East Nigeria. A brief context for each of these components is provided as Annex 2.

Objective

8. The overarching objective of the programme is to improve infrastructure services in Nigeria, addressing lessons learned over 2 previous phases of the Nigeria infrastructure Advisory Facility programme. Through UKNIAF, consultancy services will be made available to government ministries and agencies who are involved in direct planning and delivery of infrastructure or in the development of mechanisms or transactions involving private sector financing of infrastructure. The technical assistance provided will be flexible and based on demand from government.

9. The technical assistance provided will focus on five areas:

   I. The power sector,
   II. The Federal road network,
   III. Public Private Partnerships,
   IV. Reform of the Federal capital budget
   V. Support to rebuilding of social and economic infrastructure in Borno and Yobe states in the North East. (Support provided is expected to range from the funding of full time experts embedded in counterparty institutions through to short-term individual consultancy assignments).

10. The expected outcomes of the programme are

   I. Successful completion of Nigeria's power sector reforms, with a contract based market operating sustainably, privatisation of National Integrated Power Project (NIPP) plants complete, and the Transmission Company of Nigeria (TCN) concessioned.
   II. A transformational improvement in the way public money is spent on the Federal Road Network (FRN) with a reformed Federal Road Maintenance Agency (FERMA) using a NIAF developed Road Asset Management System (RAMS) to prioritise investments and greatly strengthened budgeting and project management capability.
   III. Substantially improved processes for the wider capital budget. All projects being assessed for economic, social and environmental impacts and decisions to prioritise on political grounds being exceptional, and taken with knowledge of opportunity costs.
   IV. At least £3 billion of Public Private Partnerships (PPPs) will have reached close with UKNIAF support, and Nigeria will have substantially improved processes for developing and assessing PPPs at Federal level.
   V. UKNIAF will have improved the timeliness and quality of at least £500 million of Nigerian Government and multilateral reconstruction spending in Borno and Yobe.

However it is recognised that due to the scale, complexity and challenges to delivery that it may not be possible to fully deliver all of the outcomes across all five core areas during the life of the programme. Suppliers will be expected to adapt delivery over the lifetime of the programme to focus on the outcomes where significant, effective and sustainable transformation can be achieved. We expect that it will be possible to fully deliver at least three of the five outcomes.A detailed logframe will be developed as part of the inception phase laying out steps towards these outcomes that will be tracked as output indicators. . The logframe must be agreed with DFID and Government of Nigeria counterparts.

11. The provision of high quality, relevant and adaptive technical assistance will be key to delivering the programme objectives.

Recipient and beneficiaries

12. The direct recipients of the technical assistance provided by the facility will be Government of Nigeria ministries and institutions. Due to the demand led nature of the facility it is not possible to say with certainty which ministries and agencies these will be but the cross sectoral nature of many of the challenges suggests a broad set of counterparts.

13. Significant counterparts are expected to include, but not be limited to: the Office of the Vice President, the Ministry of Power, Works and Housing; the Ministry of Budget and National Planning; the Ministry of Finance; the Ministry of Transport; Ministry of Environment; The Bureau of Public Enterprise (BPE); the Nigerian Sovereign Investment Authority (NSIA); the Nigerian Electricity Regulatory Commission (NERC); the Nigerian Bulk Electricity Trader (NBET); and the State governments of Borno and Yobe.

14. The beneficiaries of the programme will be broader than the direct recipients of project financed support. The high-level impact that DFID envisages this programme contributing to is outward-orientated, manufacturing led growth in Nigeria. We therefore expect that there will be longer-term, indirect benefits to Nigerian citizens e.g. through job creation or improved living conditions in cities. As the programme matures we would seek to monitor the impact that programme activities are having on the poor.

