



# **Fiscal Commitment and Contingent Liability Management (FCCL) Framework for Public- Private Partnerships (PPPs) in Edo State**

**Edo State Government**  
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<b>Acronym / Abbreviation</b>	<b>Full Meaning</b>
AG	Attorney General
CLRF	Contingent Liability Reserve Fund
DMO	Debt Management Office
DSA	Debt Sustainability Analysis
EDPPA	Edo State Public Procurement Agency
EDPPP Agency	Edo State Public-Private Partnership Agency
EDSG	Edo State Government
FCC	Fiscal Concurrence Certificate
FCCL	Fiscal Commitments and Contingent Liabilities
FOI	Freedom of Information
FRC	Fiscal Responsibility Commission
LTFP	Long-Term Fiscal Planning
MDA	Ministry, Department, or Agency
MoF / EDMoF	Edo State Ministry of Finance
MTEF	Medium-Term Expenditure Framework
NPV	Net Present Value
OCDS	Open Contracting Data Standards
PFMFRL	Public Financial Management and Fiscal Responsibility Law
PFRAM	PPP Fiscal Risk Assessment Model
PFIS	Preliminary Fiscal Impact Statement
PFRR	Preliminary Fiscal Risk Report
PPP	Public-Private Partnership
RFP	Request for Proposals
SEC	State Executive Council
VfM	Value for Money
VGF	Viability Gap Funding



# INTRODUCTION

Public-Private Partnerships (PPP) plays a crucial role in Edo State's infrastructure and service delivery strategy by attracting private sector investment and expertise. However, PPP projects also expose the state to fiscal liabilities and financial risks that, if not properly managed, could undermine fiscal sustainability.

This Fiscal Commitment and Contingent Liability (FCCL) Management Framework establishes a structured approach for managing fiscal risks associated with PPP projects throughout the entire project lifecycle, from project identification and preparation to implementation and contract expiration. It ensures that direct, contingent, and indirect liabilities are transparently assessed, disclosed, and effectively managed to prevent undue strain on Edo State's finances.

This framework is designed in accordance with the Edo State Public-Private Partnership Law (2025) and is modeled after international best practices. It is tailored to address Edo State's unique economic, legal, and financial conditions.

## 0. Glossary of Terms

In this FCCL Framework, unless the context otherwise requires, the following terms shall have the meanings ascribed to them:

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### A. Legal and Contractual Terms

- **Force Majeure:** Refers to extraordinary events or circumstances beyond the reasonable control of the contracting parties, including but not limited to natural disasters, wars, riots, pandemics, or changes in law, which prevent one or both parties from fulfilling their contractual obligations. PPP contracts must specify the treatment of costs, compensation, and termination rights arising from such events.
- **Termination Payment:** Compensation due to either party in the event of early contract termination under specified conditions (e.g., government default, private party default, or force majeure).
- **Dispute Resolution Mechanism:** A contractual process for resolving conflicts arising under PPP agreements, including arbitration, mediation, or litigation.
- **Contractual Risk Allocation:** The structured assignment of responsibilities and consequences of risk events between the public and private sectors, as agreed in a PPP contract.

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### B. Fiscal Liability Categories

- **Liability:** Any financial obligation or exposure—whether direct, contingent, or implicit—that Edo State may incur under a PPP arrangement, including payment commitments, guarantees, or compensation due to contract termination or legal claims.
- **Direct Fiscal Liability:** A confirmed, legally binding obligation by the State under a PPP agreement, such as capital contributions, availability payments, or viability gap funding.
- **Contingent Liability:** A potential financial obligation that may arise based on the occurrence or non-occurrence of a future event, such as a government guarantee, revenue shortfall payment, or arbitration award.

- **Implicit Liability:** A non-contractual but anticipated obligation arising from public expectations or political pressure to intervene in a PPP project (e.g., bailing out a failing project).

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### C. Risk Management Concepts

- **Risk:** The possibility of a deviation from expected financial, operational, legal, or strategic outcomes that could adversely affect the fiscal position of Edo State in the context of PPPs. Risks may be financial, legal, environmental, political, or institutional.
- **Risk Event:** A specific occurrence or trigger that may result in fiscal consequences for the government under a PPP contract. Examples include demand shortfalls, exchange rate fluctuations, or regulatory changes.
- **Risk Matrix:** A standardized tool used to assess, categorize, and allocate risks in PPP projects. It outlines the responsible party, mitigation mechanisms, and potential fiscal impacts for each identified risk.
- **Risk Mitigation:** Measures or instruments—such as insurance, performance-based payments, reserve funds, or clear contract clauses—used to reduce the probability or impact of a risk event.
- **Stress Testing:** A scenario-based analysis to evaluate the resilience of fiscal assumptions, liabilities, or budgets under extreme but plausible conditions.
- **Scenario Analysis:** An analytical technique that simulates different potential future conditions (e.g., best-case, worst-case) to estimate their impact on fiscal outcomes.

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### D. Fiscal Instruments and Processes

- **Medium-Term Expenditure Framework (MTEF):** A rolling three-year fiscal planning tool used to align expenditure ceilings, revenue forecasts, and strategic priorities. All PPP projects must conform to the MTEF.
- **Debt Sustainability Analysis (DSA):** A quantitative tool used to evaluate Edo State's ability to meet current and future debt service obligations, including those arising from PPP liabilities.
- **Viability Gap Funding (VGF):** Financial support provided by the government to bridge the gap between a project's capital or operational costs and the expected revenues, thereby making the project bankable.
- **Availability Payment:** Periodic payments made by the government to a private partner for making an infrastructure asset or service available and performing in accordance with contractually agreed standards.
- **Guarantee:** A financial commitment by the State to cover specific obligations of the private partner in certain circumstances, such as minimum revenue levels or debt service.
- **Contingent Liability Reserve Fund (CLRF):** A special fund established to provide financial coverage for realized contingent liabilities arising from PPPs or other fiscal commitments.
- **Fiscal Concurrence Certificate (FCC):** A formal approval issued by the Ministry of Finance certifying that a proposed PPP project is fiscally affordable, sustainable, and aligned with the MTEF, allowing it to proceed to procurement.
- **Long-Term Fiscal Planning (LTFP):** A forward-looking analysis of Edo State's fiscal position over the full lifecycle of a PPP project, incorporating all direct, contingent, and potential costs.

- **Value for Money (VfM):** A comparative evaluation of whether a PPP offers better economic outcomes (in cost, time, or quality) than conventional public procurement.

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## E. Institutional Roles and Abbreviations

- **EDSG:** Edo State Government.
- Edo PPP Agency: Edo State Public-Private Partnership Agency.
- **MoF / EDMoF:** Edo State Ministry of Finance — The primary institution responsible for fiscal oversight, FCCL clearance, MTEF alignment, and maintenance of contingent liability reserves.
- Budget Department — A unit within the Ministry of Budget and Economic Planning responsible for preparing the MTEF, integrating PPP liabilities into budget ceilings, and ensuring expenditure alignment.
- **EDPPP Agency:** Edo State Public-Private Partnership Agency — The lead PPP institution responsible for identifying, preparing, procuring, and monitoring PPP projects. Maintains the Fiscal Risk Register and enforces standard risk management practices.
- **DMO:** Debt Management Office — Responsible for performing Debt Sustainability Analyses, monitoring PPP-related debt, and advising on guarantee structures and risk exposure.
- **FCCL Oversight Committee:** A permanent inter-agency committee tasked with reviewing fiscal risk assessments, providing technical opinions on PPP liabilities, and advising the Executive Council on risk mitigation.
- **Auditor-General:** The independent authority mandated to audit all PPP-related fiscal commitments and contingent liabilities for compliance with legal and financial standards.
- **SEC:** State Executive Council — The final decision-making body responsible for approving PPP projects based on fiscal and legal clearance.
- **State House of Assembly:** The legislative body with constitutional authority over public spending, including the review and approval of budgets, fiscal exposures, and audit reports related to PPPs.

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## F. Data and Reporting Tools

- **Fiscal Risk Register:** A live database maintained by the EDPPP Agency to document and track all fiscal liabilities—direct, contingent, and implicit—arising from PPP projects, including their valuation, probability, and responsible parties.
- **PPP Fiscal Risk Report:** A periodic report produced by the MoF and EDPPP Agency detailing the State's fiscal exposure to PPPs, including analysis of guarantees, payments, and risk assessments.
- **Public Disclosure Framework:** The policy and platform under which PPP project information—including risks, liabilities, and contract terms—is disclosed to the public, in line with transparency standards.
- **Public-Private Partnerships Fiscal Risk Assessment Model (PFRAM):** A standardized tool developed by the IMF and World Bank for identifying, quantifying, and reporting the fiscal impact of PPPs, used in project appraisal and budget planning.

## 1. LEGAL FRAMEWORK

1.1. The **Edo State Public-Private Partnership Law (2025)** provides the **legal foundation** for the state's PPP program. The law:

- 1.1.1. Establishes the **Edo State Public-Private Partnership Agency (EDPPP Agency)** as the lead Agency for **PPP project approvals, implementation, and oversight**.
- 1.1.2. Mandates fiscal risk assessments before the state enters into any PPP agreement.
- 1.1.3. Requires transparent disclosure of government financial commitments, guarantees, and contingent liabilities in public financial reports.
- 1.1.4. Provides for the use of dispute resolution mechanisms to reduce litigation risks that could lead to government liabilities.

1.2. Section 46 of the **Edo State Public-Private Partnership Law (2025)** requires that all PPP projects comply with the Fiscal Commitment and Contingent Liability Management Framework. This ensures that any direct or indirect financial obligations of the government under PPP arrangements are properly assessed, managed, and disclosed to safeguard fiscal sustainability.

1.3. Section 18(3) **Edo State Public-Private Partnership Law (2025)** empowers the Agency to make regulations for the purpose of identifying, assessing, approving, disclosing, and monitoring fiscal commitments and contingent liabilities arising from Public-Private Partnership (PPP) projects. Such regulations shall include, but not be limited to, the Edo State Fiscal Commitments and Contingent Liabilities (FCCL) Framework,

1.4. To ensure a comprehensive and consistent approach to the identification, management, and disclosure of Fiscal Commitments and Contingent Liabilities (FCCL) arising from Public-Private Partnership (PPP) projects, this FCCL framework draws upon key legal, regulatory, and administrative instruments currently in force in Edo State.

