

How to Develop & Deliver a National Infrastructure Investment Strategy

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Northern Ireland Infrastructure Context (1)

- Conflict 1969 – 1998, Good Friday Agreement
- For 30 years majority of investment into security sector
- Significant infrastructure deficit in other sectors
- Many cases infrastructure 19th Century, not even 20th

Northern Ireland Infrastructure Context (2)

- Historically; procurement using public capital funding
- Delivery; often over time and over budget
- Poor maintenance; poor condition; not fit for purpose
- Not enough public capital to fund infrastructure needs

How to Address the National Infrastructure Deficit?

- Need to attract private finance
- Improve public sector commercial and project finance skills
- Centre of Excellence – Strategic Investment Board
- Ex-private sector employed as in-house advisers

Northern Ireland PPP Centre of Excellence

Strategic Investment Board Limited, 2003

Three main roles:

- Help Government to deliver major infrastructure programmes;
- Produce a 10 year infrastructure investment strategy;
- Reform public sector delivery

Problems with Infrastructure Delivery

- Short term political cycle versus long term infrastructure delivery
- Infrastructure delivery plans constantly changing
- Introduces risk - upsets capital markets
- Difficult to attract project finance
- Government departments working in isolation - lack of joined up procurement and better delivery of public services

Solution – Long Term Infrastructure Investment Strategy

- Political support from all political parties
- Not a simplistic list of projects
- Infrastructure Downstream of Policy
- National Strategic Service Models
- Overlap of Strategic Service Models - efficiency
- Regional / Local Infrastructure Investment Plans

Public Funding Versus Private Finance

- Risk Spectrum
- Low Risk – bond finance: road
- Medium Risk – bank finance: acute hospital
- High Risk – public funding: ICT, refurbishment

Value for Money and Affordability

- Economic benefit versus public budgetary pressure
- Long Term view required
- Funding ring fenced for lifetime of asset
- Government funding commitment **BEFORE** procurement

Procurement Route – PPP or Traditional?

- Value for Money
- Affordability – revenue payments
- Best risk transfer solution
- Best outcomes for service delivery
- Balance Sheet treatment - IFRS

Public Sector Requirements for Successful Delivery (1)

- Senior political support
- Clear Scope / Specification – the “what”
- Clear procurement process – the “how”
- Funding commitment approved: Outline Business Case

Public Sector Requirements for Successful Delivery (2)

- Outline Planning Consent
- Suitable legal template / project agreement
- Market testing
- Prior Information Notice

Public Sector Requirements for Successful Delivery (3)

- Strong public sector team; senior lead
- Speedy decision making
- Contract Manager in place
- Experienced independent government strategic adviser
- External professional advisers; financial, legal, technical

Realising Value (1)

- Bidder competitive tension drives Value for Money
- No material change to scope during procurement
- “Scope Freeze” date
- Affordability limit visibility
- Strong public sector Contract Management capability

Realising Value (2)

In PPP procurement do not include;

- Refurbishment
- Major Equipment
- ICT
- Land or property deals

Benefits for Northern Ireland since 2004

- Infrastructure spend increased by over 70% per annum
- Circa £20 billion over 10 years
- Population of 1.8 million
- Increased Scale - Accelerated Delivery
- Value for Money
- 21st century infrastructure
- Improved public services















Infrastructure Investment Strategy - Summary

- Strategic approach to rapidly deliver infrastructure
- Rapidly develops public sector PPP capability
- Attracts private capital
- NI case – “proof of concept” of regional model
- Regional model – internationally exportable
- Scaled up for larger countries – e.g. IUK

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