Scope of Work

15. Through the facility, technical assistance will be provided on a responsive and demand-driven basis to Government of Nigeria institutions. The technical assistance provided must be relevant to the overall objective of the programme i.e. improved infrastructure services in Nigeria. The following components and indicative share of available budget have been outlined as:

    Component 1: The power sector (30%)
    Component 2: The Federal Road Network (25%)
    Component 3: Work on Nigeria's capital budget (20%)
    Component 4: Public Private Partnerships (12.5%)
    Component 5: Reconstruction in Borno and Yobe (12.5%)

It is possible that there will be little demand in one or more of the components or, conversely there may be strong demand in others therefore new components could be added and/ or components closed during the life of the programme as a result of changing Government of Nigeria priorities.

As well as being responsible for the management and delivery of the technical assistance, the supplier will also be responsible for building relationships with relevant stakeholders in government and elsewhere to gain a deep understanding of the sectors and the areas in need of support. This will require an ability to learn and to capture lessons picked up through implementation and to be creative and opportunistic in how these lessons are used to improve the effectiveness of project outputs and for wider dissemination.

16. The demand led and responsive nature of the project means that the balance between the work under different sectors is difficult to predict, and figures indicated as the expected weight between components should be regarded as indicative. The technical scope and objective of the programme will remain the same.

17. DFID will contract an independent Technical Review Panel (TRP) to fulfil the monitoring and evaluation requirements of this programme, The Technical Review Panel (TRP) will be responsible for providing external challenge and scrutiny to the work of the facility and will carry out two week long reviews each year and provide strategic advice on development of the UKNIAF programme.

The Requirements

18. DFID will contract a supplier to establish and manage a flexible, demand-led technical assistance facility that is capable of delivering the full requirements set out in this ToR. The facility will deliver technical assistance to Government of Nigeria clients in the areas identified in paragraph 13. The supplier will be expected to establish a physical office in Abuja from where the administration of the facility will be managed. This will allow continuous engagement between the supplier and stakeholders and act as a base for UKNIAF implemented activities in Government of Nigeria institutions.

19. Once in place, the supplier will work closely with DFID, the Government of Nigeria and other donors to develop a contextual understanding of the relevant component areas. One of the first outputs under the inception phase will be a mapping of the sectors to gauge where demand is likely to come from and where other donors are already providing assistance.

20. Suppliers should propose a structure for the facility in their tender. Proposals should include how the supplier will administer the facility, how learning will be

captured within the facility and how the delivery of technical assistance will be managed.

21. The supplier will be responsible for maintaining a roster of experts covering the entire scope of the programme that can be called upon to deliver technical assistance on a demand driven basis. Part of the facility's comparative advantage amongst other donor programmes will be speed and responsiveness; therefore supplier's proposals should specify how this would be achieved. We expect that the supplier will be able to supply the majority of technical assistance directly, however it is likely that whilst under implementation requests will be made of the facility that the supplier will be unable to meet. It will be critical that the supplier has in place cost effective and efficient approaches for sourcing and sub-contracting external expertise and services to meet these requests when they occur. Where the supplier sub-contracts organisations to deliver part of these services proper due diligence assessments to DFID standards must be carried out to maintain the integrity of the supply chain.

Screening and Approval

22. As the facility will operate on a demand-driven basis, requests for support should originate from Government. Formal written requests from GoN counterparts will be encouraged, but the supplier will be expected to help develop these proposals through activities such as developing sub-project proposals, in partnership with counterparts.

23. The supplier will undertake an initial screening of all applications for assistance to verify that the request is clearly defined and within the overall scope of the programme and that the level of risk is acceptable. Criteria for assessing the relevance and feasibility of proposed projects will be agreed between DFID and the supplier during the inception phase.

24. The supplier will propose a process to pro-actively manage anticipated activities for the facility which will include a system for assessing and mitigating risks.