1.5. These instruments provide the institutional and procedural basis for managing fiscal risks, assessing obligations, ensuring transparency, and guiding decision-making throughout the PPP project lifecycle.

1.6. The table below outlines the relevant laws and regulations, with a brief description of their relevance to FCCL:

**Table .1: Key Legal and Regulatory Instruments Relevant to FCCL in PPPs**

<b>Law / Instrument</b>	<b>Reference / Section</b>	<b>Relevance to FCCL in PPPs</b>
Public Financial Management and Fiscal Responsibility Law, 2018	Sections 2, 3, 4, 5	Provides the framework for fiscal planning and MTEF preparation; mandates inclusion of contingent liabilities.
Edo State Audit Law, 2021	Sections 14, 15, 20	Empowers the Auditor-General to audit fiscal risks and recommend improvements in FCCL oversight.
Public Procurement Law, 2020	Sections 24, 25, 26	Guides transparent procurement and risk assessments during project development.
Edo State PPP Law 2025	Sections 18, 22, 42 45, 46 & 52	Outlines the roles, approval processes, and risk-sharing provisions in PPP project

<b>A Law To Provide For The Raising Of Loans Through The Issuance Of Debt Securities &amp; Other Purposes Connected Therewith</b>	Sections 4 to 24	structuring. Sets guidelines for debt sustainability and treatment of contingent liabilities from guarantees.
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## 2. OVERVIEW OF REGULATORY FRAMEWORK

This section provides an overview of the existing regulatory framework governing Public-Private Partnerships (PPPs) in Edo State and its relevance to the development of the Fiscal Commitments and Contingent Liabilities (FCCL) Guidelines. Based on consultations with key stakeholders in Edo State, current practices related to FCCL are primarily limited to the recording of direct payment obligations. There is little to no coverage of contingent liabilities arising from PPP projects. Furthermore, stakeholders have limited experience in identifying, managing, and accounting for FCCL within the context of PPP arrangements.

### 2.1. The Public Financial Management and Fiscal Responsibility Law (PFMFRL), 2018 of Edo State

- (a) The Public Financial Management and Fiscal Responsibility Law (PFMFRL), 2018 of Edo State establish the framework for prudent, transparent, and accountable management of the State's public finances, in line with Section 4 and 5, which outlines the objectives of the Law. These objectives include ensuring sound fiscal governance and sustainable management of public resources.
- (b) Under Section 7 of the Law, the responsibility for fiscal planning and control resides with the Ministry of Finance, which may assign such responsibilities to a designated Department within the Ministry, thereby creating a central role for institutional coordination in fiscal matters.
- (c) Pursuant to Subsection (2) of Section 2, the designated Department within the Ministry of Finance is mandated to set standards for the efficient allocation and management of public expenditure, revenue collection, debt control, and fiscal transparency.
- (d) Section 18 of the Law makes provision for the Accountant-General to prepare an Annual Consolidate Financial Statement in accordance with public sector accounting standards
- (e) The Public Financial Management and Fiscal Responsibility Law (PFMFRL) sets out the process for the preparation and approval of the Medium-Term Expenditure Framework (MTEF), as stipulated in Sections 28 to 32. These provisions outline the responsibilities of the Commissioner for Finance in leading the preparation of the MTEF, including

coordination with key Ministries, Departments, and Agencies (MDAs), and ensure its publication and periodic review. The MTEF serves as a strategic planning tool that guides Edo State's revenue and expenditure management over a rolling three-year period.

**(i) The MTEF includes:**

- a Macroeconomic Framework, which outlines key economic assumptions and projections;
- a Fiscal Strategy Paper (FSP), setting out fiscal objectives, targets, and policy measures;
- an Expenditure and Revenue Framework, detailing sectorial allocations and expected revenue streams.

**(ii) in accordance with the PFMFRL, the MTEF must also incorporate:**

- Debt Statement, describing the debt stock and projected debt service obligations of Edo State;
- a Statement of Contingent Liabilities, assessing the fiscal risks of guarantees and other off-balance-sheet items, along with mitigation strategies.

## **2.2. The Edo State Audit, 2021**

The Edo State Audit Law, 2021 provides the framework for independent audit and oversight of public financial operations in the State. In the context of Public-Private Partnership (PPP) projects, the Law supports the management of Fiscal Commitments and Contingent Liabilities (FCCL) by:

- Giving the Auditor-General the authority to examine all financial transactions. This includes reviewing both direct fiscal commitments (such as availability payments, viability gap funding) and contingent liabilities (e.g., guarantees, minimum revenue guarantees, termination payments).
- Section 27 and 28 empowers the Auditor-General to review all financial transactions, including direct commitments and contingent liabilities from all contracts.
- Section 32 stipulates that the Accountant-General shall prepare and submit to the Auditor-General a comprehensive report detailing the fiscal position of the State for the preceding financial year. This report shall include information on revenues, expenditures, financial balances, and any fiscal deficits or surpluses, and is intended to support the Auditor-General's review and audit of the State's public accounts, in line with the principles of transparency and accountability in public financial management.
- Section 35: provide for the Setting up of public Accounts Committee to review the Auditor-General audit report.
- Section 38: requires proper disclosure of fiscal risks, including contingent liabilities, in the State's financial statements.
- Assessing risk management practices in MDAs to ensure obligations are identified and minimized.
- The Law also generally provide for the Recommendation of improvements in FCCL oversight through audit findings and reports.

This strengthens transparency and supports the development of FCCL Guidelines for better fiscal risk management in PPPs.

## **2.3. The Edo State Public Procurement Law, 2020**

The Edo State Public Procurement Law, 2020 governs the principles and procedures for the procurement of goods, works, and services by public institutions in the State. While primarily focused on value-for-money, competition, and transparency, the Law has indirect implications for managing Fiscal Commitments and Contingent Liabilities (FCCL) in PPP arrangements.

### **2.3.1. Key relevance to FCCL includes:**

- Section 20 of the Law provides for all projects in the State to pass through procurement in adherence to the Law.

- Section 24 of the Law requires procuring entities to conduct due diligence and financial analysis, which should include assessment of long-term fiscal obligations and potential contingent liabilities before contract award;
- Sections 25 & 26 mandates clear documentation and approval of contractual terms, which provides a basis for identifying and disclosing fiscal risks tied to PPP contracts including warranties.
- Contracts with significant financial implications are subject to rigorous review and approval processes, creating an opportunity to evaluate FCCL exposure.
- Pursuant to Section 39 and Section 62 of the Public Procurement Law and the Fiscal Responsibility Framework respectively, this section outlines the requirements and fiscal implications of bid security, advance payment guarantees, and performance bonds in the all projects in Edo State.

### **2.3.2. Role of the Edo State Public Procurement Agency (EDPPA):**

The EDPPA may collaborate with other institutions (e.g., Ministry of Finance, PPP Agency) to ensure fiscal implications are considered during procurement planning and contract structuring.

Although the Law does not explicitly address FCCL, it provides an essential entry point for integrating fiscal risk considerations into PPP procurement processes. Aligning procurement procedures with FCCL guidelines can help ensure PPP contracts are fiscally sustainable and transparent.

## **3. OBJECTIVES OF THE FCCL MANAGEMENT FRAMEWORK**

The objectives of this framework are to:

### **3.1.1. Strengthen fiscal sustainability**

- 3.1.2. Ensure that financial commitments under PPP contracts are affordable and do not threaten Edo State's fiscal stability.
- 3.1.3. Reduce unforeseen financial obligations arising from PPP agreements.

### **3.2. Enhance risk management across the PPP lifecycle**

- 3.2.1. Provide guidance on identifying, assessing, mitigating, and monitoring fiscal liabilities and risks at each stage of the PPP lifecycle.
- 3.2.2. Establish a clear methodology for risk allocation between the government and private partners.

### **3.3. Improve transparency and accountability**

- 3.3.1. Require comprehensive disclosure of fiscal liabilities, including explicit and implicit commitments, in budget documents and public financial statements.
- 3.3.2. Strengthen oversight mechanisms for PPP risk management.

### **3.4. Boost investor confidence in Edo State's PPP framework**

- 3.4.1. Establish a predictable and sustainable PPP financial management system to encourage private sector participation.
- 3.4.2. Limit excessive reliance on government guarantees and promote market-based risk-sharing.

**3.5. Comply with international best practices (e.g., IMF, World Bank, and Nigeria's PPP guidelines).**

**3.6. Implement risk-sharing mechanisms to safeguard public finances.**

**3.7. Identify, quantify, and mitigate fiscal risks** (direct, contingent, and implicit liabilities).

## Priority Sectors and PPP Pipeline for Edo State

Critical PPP framework instruments such as the **Edo State PPP Law (2025)** and the forthcoming **PPP Manual and Policy Guidelines** provide the legal and institutional foundation for PPP development. Edo State Government's strategy for PPPs is further articulated in its **Medium-Term Sector Strategy (MTSS)**, the **Edo State Development Plan**, and flagship reforms in infrastructure, energy, health, education, and digital technology.

A mapping of potential PPP projects prepared by the Edo State PPP Agency in collaboration with the Ministry of Finance and sectoral MDAs has identified priority areas where private participation can unlock fiscal space and accelerate delivery of infrastructure.

Based on a **multi-criteria analysis** (fiscal affordability, socio-economic impact, commercial viability, and alignment with State priorities), **transportation, energy, water and sanitation, healthcare, education, and technology/digital infrastructure** have been designated as Edo State's **priority PPP sectors**.

The longlist includes over **20 projects** across these sectors. Of these, **10 have been screened as high-priority PPPs**, with pre-feasibility and concept development already underway for a subset. Funding and transaction support have been leveraged from partners such as the **World Bank, UK Nigeria Infrastructure Advisory Facility (UKNIAF)**, and **private sponsors**.