Provision of Services

25. The supplier will provide both Facility administration (including finance and logistics) and technical experts that deliver assistance. The supplier will be afforded flexibility in the structure and composition of the core project team, which should be clearly specified in the tender documents. It is envisaged that the core project team may include:

    - A Project Leader with proven leadership experience, technical expertise as well as capabilities in convening and building trust with partners.
    - Programme management unit (see paragraph

- A project administration team with skills to manage experts and assignments, manage and forecast project expenditure, and monitor and communicate results being delivered by the project.
- Coordinators for each aspect of delivery with a combination of technical and project administration skills.

This structure is purely illustrative and DFID strongly welcome other structures that would enable the contractor to effectively deliver the project outputs. The structure will be expected to evolve with the programme, responding to need; the need for flexibility should be considered.

26. Risk management will be an important part of the management of the facility and therefore a risk management plan should be included in tenders. The supplier will ensure appropriate political economy, environmental, social and conflict sensitivity analysis is undertaken to ensure the long term sustainability and effectiveness of all the sub-projects supported.

27. Suppliers should demonstrate that they have access to the relevant expertise and include in their technical proposals the CVs of the core project staff, any other permanent staff, and technical experts available to be used.

Monitoring, lesson learning and evidence

28. Learning will be an important feature of UKNIAF as the success of the facility approach is based on flexible, adaptive programming with “real time” feedback. The role of the programme management unit will include capturing lessons from within and across sectors, and using them to build data and evidence. This will facilitate a deeper understanding of areas of focus and the broader environment and hence improve the quality of future support. Approaches for how this lesson learning might be captured and leveraged should be included in bid documents.

29. There will be an independent Technical Review Panel (TRP), as described in paragraph 16 however data collection, monitoring and reporting of results from sub-projects will be the responsibility of the supplier. This should feed into the programme logframe, which is DFID’s principal monitoring tool. The initial logframe will be developed in discussion with DFID and Government of Nigeria counterparts during the inception phase.

30. Proposals for a system to routinely monitor and report results of UKNIAF activities should be included in bids. These should consider how results can be demonstrated in a meaningful way, while also being able to feed into an aggregate picture for the purpose of reporting within the logframe structure. This could be achieved, for example, by nesting sectoral results frameworks under the overall programme logframe; however bidders are encouraged to propose solutions.

31. The key review points for the Programme and Contract are planned at the following stages: after an inception phase of 3 months, and thereafter annually until the end of the contract, including possible mid-term and end-term evaluation to be commissioned by DFID. Continuation of the contract following a review point will be subject to the satisfactory performance of the supplier during the preceding period, and the continuing needs of the Programme.

Budget and Timeframe

32. The approved total budget for this contract is £72,800,000 inclusive of applicable taxes. Note that DFID programmes are not automatically tax exempted and therefore suppliers will be liable to pay tax in Nigeria. Tax liabilities should therefore be taken into consideration in commercial proposals.
33. The contract duration of UKNIAF is 48 months. The anticipated start date is 1st May 2019. Subject to availability of funding, ongoing need and demonstration of impact, DFID may consider extending the contract by up to a maximum of 24 months and/or up to a maximum of £36,400,000.
34. The contract will contain two break clauses: (i) DFID retains the right to end the contract at the end of the Inception Phase. Progression beyond this break point will be dependent on the supplier having established a functioning office in Abuja, Nigeria and the satisfactory delivery of the inception outputs detailed in paragraph 70; (ii) DFID also retains the right to end the contract following each key review point of the programme. This decision will be based on an assessment of the supplier's performance against agreed key performance indicators (see paragraph 77 and 78); an assessment of the on-going need for technical assistance for GoN; and an assessment of the value for money delivered by the contract. This decision will be in consultation with the technical review panel.
35. Value for money of the facility will be monitored throughout the life of the programme. Bids should reflect suppliers' policy on/approach to value for money and demonstrate the ability to monitor and report on this throughout the life of the programme, including proposed indicators. Based on this, value for money indicators will be agreed between DFID and the supplier and finalised during the inception phase. DFID reserves the right to extend, scale back or discontinue this programme at any point (in line with our Terms and Conditions) if it is not achieving the results anticipated. Conversely, we may also scale up the programme should it prove to be having a strong impact and has the potential to yield better results. In such event that DFID take the decision to increase the scale of the programme during the core 4 year term, the increase will be up to an additional 50% of the initial contract value over and above the £72.8 million budget subject to additional Ministerial approval.