**Table 2: Edo State Current PPP Project Pipeline**

S/N	Name of Project	Sector	Contracting Authority	Stage of Project	Estimated Capital Investment
1	<b>Benin-Sapele Road Expansion PPP</b>	Transport (Roads)	Ministry of Roads & Bridges	Pre-feasibility	~USD 250 million
2	<b>Benin Inland Container/Gelegele Seaport Concession</b>	Transport (Port/Logistics)	Edo State Investment Promotion Office	Concept	~USD 500 million

S/N	Name of Project	Sector	Contracting Authority	Stage of Project	Estimated Capital Investment
3	<b>Edo Modular Grid &amp; Renewable Energy Mini-Grids</b>	Energy & Power	(ESIPO) / Ministry of Transport Ministry of Energy / Edo State Power Company	Concept / Pipeline	~USD 150 million
4	<b>Edo Water Distribution and Urban Sanitation PPP</b>	Water & Sanitation	Edo State Water Corporation	Pre-feasibility	~USD 80 million
5	<b>Specialist Hospital Management and Diagnostic Centre PPP (Benin City)</b>	Healthcare	Ministry of Health	Concept Stage	~USD 60 million
6	<b>Hostel and Student Accommodation PPP (Ambrose Alli University, Ekpoma)</b>	Education	Ministry of Higher Education / University Council	OBC Stage	~USD 40 million
7	<b>Digital Backbone PPP (2,000 km Fibre Rollout)</b>	Digital Infrastructure	Ministry of Digital Economy & PPP Agency	Implementation Pipeline	~USD 100 million
8	<b>Oredo Smart Market Redevelopment PPP</b>	Urban Infrastructure / Housing	Ministry of Urban Development Edo Development & Property Authority (EDPA)	Pre-feasibility	~USD 25 million
9	<b>Affordable Housing PPP (Emotan Gardens Expansion)</b>	Housing	Development & Property Authority (EDPA)	Concept	~USD 70 million
10	<b>Waste-to-Energy Sanitation PPP (Benin Metropolis)</b>	Water & Sanitation / Energy	Ministry of Environment	Concept	~USD 35 million

## Key Observations

- **Transport & Logistics (Roads and Ports)** represent the largest share of the PPP pipeline (~ USD 750 million) due to Edo's central role as a logistics corridor.
- **Energy and Digital Infrastructure** are supported by existing investments (Azura, Ossiomo Power, Edo Fibre Optic Backbone), providing strong private-sector confidence.

- **Social Infrastructure (Health, Education, Housing)** projects are advancing through OBC development and are attractive for medium-sized investors.
- **Water & Sanitation** projects are critical to meet urban service needs and align with Edo's climate resilience agenda.

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## Conclusion

Edo State's PPP pipeline, currently valued at over **USD 1.3 billion**, demonstrates significant opportunities for mobilizing private capital into strategic sectors. The **FCCL Framework** shall ensure that each project is subjected to rigorous **fiscal risk assessment, disclosure, and monitoring**, with particular focus on the **priority sectors** of transportation, energy, water and sanitation, healthcare, education, housing, and digital infrastructure.

## PPP Project Development Fund

In line with **Section 26 of the Edo State Public-Private Partnership Law, 2025**, the State Government has established the **Edo State PPP Project Development Fund** (the “Fund”). The Fund is maintained as a separate account by the **PPP Agency**, in collaboration with the **Ministry of Finance**, and is dedicated to supporting the preparation, development, and effective delivery of PPP projects in Edo State.

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## Sources of the Fund

Pursuant to Section 26(3) of the Law, the Fund shall draw resources from:

- **Allocations from the State Annual Budget**, including a recommended earmark of **not less than 3% of the capital expenditure allocated to the PPP pipeline** each fiscal year;
- **Grants, loans, and technical assistance** from international development partners, donor-supported programs, and private entities, specifically designated for PPP projects;
- **User fees, tolls, or revenues** generated from PPP projects, where authorised by law and governed by the project agreement;
- **Proceeds from commercialization of PPP-related assets**, as per agreed revenue-sharing mechanisms; and
- Any other lawful source of income, as approved by the Edo State House of Assembly.

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## Scope of Application

In accordance with Section 26(4) of the Law, the Fund shall be applied exclusively for:

- **Project Preparation & Feasibility Assessments:** financing pre-feasibility and feasibility studies, environmental and social impact assessments, and sector diagnostics;
- **Legal and Financial Structuring:** covering costs related to project legal frameworks, risk allocation, and financial modelling;
- **Transaction Advisory Services:** engaging transaction advisers for Outline Business Cases (OBCs), Full Business Cases (FBCs), and procurement support;
- **Stakeholder Consultations and Market Sounding:** ensuring adequate engagement with investors, communities, and regulators;
- **Capacity Building:** training and institutional strengthening of MDAs, MoF, and the PPP Agency to manage PPP projects effectively;
- **Contingent Liabilities and Guarantees:** providing financial guarantees, viability gap funding, or security for PPP projects, subject to the approval of the Governor; and
- **Administration of the PPP Agency:** allowances, salaries, and operational costs, strictly as permitted under Section 26(4)(e)–(f) of the Law.

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## **Governance, Transparency and Reporting**

- The Fund shall be jointly overseen by the **PPP Agency** and the **Ministry of Finance**, with the **FCCL Oversight Committee** providing additional review to ensure consistency with affordability and fiscal risk principles.
- Annual reports of the Fund shall be incorporated into the **State's audited financial statements**, with detailed disclosure on sources, disbursements, and balances, in line with FCCL disclosure requirements.
- Disbursements shall be subject to **transparent approval protocols**, including verification that the proposed use aligns with the **eligible activities defined above**.
- Independent audits may be commissioned, where required, to reinforce accountability and build investor confidence.

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## **Integration with the FCCL Framework and Governance**

The PPP Project Development Fund plays a critical role in strengthening the FCCL Framework by serving as both a **fiscal safeguard and enabler**. Specifically, it ensures that:

- **PPP projects are well-prepared before procurement**, undergoing rigorous pre-feasibility, fiscal affordability, and risk screening, thereby reducing the likelihood of unanticipated fiscal exposures.
- **MDAs have structured access to project preparation resources**, avoiding reliance on ad hoc or fragmented funding arrangements.
- **Resources are available to support PFRAM-based fiscal risk assessments and disclosure exercises** required under this Framework.
- **Contingent liabilities** (e.g., guarantees or termination payments) can be funded in a structured and transparent manner, subject to statutory approvals.

- **Transparency and accountability** are enhanced by linking Fund disbursements to fiscal sustainability and value-for-money criteria established under this Framework, ensuring PPP investments do not undermine fiscal discipline.

## **Governance and Oversight**

- The Fund shall be jointly overseen by the **Ministry of Finance** and the **PPP Agency**, with reporting obligations to the **Governor** and the **Edo State House of Assembly**.
- Annual financial statements of the Fund shall be **prepared, audited, and disclosed** alongside the State's financial statements, consistent with FCCL disclosure standards.
- Disbursements for project preparation or fiscal support shall require **prior review by the FCCL Oversight Committee**, ensuring compliance with affordability, fiscal risk, and value-for-money principles.

## **4. INSTITUTIONAL RESPONSIBILITIES AND FRAMEWORK FOR PPP MANAGEMENT**

Effective management of Fiscal and Contractual Liabilities (FCCL) in Public-Private Partnership (PPP) projects requires coordinated action from various Edo State government entities. These entities play crucial roles in ensuring transparency, accountability, and long-term fiscal sustainability. The framework establishes clear lines of responsibility and oversight, minimizing potential risks and maximizing the benefits of PPPs.

### **4.1 Key Institutional Roles**

The following institutions are central to the PPP management framework in Edo State:

#### **4.1.1. Edo State Public-Private Partnership Agency (EDPPP Agency):**

**4.1.1.1 Central** The Edo State Public-Private Partnership Agency (EDPPP Agency) is established under the Edo State PPP Law as the central coordinating institution for all PPP projects in the State. In line with the Law and the broader PPP and Disclosure Frameworks, the Agency is empowered to initiate, develop, procure, and manage PPP projects, while ensuring transparent processes and robust fiscal risk management.

##### **(1) Institutional Coordination and Stakeholder Engagement**

The EDPPP Agency serves as the clearinghouse for PPP development, facilitating collaboration between Ministries, Departments and Agencies (MDAs), private sector partners, communities, and oversight institutions. It ensures that all PPP activities are aligned with the strategic priorities of the State and conform to established regulatory and fiscal frameworks.

##### **(2) Risk Management Responsibilities**

###### **(a) FCCL Risk Assessment:**

- leads the identification, quantification, and evaluation of Fiscal Commitments and Contingent Liabilities (FCCL) across the entire PPP lifecycle.

- ensures that all fiscal risks are analyzed prior to project approval, with documentation included in project appraisal and financial due diligence reports.

**(b) Risk Mitigation and Contractual Safeguards:**

- develops and enforces standardized risk allocation frameworks for PPP contracts to ensure clear, consistent, and fair assignment of risks between the public and private sectors.
- These frameworks address key risk categories such as force majeure, demand risk, regulatory changes, and termination scenarios.
- Verifies the financial and technical capacity of private partners prior to contract finalization.

**(3) Fiscal Oversight and Disclosure**

**(a) PPP Fiscal Risk Register**

- Maintains a comprehensive and regularly updated Fiscal Risk Register, documenting all known and potential fiscal liabilities (both direct and contingent) arising from PPP contracts.
- The register includes data on the nature, amount, duration, and responsible entities for each fiscal exposure, thereby supporting transparency, accountability, and informed decision-making.

**(b) Interagency Coordination**

- Works closely with the Ministry of Finance, Office of the Accountant-General, and Auditor-General to ensure FCCL data is reflected in fiscal reports, including the Medium-Term Expenditure Framework (MTEF), annual budget, and financial statements.