Inception Phase

36. The inception phase will be four months from the signing of contract and will be used to set out the programme direction and outcomes.

37. The inception phase will require an assessment of the work required through contracted experts working as embedded advisors to deliver interventions in some key Nigerian institutions . The number of embedded advisers will not be known until that point and will be affected by changing Government priorities particularly following the election in early 2019. As such bidders will not be required to provide details of proposed individuals for specific embedded adviser work.

38. Key outputs of this phase include:

  - An inception report.
  - Mapping of the sectors to gauge demand, Criteria for assessing the relevance and feasibility of proposed projects including delegated authority to be agreed between DFID and the supplier.
  - Detailed draft plans for work across the 5 components of Power, Federal Road Network, capital budget, Public Private Partnerships, and Reconstruction in Borno and Yobe states - to be finalised with DFID within 120days of mobilisation.
  - Initial requirements for embedded advisers
  - A Logframe for the programme.

During the inception phase DFID will contract a technical review panel that will consist a chair, and 3 other panel members, each to provide oversight across the programme components. The panel will be in place by the end of the inception phase, and will be expected to have its first meeting during this period.

Implementation Phase

39. The implementation phase will commence upon satisfactory delivery of inception phase outputs and DFID sign off. Key deliverables will be finalised during the inception phase and will include:

  - Quarterly progress reports, which twice a year will be tailored to inform six monthly meetings of the Technical Review Panel (TRP). Reports will include both a narrative review of progress against the project logframe, and a forward-looking assessment of risks and opportunities including the financial information linked to this and a summary work plan of the quarter ahead.
  - Quarterly financial reports.
  - Annual reports. These will include progress to date against sub project KPIs and logframe indicators, emerging risks and opportunities, statements of expenditure and reporting against agreed value for money indicators.
  - A projection each month of projected spending for each of the following three months, and for expenditure through to the end of the financial year.

Payment and Reporting

Inception Phase

40. Payment for the inception phase will be dependent on acceptance by DFID and GoN of the outputs listed above and a high-quality inception report. Payment will be based on fee rates and actual expenditure.

Implementation phase

41. Suppliers will include in their proposals appropriate payment by results models to incentivise efficient resources efficiently to maximise results and value for money whilst ensuring that risk is shared between DFID and the supplier. The payment model will be agreed through the negotiation rounds with an opportunity to review after the inception period.

Contract Management

42. The supplier will report to the DFID Nigeria's Senior Responsible Officer (SRO), and will have regular engagement with other relevant advisers and programme management staff from DFID Nigeria. The supplier must identify in the tender a senior representative with whom any contract management issues may be escalated.

43. DFID and the supplier will agree Key Performance Indicators in order to manage contract performance. DFID and the supplier will agree Key Performance Indicators in order to manage supplier performance. Suppliers should propose appropriate KPIs as part of their proposal which will be finalised during the inception phase.

Contractual and Performance Requirements

44. Service providers are expected to provide a competitive proposal that maximises the results that will be achieved within the indicative budget. In proposing these results, reference should be made to the draft logframe and the DFID VfM strategy1.

45. An output based, Payment by Results (PbR) contract will be established between DFID and the Service Provider, setting out specific performance indicators by which the performance of the provider will be measured. The proposals should demonstrate a balance between risk and reward with progressively more challenging results as the programme matures. PbR proposals may be the subject of negotiation. Full details of the commercial requirements will be set out as part of the Commercial Evaluation Criteria.

Contracting Model:

46. The draft terms and conditions of contract (UK NIAF Contract Sections 1-6), include an enhanced Contract management structure which is required for this programme's delivery and success.