**(4) Project Development and Procurement**

- Oversees the full PPP project lifecycle, from concept development and feasibility analysis to procurement, contract negotiation, and post-contract monitoring.
- Ensures that each stage adheres to the provisions of the Edo State PPP Law, the Procurement Law, and Disclosure Framework requirements.

**4.1.2. Edo State Ministry of Finance (MOFIL)**

**4.1.2.1. Budgetary Oversight:**

- Evaluates the budgetary implications of PPP projects, ensuring alignment with the state's financial capabilities, Medium-Term Expenditure Framework (MTEF), and long-term fiscal objectives.
- Ensures that PPP projects are financially sustainable and do not jeopardize the state's overall fiscal health.

**4.1.2.2. Fiscal Risk Management:**

- Publishes annual reports disclosing fiscal risks associated with PPPs, enhancing transparency and promoting stakeholder understanding. These reports provide

- detailed information on the nature, magnitude, and likelihood of potential fiscal risks.
- iv. Monitors government guarantees, viability gap funding (VGF), and other contingent liabilities arising from PPP engagements to safeguard public financial health.
- v. Establishes and manages a Contingent Liability Reserve Fund (CLRF) to provide a financial buffer against potential fiscal losses from PPPs. The size and management of this fund are crucial for mitigating risk.

#### **4.1.2.3 Inter-Agency Coordination:**

Works closely with the EDPPP Agency and the DMO to ensure a coordinated approach to PPP fiscal management

### **4.1.3. Edo State Debt Management Office (DMO)**

#### **4.3.1.1. Debt Sustainability:**

- i. Monitors and assesses debt-related liabilities resulting from PPP projects, ensuring they remain within Edo State's established debt sustainability thresholds and do not compromise the state's long-term debt sustainability.
- ii. Conducts regular debt sustainability analyses that incorporate PPP-related obligations.

#### **4.3.1.2. Fiscal Policy Alignment:**

- i. Works in collaboration with MOFIL to ensure that all PPP-related debts are aligned with broader fiscal policies, objectives, and debt management strategies.
- ii. Provides regular reports to MOFIL and the State Legislature on the level of debt arising from PPP projects.

### **4.1.4. State Auditor-General's Office:**

- i. **Independent Audit:** Conducts independent audits of the state's fiscal commitments and contingent liabilities linked to PPPs. This independent scrutiny ensures compliance with legal and financial standards, promotes accountability, and fosters public trust.
- ii. **Performance Audits:** May also conduct performance audits to assess the efficiency, effectiveness, and economy of PPP projects.

### **4.1.5. Edo State House of Assembly**

#### **4.5.1.1. Legislative Oversight:**

- i. Reviews and authorizes significant fiscal commitments related to PPP agreements, ensuring legislative oversight and accountability within the budgeting process.
- ii. Plays a key role in the approval of PPP projects that involve substantial financial commitments.

**4.5.1.2. Mandated Audits:** Mandates regular independent audits of all PPP-related fiscal exposures, enhancing the integrity and reliability of fiscal reporting.

**4.5.1.3. Budget Approval:** Reviews and approves the state budget, including any fiscal commitments related to PPP projects.

#### **4.1.6. State Executive Council (SEC)**

Provides final approval for PPP projects, based on the fiscal risk assessments and clearances provided by the EDPPP Agency and MOFIL.

### **4.2 Institutional Framework for PPP Management**

The institutional framework for PPP management in Edo State is designed to promote a structured and transparent approach to project development, implementation, and monitoring.

#### **4.2.1. Edo State PPP Agency**

##### **4.2.1.1 Primary Responsibilities:**

- i. Conduct thorough Fiscal Risk Assessments (FRAs) for all PPP projects, identifying, quantifying, and analyzing potential financial risks. This includes assessing the probability and magnitude of various risk scenarios.
- ii. Maintain a comprehensive and regularly updated PPP Fiscal Risk Register. This register must include details of all liabilities, risk exposures, mitigation strategies, and responsible parties.
- iii. Ensure that all PPP contracts include robust and clearly defined risk mitigation clauses. These clauses should address issues such as:
  - Termination compensation (caps and mechanisms)
  - Change in law
  - Force majeure events
  - Demand risk
  - Construction risk
  - Operational risk
- iv. Develop standardized contract templates and guidelines to ensure consistency and transparency in PPP agreements.

**4.2.1.2. Reporting Obligations:** Submit detailed quarterly reports to the Ministry of Finance on the status of PPP projects, including updates on fiscal risks, liabilities, and mitigation measures.

#### **4.2.2 Ministry of Finance (MOFIL)**

##### **4.2.2.1. Fiscal Oversight:**

- In order to uphold fiscal discipline and protect Edo State's public finances from unanticipated or excessive liabilities, the Edo State Government (EDSG) shall institute a mandatory fiscal control checkpoint at the project development stage of all Public-Private Partnership (PPP) initiatives. Specifically, **no PPP project shall advance to the public tender or Request for Proposals (RFP) stage without first obtaining the formal written approval of the Edo State Ministry of Finance (EDMoF).**

- This approval requirement is a central component of the State's PPP governance and fiscal oversight framework. It ensures that all PPP projects are subjected to rigorous financial scrutiny before any binding commitments are made, and helps maintain transparency, value for money, and long-term fiscal sustainability.
- The Ministry of Finance shall grant such approval only if it is satisfied that the proposed PPP project meets **all** of the following conditions:
  - i. **Alignment with the Medium-Term Expenditure Framework (MTEF):**  
The project must be explicitly aligned with the State's Medium-Term Expenditure Framework (MTEF), as defined under the Edo State Fiscal Responsibility Law. This includes demonstrating consistency with Edo State's strategic priorities, sectoral development goals, and multi-year budgetary ceilings.  
This requirement ensures that PPP commitments are fiscally integrated, do not displace higher-priority expenditures, and are fully accounted for in medium-term fiscal planning. The MoF shall not approve any PPP project that undermines the integrity of the MTEF or exceeds expenditure ceilings for the relevant sector or agency.
  - ii. **Fiscal Affordability and Debt Sustainability:**  
The project must fall within Edo State's overall fiscal capacity and debt sustainability thresholds, as determined through medium-term debt strategy and fiscal risk analysis. This includes a clear assessment of affordability across the project lifecycle, incorporating both **direct fiscal commitments** (such as availability payments or viability gap funding) and **contingent liabilities** (such as guarantees or termination payments).
  - iii. **Lifecycle Cost Transparency:**  
The PPP proposal must provide a complete and transparent breakdown of total lifecycle costs, covering design, construction, financing, operations, maintenance, and decommissioning. The aim is to ensure that the State fully understands the timing, magnitude, and composition of its financial obligations over the duration of the PPP contract.
  - iv. **Legal and Policy Compliance:**  
The project must comply with all applicable laws, policies, and procedural requirements, including but not limited to:
    - a. The Edo State Public Procurement Law;
    - b. The Edo State PPP Policy and Guidelines;
    - c. The annual Budget Call Circular issued by the Ministry of Budget and Planning; and
    - d. Any other regulatory frameworks or directives issued by relevant oversight bodies.
  - v. Establish and manage a Contingent Liability Reserve Fund (CLRF) to cover potential fiscal exposures arising from PPP projects. The CLRF should be adequately funded and its management should be transparent and accountable.

#### **4.2.2.2.Debt Management Coordination:**

Collaborate with the DMO to integrate PPP obligations into comprehensive debt sustainability analyses, ensuring that state finances remain on a sound footing and that PPP-related debt is managed prudently.

#### **4.2.3. State Executive Council (SEC)**

**Final Project Approval:** Endorse PPP projects only after receiving thorough Fiscal Risk Clearance from both the EDPPP Agency and the Ministry of Finance. This ensures that all potential risks have been rigorously assessed and that appropriate mitigation measures are in place.

#### **4.2.4. State Legislature**

##### **4.2.4.1. Budgetary Oversight:**

Review and evaluate PPP fiscal commitments as part of the annual appropriation bill, ensuring that all financial obligations are justified, transparent, and consistent with the state's overall fiscal strategy.

##### **4.2.4.2. Audit and Compliance:**

Mandate and oversee regular independent audits of PPP fiscal exposures, promoting fiscal integrity, enhancing public confidence in the management of public resources, and ensuring compliance with relevant laws and regulations.

### **4.3. Inter-Agency Oversight Mechanism**

In line with the requirement to institutionalize robust and continuous oversight of fiscal commitments and contingent liabilities (FCCLs), the State shall establish a **Permanent FCCL Oversight Committee**. This Committee shall function as a dedicated inter-agency body responsible for the ongoing monitoring, risk calibration, and strategic oversight of fiscal risks associated with Public-Private Partnership (PPP) projects and other government undertakings.

#### **4.3.1. Formation and Composition**

4.3.1.1. The Permanent FCCL Oversight Committee shall be formally constituted under the legal and regulatory framework guiding PPPs and fiscal risk management in the State. It shall comprise senior representatives from key institutions, including but not limited to:

- The Public-Private Partnership (PPP) Agency;
- The Ministry of Finance (MoF);
- The Debt Management Office (DMO);
- The Office of the Auditor-General;
- The State Budget Office (if applicable);
- Any other relevant regulatory, economic, or technical entities as may be deemed necessary.

4.3.1.2. The Committee shall be chaired by a senior official designated by the Executive Council, and it shall operate under a formal charter outlining its responsibilities, meeting frequency, and reporting obligations.

#### **4.3.2. Mandate and Responsibilities**

The FCCL Oversight Committee shall serve as the principal platform for inter-agency coordination on FCCL-related matters and shall be tasked with the following functions:

##### **4.3.2.1. Oversight of Fiscal Risk Assessment Tools**

- Supervise and ensure the consistent application of the Public-Private Partnership Fiscal Risk Assessment Model (PFRAM) across all PPP projects during appraisal, implementation, and post-completion stages.
- Standardize methodologies for fiscal risk analysis and integrate outcomes into budget planning and debt sustainability assessments.