47. The following considerations will be taken into account within the contracting model:
    - **Anticipated approach to payments:** Payments will be made retrospectively against monthly invoices subject to satisfactory performance against the KPIs contained within each respective Task Order in the Contract. Under-

[1] DFID's Approach to Value for Money - http://www.dfid.gov.uk/Documents/publications1/DFID-approach-value-money.pdf

performance against the agreed KPIs would result in the retention amount within that specific Task Order being retained until satisfactory completion by the Supplier.

Exclusivity Arrangements

48. We remind bidders that, in accordance to the open letters sent by the Secretary of State Rt Hon Priti Patel and by Nick Ford Head of Procurement and Commercial on 3 October 2017, and in accordance to section 7 of DFID Ts&Cs, we require the highest standards of ethical and professional conduct by all suppliers, including ending agreements imposed on sub-contractors which restrict their ability to work for other suppliers (so-called ‘exclusivity arrangements’). Exclusivity arrangements may be formal or informal. Suppliers should obtain DFID's prior approval to enter into any exclusivity arrangement. Approval is unlikely to be granted unless the supplier can demonstrate that the exclusivity arrangements are both necessary and the least restrictive means of achieving the supplier's objective.

Duty of Care

49. The supplier is responsible for the safety and well-being of their personnel and third parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.
50. DFID will share available information with the supplier on security status and developments in-country where appropriate. DFID will provide a copy of the DFID visitor notes (and a further copy each time these are updated), which the supplier may use to brief their personnel on arrival. A named person from the contracted organisation should be responsible for being in contact with DFID to ensure information updates are obtained. There should be a process of regular updates so that information can be passed on (if necessary). This named individual should be responsible for monitoring the situation in conjunction with DFID.
51. Travel advice is also available on the FCO website and the supplier must ensure it (and its personnel) are aware of this. The supplier is responsible for ensuring appropriate safety and security briefings for all of its personnel working under this contract.
52. The supplier is responsible for ensuring that appropriate arrangements, processes and procedures are in place for its personnel, taking into account the environment they will be working in and the level of risk involved in delivery of the contract (such as working in dangerous, fragile and hostile environments etc.). The supplier must ensure its personnel receive the required level of appropriate training prior to deployment.
53. Suppliers must develop tenders on the basis of being fully responsible for Duty of Care in line with the details provided above and the initial risk assessment matrix prepared by DFID (see Annex 1 to these Terms of Reference). They must confirm in the tender that:
    - They fully accept responsibility for security and Duty of Care.

- They understand the potential risks and have the knowledge and experience to develop an effective risk plan.
- They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.
- They will give responsibility to a named person in their organisation to liaise with DFID and work with DFID to monitor the security context for the evaluation.

54. If you are unwilling or unable to accept responsibility for security and Duty of Care as detailed above, your tender will be viewed as non-compliant and excluded from further evaluation.

55. Acceptance of responsibility must be supported with evidence of capability (no more than 2 A4 pages) and DFID reserves the right to clarify any aspect of this evidence. In providing evidence tenderers should consider and answer yes or no (with supporting evidence) to the following questions:

    I. Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding, and are you satisfied that you understand the risk management implications (not solely relying on information provided by DFID)?
    II. Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?
    III. Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that on-going training is provided where necessary?
    IV. Have you an appropriate mechanism in place to monitor risk on a live / on-going basis (or will you put one in place if you are awarded the contract)?
    V. Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis?
    VI. Have you appropriate systems in place to manage an emergency / incident if one arises?

Annex 1 – **SUMMARY RISK ASSESSMENT MATRIX**

DFID Overall Project/Intervention

Project/Intervention title: **UKNIAF**
Locations: Kano, Kaduna, Katsina, Jigawa, Yobe, and Lagos
Date of Assessment: 19th December, 2017

Theme	**Risk Score:** Lagos State	**Risk Score:** Kano, Kaduna, Katsina, and Jigawa States	**Risk Score:** Yobe
OVERALL RATING[1]	1	3	4
FCO travel advice	2	3	4
Host nation travel advice	-	-	-
Transportation	2	3	3
Security	4	4	4
Civil Unrest and Violence/Crime	4	4	4
Terrorism	4	4	4
War	1	1	1
Hurricane	1	1	1
Earthquake	1	1	1
Flood	2	1	1
Medical Services	1	3	3
Nature of Project/Intervention	1	3	3

1 Very Low Risk	2 Low Risk	3 Med Risk	4 High Risk	5 Very High Risk
Low		**Medium**	**High**	

[1]The Overall risk rating is calculated using the MODE function, which determines the most frequently occurring value

Annex 2 – Brief description of context by component

Power sector

1. By the time Good-luck Jonathan came to power in 2010 the long history of public sector corruption meant that much of the public and even parts of the ruling elite believed that the Nigerian government was unreformable and the best hope of progress lay with the private sector. In the power sector, legislation to privatise the sector had passed in 2005, but vested interests had stalled moves towards reform.
2. He made power sector reform his signature economic policy and retained for himself the Power portfolio for the year before the Presidential election in April 2011. He created the Presidential Action Committee on Power (PACP) at ministerial level supported by a Presidential Task Force on Power (PTFP) composed of sector experts. DFID, through the Nigeria Infrastructure Advisory Facility 2 (NIAF 2) programme, was asked to be the major provider of technical support to the reforms and the PTFP, and agreed to do so.
3. The PTFP quickly developed the 2010 Roadmap for Power Sector Reform, which was a detailed plan for moving to a market driven power sector with most parts of the system moving to private ownership and management. Key sectors remaining in the public sector were the transmission system and the gas transmission system.
4. Implementation required success in delivering three things:
    a. The privatisation of distribution and generation to competent private sector operators.
    b. The creation of a functioning market for power.
    c. Increased supply volumes to maintain public support and to improve underlying market viability.
    d. Privatisation of distribution and generation companies that had been part of the former public utility was completed, and that of 10 new gas fired power stations that formed part of the National Integrated Power Project (NIPP) is ongoing.
5. The Transitional Electricity Market (TEM) was formally declared early in 2015, but the market is not yet fully operational with contracts in force and liabilities to the market being fully honoured.
6. By early 2015 the volume of power being supplied was at an all time high and on a positive trajectory - but during the course of the year a series of attacks on oil and gas infrastructure in the Niger Delta have sharply reduced gas supplies to the power sector and as a result the volume of electricity being generated. This in turn has deprived the sector of significant revenues and increased the difficulty of moving to a fully contract based market.
7. A separate area of engagement has been with the Transmission Company of Nigeria (TCN) which remains in public ownership. The wheeling capacity of the system is potentially a major constraint on power volumes (and would be a significant constraint now if there was no gas supply constraint). In this area NIAF

2 is providing project management support to specific priority projects, and working to build TCN's own project management capacity.

Roads

8. Poor roads represent the most significant infrastructure constraint in Nigeria after poor power supply. The government estimates that Nigeria has 200,000 km of roads overall, 33,000 km of Federal Roads, 50,000 km of State roads and 117,000 km of local authority roads. It estimates that 70% of economic service comes from the Federal roads, 20% from State roads, and 10% from Local Government Authority roads[2]. Our view would be that these figures almost certainly underestimate the share of benefit from local government roads.

9. Nigeria classifies three tiers of roads – Federal, State and Local Government (LGA) roads, with state roads being a mix of surfaced and unsurfaced and LGA roads almost all unsurfaced. While the density of roads is low even by African standards, the condition of all tiers of the network is so poor that for many years the priority needs to be recovery of existing roads rather than upgrading or new road construction. Around half of the 33,000 km Federal Road Network (FRN) is so damaged as to be classified as "out of maintainable condition".