##### **4.3.2.2. Monitoring and Calibration of Fiscal Risks**

- Track trends in fiscal exposure arising from PPPs, guarantees, and other contingent liabilities.
- Conduct quarterly risk reviews to assess the evolution of FCCLs and update risk ratings accordingly.
- Recommend appropriate risk mitigation strategies to contain potential fiscal shocks and enhance long-term fiscal sustainability.

##### **4.3.2.3. Project Pipeline Risk Review**

- Analyze and review the fiscal risk profiles of projects in the PPP pipeline on a quarterly basis.
- Identify high-risk projects early and advise on design changes, renegotiation, or rejection where necessary.
- Ensure alignment of projects with the State's medium-term fiscal framework and public investment priorities.

##### **4.3.2.4. Advisory Role to the Executive Council**

- Serve as the technical advisory body on FCCL matters, providing evidence-based recommendations to the Executive Council.
- Support decision-making with regard to fiscal risk ceilings, project approvals, and guarantee issuances.

#### **4.3.3. Operational Framework**

The Committee shall meet at least once every quarter and produce a risk oversight report to be submitted to the Executive Council. It shall also maintain an FCCL risk dashboard to track and communicate fiscal exposures transparently.

#### **4.3.4. By institutionalizing this inter-agency FCCL Oversight Committee, the State will enhance accountability, foster cross-agency collaboration, and strengthen its capacity to proactively manage and mitigate fiscal risks over the long term.**

#### 4.4. ✓FCCL Framework Process Flowchart

##### Step 1: Project Identification & Initial Screening

Responsible: Procuring MDA

Action:

- Identify potential PPP project
- Conduct preliminary risk screening
- Submit concept to PPP Agency for review



##### Step 2: Risk Assessment Using PFRAM

Responsible: PPP Agency (lead), MoF, DMO

Action:

- Apply PFRAM tool
- Quantify fiscal commitments & contingent liabilities
- Document risk assumptions and outputs



##### Step 3: FCCL Oversight Committee Review

Responsible: FCCL Oversight Committee

Action:

- Review risk assessment results
- Provide technical opinion on fiscal sustainability
- Recommend acceptance, rejection, or revision



##### Step 4: Approval by Executive Council

Responsible: Executive Council

Action:

- Decide based on FCCL Oversight Committee recommendation
- Approve or reject fiscal support mechanisms (guarantees, subsidies, etc.)



##### Step 5: Approval by Ministry of Finance (MoF) – *Prior to Tender Launch*

Responsible: Ministry of Finance

Action:

- Review and confirm fiscal affordability and budgetary space

- Provide written approval before issuance of RFQ/RFP



### **Step 6: Project Implementation & Monitoring**

Responsible: Procuring MDA, PPP Agency

Action:

- Launch procurement process (tender)
- Monitor project execution and performance
- Track fiscal exposure over time



### **Step 7: Ongoing Oversight & Reporting**

Responsible: FCCL Oversight Committee, MoF, DMO

Action:

- Conduct quarterly risk reviews
- Update fiscal risk dashboard
- Report findings to Executive Council

## ✓FCCL Institutional Coordination Matrix

Stage	Procuring MDA	PPP Agency	MoF	DMO	Auditor-General	FCCL Oversight Committee	Executive Council
Project Identification	Lead	Support	-	-	-	-	-
PFRAM Application	Input Provider	Lead	Support	Support	-	Review	-
Risk Review & Recommendation	-	-	-	-	Observer	Lead	-
Decision on Project Approval	-	-	-	-	Advisory	-	Decision Maker
Fiscal Approval	Support	-	Lead	Support	Advisory	-	Decision Maker
Project Implementation Monitoring	Lead	Monitor	-	-	Support	-	-
Quarterly Risk Review	Risk	-	Support	Lead	Lead	Observer	Lead
Annual Reporting	Input Provider	Support	Lead	Lead			

## 5. CATEGORIZATION OF PPP FISCAL LIABILITIES AND RISKS

The Edo State government, in its management of Public-Private Partnerships (PPPs), recognizes the importance of understanding and categorizing the various fiscal liabilities and risks that may arise from these projects. This categorization is crucial for effective fiscal risk management, ensuring that the state's financial position remains robust and sustainable. The framework identifies three primary categories of fiscal liabilities: direct, contingent, and indirect (implicit).

### 5.1. Direct Fiscal Liabilities

Direct fiscal liabilities are explicit, legally binding financial obligations that the government undertakes in a PPP contract. These liabilities are typically clearly defined and quantifiable at the outset of the project. They represent a certain and unavoidable financial commitment on the part of the government and includes.

**5.1.1. Availability Payments:** These are regular, periodic payments made by the government to the private partner throughout the operational phase of a PPP project. The payments are typically linked to the availability and performance of the infrastructure or service, meaning that the private partner receives payment only if it meets specified performance standards.

- **Example:** In a PPP for a hospital, the government makes monthly payments to the private partner, contingent on the hospital's facilities being operational and meeting certain quality benchmarks (e.g., number of beds available, cleanliness, patient satisfaction).

5.1.2. **Capital Contributions:** The government may provide upfront or phased-in funding to support the capital expenditure of a PPP project. This contribution can help to make the project financially viable or more attractive to private investors.

- **Example:** For a toll road PPP, the government provides a portion of the initial construction costs to reduce the private partner's debt burden and lower toll fees for users.

5.1.3. **Viability Gap Funding (VGF):** VGF is financial support provided by the government to bridge the gap between the project's commercial revenues and the level of return required by private investors. VGF is often used to make socially desirable projects, which may not be commercially viable on their own, bankable.

- **Example:** A PPP for the construction of a rural water treatment plant may require VGF, as the tariffs that users can afford may not be sufficient to provide an adequate return for a private investor.

## 5.2. Contingent Liabilities

Contingent liabilities are potential financial obligations that may arise depending on the occurrence (or non-occurrence) of one or more uncertain future events. These liabilities are not certain but represent a risk to the government's future financial position. Careful assessment and management of contingent liabilities are essential in PPP projects.

5.2.1. **Government Guarantees:** The government may provide guarantees to cover debt repayment or a minimum return on investment for the private partner in case of specific events, such as project failure or default. Guarantees transfer some of the financial risk from the private sector to the government.

- **Example:** The government guarantees that if the PPP company defaults on its loan for a power plant project, the government will repay the outstanding amount to the lenders.

5.2.2. **Revenue Shortfall Compensation:** If the actual revenues of a PPP project fall below a predetermined threshold, the government may be required to compensate the private partner for the shortfall. This mechanism protects the private partner against lower-than-expected demand or usage.

- **Example:** In a toll road PPP, the government guarantees a minimum traffic volume. If the actual traffic is lower, the government compensates the private partner for the difference in toll revenue.

5.2.3. **Termination Payments:** PPP contracts typically include provisions for termination, specifying the payments that may be due to either the private partner or the government in the event of early termination. The amount of the termination payment can vary significantly depending on the reason for termination (e.g., government default, private partner default, force majeure).

- **Example:** If the government terminates a PPP contract for a breach of contract, it may be liable to pay the private partner compensation for its investments and lost future profits.

5.2.4. **Compensation for Force Majeure Events:** Force majeure events are extraordinary circumstances beyond the control of either party (e.g., natural disasters, wars, changes in law). PPP contracts often specify how the costs and losses resulting from force majeure events will be shared between the government and the private partner.

- **Example:** If a newly enacted environmental regulation prevents the private partner from operating a factory built under a PPP agreement, the government may be required to compensate the private partner for its losses.

### 5.3. Indirect (Implicit) Liabilities

Indirect (implicit) liabilities are obligations that may arise from public expectations or political pressures, even though they are not explicitly stated in a PPP contract. These liabilities are less tangible and more difficult to quantify than direct or contingent liabilities, but they can still have significant fiscal implications.

5.3.1. **Bailouts of Failing PPP Projects:** In some cases, the government may feel compelled to provide financial support to a failing PPP project, even if it has no contractual obligation to do so. This is often driven by concerns about preventing service disruptions, protecting the public, or mitigating negative economic consequences.

- **Example:** If a private company operating a critical water supply PPP project becomes insolvent, the government may step in to provide emergency funding to ensure the continued provision of water services.

5.3.2. **Reputational Risks:** If a private partner in a PPP project fails to deliver the agreed-upon services or performs poorly, it can damage the government's reputation and erode public trust in PPPs. While not a direct financial liability,

this reputational damage can have indirect fiscal consequences, such as increased borrowing costs or difficulty in attracting private investment for future projects.

- **Example:** If a private company fails to complete a hospital on time and it leads to people's death, even if the government is not directly liable, the public may blame the government.

**5.3.3. Public Liabilities Arising from Project-Related Events:** The government may face financial liabilities arising from accidents, environmental damage, or legal disputes related to PPP projects, even if the primary responsibility lies with the private partner. This can occur due to legal frameworks, regulatory oversight, or public pressure.

- **Example:** If a private company's construction activities for a PPP road project cause damage to nearby properties, the affected property owners may sue the Government, even if the private company is contractually liable.

## **6. FCCL MANAGEMENT PROCESS ACROSS THE PPP LIFECYCLE: A COMPREHENSIVE FRAMEWORK**

The Fiscal Commitments and Contingent Liabilities (FCCL) Framework is essential for fiscal discipline, risk mitigation, and transparency in Edo State's Public-Private Partnership (PPP) projects. Its integration must span all stages of the PPP lifecycle, from project inception to post-contract monitoring, while reinforcing institutional coordination, compliance, and accountability.

### **6.1. Risk Identification and Assessment (Pre-Project Phase)**

#### **6.1.1. Overview of Pre-Project Fiscal Risk Assessment**

(a) This phase focuses on the systematic identification and evaluation of potential fiscal risks linked to a proposed PPP project before it proceeds to procurement. It enables early risk detection and supports informed decisions on project viability. The assessment follows a step-by-step approach, beginning with preliminary fiscal risk screening. Each step builds on the last to strengthen fiscal due diligence and planning.

(b) The stepwise approach to identifying and assessing risks is further illustrated in **Appendix C**

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**Step 1: Preliminary Fiscal Risk Screening**

- Integrate fiscal risk considerations into initial feasibility and pre-feasibility studies.
- Identify potential sources of fiscal risk: construction, demand, operation and maintenance, macroeconomics.
- Use risk checklists and qualitative risk matrices.
- Perform a preliminary qualitative risk assessment.