10. The deterioration of the FRN over recent years may in part reflect inadequate overall spending on the network. It is clear, however, that it also results from the poor use that has been made of the funding that has been available. Corruption, lack of capacity in MDAs and a budgeting system that is not fit for purpose have all contributed to the poor use of money.

11. The two core challenges faced are:

    a) To move from a highly subjective process for prioritising investments to one in which investments are made in the order that will minimize the total cost of recovering the network.
    b) To move from a world in which many more works contracts are signed than can be properly funded, and projects are therefore drip fed money rather than being completed in accordance with an engineering timeline, to one in which contracting is consistent with a well prioritised multi-year plan.

12. A substantial tool to achieve these goals is a modern Road Asset Management System (RAMS) backed up by an effective data gathering regime. NIAF 2 has developed a RAMS for use by The Ministry of Works and the Federal Road Maintenance Agency (FERMA) and work is ongoing to institutionalise its use.

13. There is also a need to strengthen project management at the level of individual projects and an ongoing debate about institutional reform in the roads sector, and DFID have been asked to consider providing support in both of these areas under UKNIAF. UKNIAF is likely also to continue work with the Ministry of Environment on reducing gas flaring, in collaboration with the second phase of DFID's Facility for Oil Sector Transparency and Reform (FOSTER 2) programme.

The Capital Budget

14. The problems of Nigeria's capital budget are very similar to those of its road sector budget. In particular, political and corruption incentives have favoured signing contracts which funding does not exist for and prioritisation has too often

[2] Road Infrastructure and Related Development in Nigeria - Federal Ministry of Works, 2013.

been driven by politics and personal interests. Whereas for roads the most egregious failing has perhaps been extending the life of projects at great cost, on the wider budget the greatest failing has perhaps been the funding of projects that are, in terms of the government's own policy goals, suboptimal.

15. Historically, planning was a function of NPC and budgeting the work of the Budget Office of the Federation (BoF) within the Ministry of Finance (MoF). Finance had the real power, so NPC was at the margins in terms of power and patronage and had limited capacity (partly as a result). BoF had relatively strong accounting skills to ensure that the budget added up, but weak sectoral skills to provide a challenge function on the spend quality in MDA proposals.

16. This administration moved the BoF from the MoF to an expanded Ministry of Budget and National Planning (MBNP), in the hope of linking planning and budgeting more effectively. It also sought to focus the budget better through zero based budgeting though it underestimated both the technical challenge involved and the capacity of the vested interests to undermine their efforts. Requiring a budget where every line had a justification to be produced within weeks of Ministers being appointed proved overly ambitious. The 2016 budget was delayed, and did not fully deliver the hoped for improvement in focus.

17. One result of this outcome has been a desire on the part of the new government to avoid a repeat with the 2017 budget, and on the capital side of the budget NIAF 2 has been asked to assess the progress, cost to completion and alignment with government objectives of as many of the backlog of signed but unfunded projects as possible in time for the next budget round. There has also been a strong desire from the BOF for this to involve as much learning through participation as possible in support of the aspiration for the BOF to increasingly have capacity to itself be effective at challenging MDA budgets to improve spend quality, and the expectation is that through the life of UKNIAF the counterpart capacity will increase and the need for outside support diminish.

18. Work on the capital budget will also include continuation of NIAF 2 work with the Ministry of Environment to mainstream consideration of environmental and climate change factors in MDA decision making.

<u>Public Private Partnerships</u>

19. Nigeria has long been seen as a major potential market for PPPs. That potential has, however, proven difficult to translate into real deals. Lagos State managed to complete a number of PPPs, including the Lekki Expressway (though that encountered difficulties) and 6 independent power projects providing electricity to Lagos State facilities. At Federal level the two major early PPPs were on Terminal 2 (domestic) of Murtala Muhammed International Airport in Lagos, granted in 2003, and the Lagos-Ibadan Expressway signed in 2009. Neither of these PPPs were transparently awarded (and both involved the same company) and both became very controversial.

20. In 2008, the Federal Government of Nigeria established the Infrastructure Concession Regulatory Commission (ICRC) under the Infrastructure Concession Regulatory Commission Act, 2005 to work on both the development and regulation of PPPs. ICRC received support from both the first phase of NIAF and the World Bank, and developed an award winning PPP framework for

Nigeria. It was not successful, however, in getting major PPP transactions approved by government.

21. A major challenge faced by ICRC was that sector Ministries typically preferred to procure major projects with public funds rather than supporting ICRC to develop PPP proposals and ICRC was not institutionally strong enough to overcome resistance from key ministries. DFID decided not to continue support under the second phase of NIAF, and the World Bank scaled back it's much larger planned programme of support for PPP development.

22. During the second phase of NIAF the Ministry of Finance asked NIAF to support the setting up of a PPP Unit within the Ministry and the development of Contingent Liability and Viability Gap Funding policies, which NIAF did. In 2011 Nigeria established the Nigerian Sovereign Investment Authority (NSIA), with support from DFID. This was intended to invest funds both for the long-term and also to create a more accessible holding of capital capable of being drawn down if the economy hit a major downturn.

23. Although provided with limited funding the NSIA quickly developed a reputation for good management of funds and transparency. It based its procedures on the "Santiago Principles" for wealth fund management and the NSIA is now rated second globally among wealth funds according to the Linaburg-Maduell transparency index administered by Sovereign Wealth Institute. NIAF worked closely with the NSIA as it was being set up and continues to do so. The new government has indicated that it intends to give the NSIA a leading role in developing PPPs to help fill the financing gap on infrastructure that has been made substantially more acute by the fall in oil prices and recently also in production.

<u>Borno and Yobe</u>

24. Of the components outlined in paragraph 41, four (4) all work at Federal level on reform processes and the mobilisation of funding for infrastructure, one component i.e.' Reconstruction in Borno and Yobe' is somewhat different in nature. It can perhaps be seen as a "programme within a programme" offering state governments in Borno and Yobe a similar multi-sector pool of expertise to that the whole programme offers at Federal level.

25. The intention would be to replicate the Federal model in terms of developing a strong working partnership that is focussed on some transformational impacts that enjoy strong counterpart support, with a programme that is judged by real world impact rather than the quality of inputs.

26. This component has been included because stabilisation and reconstruction in North East Nigeria is a priority for the UK. Good working relationships exist with Borno State Government, which has borne the brunt of the Boko Haram insurgency (a recent cross partner report estimated that 80% of reconstruction needs are in Borno). DFID also has a historic relationship with Yobe State, and some work is envisaged in that state also.

27. Conflict is a substantial barrier to Nigeria's development and the North East is where these issues are most acute. Boko Haram (BH) emerged as a religious movement in Maiduguri over a decade ago, but has evolved through various stages to become a brutal insurgency, that by early 2015, held nominal sway across an area of Nigeria which was comparable to the size of Belgium, had killed 20,000 and displaced millions. Over time, the conflict has increasingly become a regional one and spread into the border areas of the neighbouring countries of Cameroon, Niger and Chad, creating one of the world's largest humanitarian crises.

28. By early 2016 Boko Haram has been pushed back out of large swathes of Borno, but much of Borno remains insecure. Improvised Explosive Devices remain a major challenge both for military and civilians and those returning to their homes and farms have been the victim of Boko Haram raids. There is effectively no civilian movement in substantial areas East and South East of Maiduguri and large parts of Northern Borno remain ungoverned.

29. The conflict has now entered a new phase. As well as the military surge, local populations, appalled by the brutal tactics of BH, have largely withdrawn popular support. Encouraged by military progress, politicians talk of the imminent final defeat of BH but the solution to the conflict in the NE cannot be delivered by military means alone. Only by addressing the long term drivers of the conflict, will the Nigerian government bring about a sustainable end to the conflict. This component of UKNIAF is expected to play an important part both in restoring infrastructure services and dealing with the long-term economic drivers of conflict.