**Step 2: Value-for-Money (VfM) and Affordability Analysis**

- Conduct comparative VfM analysis to evaluate fiscal efficiency of PPP vs. traditional procurement.
- Perform affordability analysis for government's ability to meet commitments throughout the PPP lifecycle.
- Use sensitivity analysis for key variables (inflation, interest rates).
- Apply Net Present Value (NPV) calculations:

$$NPV = \sum_{t=0}^n CF_t (1+r)^t$$

Where  $CF_t$  = Cash flow at time  $t$ ,  $r$  = Discount rate,  $n$  = Project duration.

**Step 3: Debt Sustainability Analysis (DSA)**

- Evaluate impact of PPP-related liabilities on public debt indicators (debt-to-GDP, debt service-to-revenue).
- Simulate long-term debt scenarios and stress testing.

**Step 4: Legal and Regulatory Risk Assessment**

- Review frameworks for contract enforceability, policy/regulatory changes, dispute resolution.
- Evaluate international arbitration scope.

**Step 5: Stakeholder Risk Assessment**

- Assess credibility, capacity, and risk exposure of private partners, lenders, communities, and civil society.
- Consider social, environmental, and reputational risks.

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**6.1.2** The State may also make use of the following tools for risk identification and assessment (Pre-Project Phase):

**6.1.2.1. Long-Term Fiscal Planning (LTFP) Tool**

The LTFP tool, integrated into the PFRAM (Public-Private Partnerships Fiscal Risk Assessment Model), enables governments to project the fiscal implications of a PPP over the entire contract period—often spanning 15–30 years or more. Its core purpose is to ensure that fiscal decisions made today do not compromise future fiscal sustainability.

**Key Uses:**

- Multi-Year Fiscal Impact Projection: The LTFP tool allows the government to estimate future direct and contingent payments associated with PPPs (e.g., availability payments, revenue shortfalls, guarantees).

- Integration into Budget Planning: It supports the alignment of PPP liabilities with medium-term expenditure frameworks and long-term fiscal targets.
- Intertemporal Analysis: By comparing PPP project costs against expected fiscal space, it helps determine whether the project is affordable over time without crowding out critical public spending.
- Debt and Deficit Impact: Helps gauge the impact of PPPs on long-term fiscal indicators, such as debt-to-GDP and primary balance, improving transparency in fiscal reporting.

#### **6.1.2.2. Scenario Analysis Models**

(a) Scenario analysis within the PFRAM framework offers a robust mechanism to simulate the impact of different risk events or macroeconomic conditions on the government's fiscal obligations. These simulations are critical for stress testing both direct commitments (e.g., payments to PPP operators) and contingent liabilities (e.g., guarantees, revenue support).

#### **Key Uses:**

- Stress Testing FCCLs: Scenario models simulate downside risks, such as lower-than-expected demand, interest rate spikes, or exchange rate shocks, to estimate their fiscal consequences.
- Policy Response Planning: Allows policymakers to assess how the government might absorb shocks and plan mitigation measures (e.g., fiscal buffers, guarantee ceilings).
- Risk Quantification: Helps convert qualitative risk assessments into quantified fiscal exposures under different scenarios—supporting evidence-based decision-making.
- Improved Decision Quality: Enhances project appraisal by integrating risk into cost-benefit analysis, improving the realism of VfM and affordability assessments.

(b) Detailed risks and mitigation measures, as classified under the PFRAM 2.0 model, are provided in **Appendix A.**"

## **6.2. Project Identification and Inception: Early-Stage Fiscal Risk Screening**

- Procuring Entities identify potential PPP projects and assess fiscal exposures for informed decision-making.

#### **Key Enhancements**

##### **6.2.1. Mandatory FCCL Screening Checklist: the Procuring entity should utilize a standardized checklist to identify risks such as:**

- Government support requirements (viability gap funding, subsidies, guarantees).
- Revenue-sharing mechanisms that may affect state finances;
- Termination clauses that could trigger fiscal liabilities.

The screening process shall follow the format provided in the Fiscal Risk Screening Template in **Appendix B**.

#### **6.2.2. Inter-Agency Consultation Protocol:**

- Early engagement with the Ministry of Finance (MoF) and Debt management office (DMO) to assess fiscal capacity;
- Input from Edo State PPP (EDPPP) Agency on risk allocation best practices.
- Preliminary Fiscal Impact Statement (PFIS): a short report summarized potential fiscal risks, submitted to MoF for initial feedback.

### **6.3. Feasibility Assessment and FCCL Risk Evaluation: Quantifying and Mitigating liabilities**

A robust Feasibility study must include a Comprehensive Fiscal Risk Assessment (CFRA) to ensure fiscal sustainability.

#### **Key Enhancements**

##### **6.3.1. Scenario-Based Risk Modeling:**

- Stress-testing fiscal commitments under different economic conditions (such as inflation, demand fluctuations).
- Monte Carlo simulations to estimate the probability of contingent liability materializing. These scenarios draw on risk typologies outlined in **Appendix A**.

##### **6.3.2. Standardized Risk Allocation Matrices:**

- Developed by the EDPPP Agency, these matrices define optimal risk-sharing between the government and private sector. A sample risk matrix is included in Appendix D to guide risk identification and allocation.
- Clear guidelines on which risks are retained by the government (such as political force majeure versus those transferred to the private partner (e.g., constitution delays).

##### **6.3.3. Preliminary Fiscal Risk Report (PFRR):**

- Submitted to MoF and DMO for review, detailing:
- Estimated direct fiscal costs (e.g., capital contributions).
- Contingent liabilities (e.g., demand guarantees, termination payouts).
- Mitigation strategies (e.g., escrow accounts, insurance mechanisms).

### **6.4. Full Fiscal Risk**

#### **6.4.1. Assessment and Management**

The risk assessment process may also utilize the Risk Assessment Questionnaire in **Appendix F**.

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**Step 6: Project Data Collection**

- Compile project scope, sector, cost, contract type, tenure, financing model, stakeholder roles.

**Step 7: Identification of Fiscal Commitments and Contingent Liabilities**

- Review contracts for direct commitments (subsidies, tax breaks), contingent liabilities (guarantees, termination payments), and implicit liabilities.

**Step 8: Risk Allocation Analysis**

- Assign risks to parties best equipped to manage them; ensure legal consistency.

**Step 9: Quantification of Fiscal Impact**

- Use PFRAM model for fiscal impact estimation; develop exposure tables; apply scenario analysis.

**Step 10: Integration into Fiscal Planning**

- Reflect commitments in MTEF, annual budgets, debt sustainability models.
- The Fiscal Strategy Paper (FSP) shall contain a dedicated Fiscal Risks section, providing annual quantification of direct, contingent, and implicit PPP-related liabilities, together with proposed mitigation measures. This section shall be updated each year in alignment with the Medium-Term Expenditure Framework (MTEF) tables.

**Step 11: Risk Mitigation and Controls**

- Propose controls: performance-based payments, capped guarantees, insurance, institutional oversight.

**Step 12: Disclosure and Reporting**

- Ensure full risk disclosure per Edo State PPP Disclosure Framework; submit documentation to FRMU.

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## **6.5. Approval and Pre-Tender Concurrence: Ensuring Fiscal Affordability**

Prior to tendering, formal approvals are required to confirm that the proposed PPP project aligns with Edo State's fiscal capacity and does not compromise overall fiscal sustainability.

### **Key Enhancements**

- MTEF Alignment: MoF verifies PPP obligations fit within 3-year fiscal plan.
- Debt Sustainability Analysis: DMO ensures commitments do not breach fiscal limits.
- Fiscal Concurrence Certificate (FCC): Issued by MoF before procurement begins.

## **6.6. Procurement and Contract Structuring: Embedding Fiscal Safeguards**

Bid documents and contracts must clearly define fiscal commitments to ensure transparency and minimize the risk of future disputes.

### **Key Enhancements**

- Risk-Weighted Contract Clauses: Limits on guarantees, clear payment mechanisms.
- MoF Review Mandate: MoF approves all fiscal clauses.
- Competitive Bidding with Fiscal Transparency: Bidders submit Fiscal Impact Statements.

## 6.7. Institutional Roles and Responsibilities

**Table .2: Institutional Roles and Responsibilities**

<b>Entity</b>	<b>Responsibilities</b>
Procuring Entities (MDAs)	<ul style="list-style-type: none"> <li>- Ensure feasibility studies include fiscal risk quantification.</li> <li>- Conduct preliminary FCCL screening using standardized tools.</li> </ul>
Ministry of Finance (MoF)	<ul style="list-style-type: none"> <li>- Issue Fiscal Concurrence Certificates (FCC).</li> <li>- Conduct MTEF alignment checks.</li> <li>- Maintain PPP fiscal risk reserves.</li> </ul>
Debt Management Office (DMO)	<ul style="list-style-type: none"> <li>- Perform Debt Sustainability Analysis (DSA).</li> <li>- Advise on optimal guarantee structures.</li> </ul>
EDPPP Agency	<ul style="list-style-type: none"> <li>- Maintain the PPP Fiscal Risk Register.</li> <li>- Develop standardized FCCL risk matrices.</li> <li>- Coordinate inter-agency approvals.</li> </ul>
Public Procurement Agency	<ul style="list-style-type: none"> <li>- Ensure bid documents reflect fiscal risk allocations.</li> <li>- Enforce transparency in PPP procurement.</li> </ul>
Auditor-General	<ul style="list-style-type: none"> <li>- Report on compliance with FCCL guidelines.</li> <li>- Conduct annual PPP fiscal audits.</li> </ul>

## 6.8. Risk Allocation and Mitigation (Contracting Phase)

### 6.8.1 Performance-Based Contracts

- Utilize performance-based contracts to shift key risks to the private partner, aligning incentives and reducing government exposure.
- Establish clear performance indicators and payment mechanisms linked to service delivery.
- Incorporate penalty clauses for non-performance.

### 6.8.2. Limited Government Guarantees

- Limit government guarantees to essential cases with strict conditions and clear triggers.
- Conduct thorough risk assessments before issuing guarantees.
- Establish a guarantee ceiling to manage overall exposure.
- Clearly define the trigger events that will cause the guarantee to activate.

### 6.8.3. Commercial Insurance

- Require private partners to obtain comprehensive commercial insurance coverage for key risks, such as construction delays, operational failures, and third-party liabilities.
- Ensure that insurance policies are adequate and enforceable.

#### **6.8.4. Risk Sharing Mechanisms**

- Implement risk sharing mechanisms that allocate risks to the party best equipped to manage them.
- Employ revenue sharing, risk corridors, and other mechanisms to balance risks and rewards.
- Clearly define how changes in law and force majeure events will be handled.

#### **6.8.5. Contractual Clarity**

- Ensure that PPP contracts are clear, comprehensive, and legally sound.
- Avoid ambiguous clauses and potential sources of dispute.
- Employ expert legal counsel during contract drafting and negotiation.

### **6.9. Contract Signing and Disclosure: Transparency and Accountability**

Post-signing, fiscal commitments must be recorded and disclosed to ensure public oversight.

#### **Key Enhancements**

##### **6.9.1. PPP Fiscal Risk Register**

- Maintained by the EDPPP Agency, tracking all fiscal exposures (direct and contingent).
- Updated quarterly and shared with MoF and DMO.

##### **6.9.2. Public Disclosure Framework**

- Key contract terms (e.g., guarantees, payment obligations) published on the Edo State PPP Portal.
- Compliance with Open Contracting Data Standards (OCDS) for global best practice.

### **6.10. Disclosure and Reporting (Implementation Phase)**

##### **6.10.1. Annual PPP Fiscal Risk Report**

- Publish an annual PPP Fiscal Risk Report as part of the state budget, providing detailed information on contingent liabilities, guarantees, and other fiscal exposures.
- Disclose the methodology used for risk assessment and valuation.
- Include a summary of the total value of all PPP projects, and the government's total exposure.

##### **6.10.2. PPP Fiscal Risk Registry**

- Establish a centralized PPP Fiscal Risk Registry to track and manage financial liabilities.
- Include information on guarantees, contingent liabilities, indirect liabilities, and other relevant data.
- Ensure that the registry is regularly updated and accessible to relevant stakeholders.

#### **6.10.3. Transparent Reporting**

- Ensure transparent reporting of guarantees, contingent liabilities, and indirect liabilities in accordance with international best practices.
- Disclose information on the nature, value, and likelihood of contingent liabilities.
- Publish reports online for easy public access.

#### **6.10.4. Independent Audits**

- Conduct regular independent audits of PPP projects to ensure compliance with contractual obligations and fiscal transparency.
- Publish audit reports to enhance accountability.

#### **6.10.5. Timelines for Disclosure:**

All FCCL-related disclosures shall be made according to a structured timeline aligned with the State's Disclosure Framework Manual. At a minimum:

- **Pre-Procurement Phase:** Preliminary FCCL assessments shall be disclosed during project screening and feasibility, alongside project concept notes.
- **Post-Contract Signing:** Final FCCL profiles, including guarantees and payment obligations, shall be disclosed within 30 days of contract execution.
- **Implementation and Operational Phases:** Annual FCCL updates, including actual vs. projected fiscal impacts, shall be published with the annual budget.
- **Post-Contract Phase:** Final FCCL assessments and lessons learned shall be reported within six months of contract expiry or termination.

#### **6.10.6. Institutional Responsibilities:**

- The Edo State PPP Agency shall be responsible for compiling and validating FCCL data across PPP projects.
- The Ministry of Finance (MoF) shall integrate FCCL data into the state's fiscal reports and ensure consistency with budget documentation and debt reports.
- The Debt Management Office (DMO) shall monitor contingent liabilities arising from credit enhancements or guarantees.
- Reports shall be submitted to the State Executive Council, the State House of Assembly, and disclosed to the public via the State PPP Portal.

#### **6.10.7. Nature of Reports:**

- Reports shall clearly distinguish between direct fiscal commitments (e.g., availability payments) and contingent liabilities (e.g., guarantees, revenue shortfalls).
- Disclosures must include risk classification, valuation methodology, and fiscal impact estimates, supported by outputs from recognized tools such as the PFRAM (Public-Private Partnerships Fiscal Risk Assessment Model).

The legal basis and disclosure obligations under this framework are summarized in **Appendix I**.

## **6.11. Monitoring and Risk Control (Operational Phase)**

### **6.11.1. PPP Risk Monitoring Framework**

- Implement a comprehensive PPP Risk Monitoring Framework for ongoing project oversight.
- Establish key performance indicators (KPIs) to track project performance and identify potential risks.
- Conduct regular site visits and performance reviews.

### **6.11.2. Stress Testing and Scenario Analysis**

- Conduct stress testing and scenario analysis to assess the impact of potential shocks on fiscal risk exposure.
- Evaluate the government's ability to withstand adverse economic conditions.
- Use Monte Carlo simulations to model risk.

### **6.11.3. PPP Contingent Liability Fund**

- Establish a dedicated PPP Contingent Liability Fund to manage unforeseen liabilities.
- Allocate sufficient resources to the fund based on risk assessments.
- Develop clear guidelines for accessing and utilizing the funds.

### **6.11.4. Early Warning Systems**

- Implement early warning systems to detect potential risks and trigger timely interventions.
- Monitor key economic and financial indicators.
- Establish clear communication channels between the government and the private partner.

### **6.11.5. Dispute Resolution Mechanisms**

- Establish clear and efficient dispute resolution mechanisms to address potential conflicts.
- Consider alternative dispute resolution (ADR) methods, such as mediation and arbitration.
- Aim for swift and fair resolution of disputes.

## **6.12. Monitoring and Post-Contract Oversight**

Dynamic Risk Management: Ongoing oversight ensures fiscal risks remain within acceptable limits.

### **Key Enhancements**

- **Real-Time Fiscal Monitoring Dashboard**
  - Tracks key indicators (e.g., revenue shortfalls, guarantee triggers).
  - Automated alerts to MoF and DMO if thresholds are breached.
- **Independent Audits by the Auditor-General**
  - Annual PPP Fiscal Compliance Audits to verify adherence to FCCL guidelines.
- **Contingency Fund for PPP Liabilities**
  - A dedicated reserve fund to cover unexpected fiscal exposures, ensuring budget stability.

## 6.13. Contract Expiry / Renegotiation Stage

### 6.13.1. Exit Strategy Planning

- Plan for the transition at contract end, whether through asset transfer or contract renewal.

### 6.13.2. Assess Fiscal Implications of Asset Handover / Renewal

- Evaluate the fiscal and operational consequences of end-of-contract scenarios.

### 6.13.3. Independent Post-Contract Fiscal Review

- Conduct thorough financial reviews to ensure transparency and accountability post-expiry.

## 6.14. Reporting & Transparency Mechanisms

### 6.14.1. Annual PPP Fiscal Risk Statement

- Published alongside the state budget to disclose total fiscal exposures.

### 6.14.2. Public Disclosure Portal

- All PPP contracts made publicly accessible, with redactions for sensitive data.

### 6.14.3. Independent Audits

- Conducted by the State Auditor-General to ensure transparency and fiscal discipline.

## 6.15. Valuation, Presentation, and Reporting of PPP-Related Fiscal Exposures

This section establishes uniform standards for the valuation, presentation, and audit timelines of PPP-related fiscal exposures, to ensure clarity, comparability, and accountability in Edo State's financial reporting.

### 6.15.1. Valuation Methodology

All PPP-related fiscal exposures including **direct commitments, contingent liabilities, and crystallized liabilities** shall be recorded in the State's **annual audited financial statements** at their **fair value as of the reporting date**. The valuation shall adhere to the following principles:

- **Direct Commitments:** Fixed government payment obligations under PPP contracts (e.g., availability payments, annuities, viability gap financing) shall be measured based on the present value of contractual obligations, discounted using an appropriate **risk-adjusted rate**. For disclosure purposes, these shall be disaggregated into **short-term** (liabilities the government must pay within the next 12 months) and **long-term** (liabilities that fall due **after one year**) exposures.
- **Contingent Liabilities:** Obligations dependent on specific future events (e.g., guarantees, minimum revenue undertakings, debt assumption, and termination payments) shall be valued using a **probability-weighted expected value approach**, supported by **sensitivity or scenario analysis**, in line with the IMF/World Bank **PPP Fiscal Risk Assessment Model (PFRAM)** and **IPSAS 19**. Where applicable, exposures may be discounted to reflect present value using the prevailing **risk-free government bond rate**.
- **Crystallized Liabilities:** Contingent liabilities that materialized and resulted in actual payments within the reporting year shall be recorded at the **actual amount paid**, supported by verifiable documentation.

#### 6.15.2 Presentation Format

PPP-related fiscal exposures shall be presented in the **Notes to the Annual Financial Statements** through a **dedicated disclosure note** using a standardized table. The note shall provide clear, project-level and aggregate information, and must include:

- **Direct Commitments** – disclosed by project, sponsoring MDA, liability type (e.g., availability payments, annuities, termination clauses), and maturity profile (short-term and long-term).
- **Contingent Liabilities** – disclosed by project, nature of risk, probability rating (low/medium/high), valuation methodology applied, and estimated exposure.
- **Crystallized Liabilities** – contingent liabilities that have materialized during the reporting year, specifying the project, type of liability, triggering event, actual amount paid, date of payment, and approving authority.
- **Reconciliation of Movements** – year-on-year changes in fiscal exposures, including new commitments entered, adjustments to existing obligations, and settlements of crystallized liabilities.
- **Comparative Information** – figures from the prior reporting year shall be disclosed alongside current year data to provide transparency and facilitate trend analysis.

(A model template for disclosure is provided in **Schedule X** to this Framework.)

### **6.15.3. Reporting Timelines**

- PPP-related exposures shall be identified and quantified as part of the pre-audit preparation process, with preliminary estimates submitted to auditors at least three months before the financial statement deadline.
- Auditors shall verify and challenge the valuations as part of the annual audit, with final figures confirmed no later than one month before the statements are finalized.
- Any material post-reporting-date events (e.g., new crystallizations) shall be disclosed as subsequent events if they impact the reported exposures.

## **7. CONCLUSION**

The FCCL Framework ensures that Edo State maximizes the benefits of Public-Private Partnerships (PPPs) while safeguarding fiscal stability. This framework allows the State to systematically manage liabilities throughout the entire PPP lifecycle, enabling it to leverage private sector investment in PPP projects while maintaining financial discipline and long-term fiscal sustainability.

## **8. ADOPTION & IMPLEMENTATION**

This framework will be adopted by the Edo State Executive Council and enforced by the PPP Agency under the Edo State PPP Law of 2025.

By implementing a comprehensive approach to risk assessment, mitigation, and monitoring, Edo State will:

- Enhance investor confidence in its PPP framework.
- Ensure budgetary sustainability by avoiding excessive financial exposure.
- Improve infrastructure service delivery while minimizing fiscal risks.

## Appendix A: PFRAM Risks and Mitigation Measures

**PFRAM 2.0 User Manual proposes the following list of risks and associated potential mitigation measures to be considered when establishing the Project Risk Matrix:**

### 1. Governance Risks

• **R1.** If the Public Investment Management (PIM) framework is not strong enough to guarantee that only priority projects are selected, a non-priority project might be implemented and absorb public resources, crowding out priority projects and leading to efficiency losses. To mitigate this risk, the public investment management framework should to be reinforced.

• **R2.** If the Ministry of Finance (MOF) is not able to effectively manage fiscal risks arising from this project, the risks might be amplified, and the probability and impact of other fiscal risks may be higher than they would be with adequate experience and capacity. To mitigate this risk, capacity in the fiscal risk management team in the MOF/Budgetary authority should be strengthened.

• **R3.** If project and contract information is not disclosed adequately, public concerns regarding the governance of the project/contract may arise, preventing users from acting as independent auditors of the project and/or exerting pressure to change the project. To mitigate this risk, the government should put in place a strong communication strategy engaging stake holders and creating ownership of the project, together with clear and standardized disclosure procedures for project information and, ultimately, contract disclosure.

### 2. Construction

#### **R4. Risks related to land availability**

• If the land is not already available, the government might face additional fiscal costs arising from possible compensation for construction delays. To mitigate this risk, (1) a complete assessment of land needs should be undertaken prior to contract closure; (2) the land acquisition process should be prepared; and (3) buffers and flexibility clauses should be included in the contract.

• If the project might be canceled due to lack of land, the government might face costs due to compensation to the private partner and the project redesign. To mitigate this risk, the government should ensure land availability at an early stage of the project cycle.

• If the private partner has to pay for the land acquisition, the private partner might not be able to cope with the cost; the government would be confronted with the cost of project cancellation and retender, or renegotiation at higher fiscal cost. To mitigate this risk, the government should ensure land availability at an early stage of the project cycle or provide sufficient information regarding the need and value of the land to ensure that the private partner is able to cope with the cost.

• If the government has to pay for land acquisition, it may face additional fiscal costs arising from the acquisition and possible delays due to unavailability of land, which might lead to compensation payments for possible delays. To mitigate this risk, the government should (1)

complete the assessment of land availability and cost prior to contract closure; and (2) build in buffers and flexibility clauses in procurement and contracts.

#### **R5. Risks related to relocation of people and activities**

- If people and/or activities are subject to relocation due to project implementation:
  - If the government is paying for the relocation of people and/or activities and possible project delays, it will face the cost of relocation and compensation. To mitigate this risk, the government should undertake a timely assessment of relocation needs and engage in effective stakeholder management.
  - If the private partner is paying for the relocation of people and/or activities and is unable to cope with cost, the government will be faced with the cost of project cancellation and retender, or renegotiation at higher fiscal cost. To mitigate this risk, the government should ensure timely assessment of relocation needs and provide sufficient information on relocation needs and costs.

#### **R6. Risks related to land decontamination**

- If the government has to pay for land decontamination and the need for decontamination arises, this will result in fiscal costs. To mitigate this risk, the government should undertake a timely assessment of the need and cost of decontamination.
- If the private partner has to pay for land decontamination and is not able to cope with the cost, the government may face the cost of project cancellation and retender, or renegotiation at higher fiscal cost. To mitigate this risk, the government should (1) ensure a timely assessment of decontamination needs; and (2) should provide sufficient information on land condition.

#### **R7. Risks related to environmental and archeological issues**

- If there is a possibility of facing environmental/archeological issues and the government has to pay for them, the government may face costs (1) for environmental and archeological issues; and (2) for compensation payments it might have to make to the private partner due to project delays. To mitigate this risk, the government should (1) specify environmental constraints prior to tender (including permits and licenses); and (2) develop a plan to deal with archeological findings.
- If there is a possibility of environmental/archeological issues and the private partner has to pay for them, the private partner might not be able to cope with the associated costs; the government may be faced with the cost of project cancellation and retender, or renegotiation at higher fiscal cost. To mitigate this risk, the government should (1) specify environmental constraints prior to tender (including permits and licenses); and (2) develop a plan to deal with archeological findings.

#### **R8. Risks related to geological issues**

- If there is a possibility of geological issues and the government has to pay for them, it may face compensation payments. To mitigate this risk, the government should (1) ensure a timely assessment of the geological conditions and their implications for the project; and (2) develop a plan to deal with these issues.

- If there is a possibility of geological issues and the private partner must pay for them, the private partner might not be able to cope with the costs related to these issues; the government may be faced with the cost of project cancellation and retender, or renegotiation at higher fiscal cost. To mitigate this risk, the government should (1) ensure a timely assessment of the geological conditions and their implications for the project; and (2) provide sufficient information regarding geological conditions.

#### **R9. Risks related to licensing**

- If the project is subject to licensing and the government pays compensation for project delays due to delayed licensing, the government may face the costs of compensation for project delays. To mitigate this risk, the government should ensure that subnational governments are fully supportive of the project and that project deadlines are consistent with subnational regulations.

#### **R10. Risks related to failures/errors/omissions in project design**

- If the government can be held responsible for design failures, errors, or omissions, it may have to pay compensation for failures in designs presented to the private partner if the cost of design risks is not fully transferred to the private partner. To mitigate this risk, the tender process and the contract should ensure that the private partner takes full responsibility for the design.

#### **R11. Risks related to inherent defects in assets transferred to the private partner**

- If the government can be held responsible for any inherent defect in assets transferred to the private partner, it may have to pay compensation to the private partner for inherent defects and the costs of defect remediation. To mitigate this risk, the government should ensure a prior assessment of the quality of the assets to be transferred to the private partner, allowing for full pricing of identifiable defects.

#### **R12. Risks related to changes in project design and scope required by procuring agencies**

- If the government is responsible for compensation due to changes in design and scope required by procuring agencies, it may have to compensate the private partner for net costs due to changes in the design and/or scope. To mitigate this risk, the contract should include provisions allowing for changes in the design/scope of the project, up to a predetermined limit. In addition, the accountability framework to monitor project cost overruns should be reviewed and improved, as necessary.

#### **R13. Risks related to changes in input prices**

- If the government is responsible for compensation in the event of excess volatility in input prices, it may have to pay compensation for significant changes in input prices. To mitigate this risk, the volume and prices of the relevant inputs should be monitored, and sufficient funds should be allocated for expected compensation payments.
- If the private partner faces any excess volatility of input prices, the private partner may not be able to cope with significant changes; the government may be faced with the cost of project cancellation and retender, or renegotiation at higher fiscal cost. This risk can be mitigated by renegotiating the contract to reestablish financial equilibrium.

#### **R14. Risks related to changes in nominal exchange rate**

- If the government is responsible for compensation in the event of excess volatility in nominal exchange rate, it may have to pay compensation for significant increases. To mitigate this risk, the volume of foreign currency required and the exchange rate should be monitored, and sufficient funds should be allocated for expected compensation payments.
- If the private partner faces any excess volatility in the nominal exchange rate, the private partner may not be able to cope with significant changes; the government may be faced with the cost of project cancellation and retender, or renegotiation at higher fiscal cost. This risk can be mitigated by renegotiating the contract to reestablish financial equilibrium.

### 3. Demand

- If the PPP is fully funded by the government, and the payments are linked to the volume of service being provided:

- **R15.** If a cap is in place, the project may be confronted with much higher demand than included in the contract, which might require a costly renegotiation of the cap or require the government to purchase services from other providers. This risk can be mitigated by managing demand and possibly diverting demand to less costly alternative services.
- **R16.** If no cap is in place, the government may face higher than expected demand, leading to higher than expected costs. This risk can be mitigated by managing demand and possibly diverting demand to less costly alternative services.
- **R17.** If the project is suffering from insufficient demand, this may lead to project failure; the government may face costs for early termination or renegotiation. This risk can be mitigated by managing the demand or by renegotiating the contract to re-establish financial equilibrium.

- If the PPP is fully funded by the government, and the payments are not linked to the volume of service being provided:

- **R18.** If demand is much higher than expected, the project may collapse, and the government may face the cost of early termination or contract collapse. This risk can be mitigated by managing or diverting demand, which could have a fiscal cost.
- **R19.** If demand is much lower than expected, the project might be challenged; the government would not face additional fiscal costs, but it would pay for a service that is not/not fully being taken up by the user. This risk can be mitigated by managing demand by increasing demand or diverting it from other projects.

- If the project is either totally user-funded or funded by a combination of government payments and user fees:

- **R20.** If users consider user fees—regulated or not—excessive relative to services received, this might have a bearing on the reputation of the government. This risk can be mitigated by effective communication.
- **R21.** If the project is suffering from insufficient demand, this might lead to project failure, presenting the government with additional fiscal costs for early termination or

renegotiation. This risk can be mitigated by managing the demand or by renegotiating the contract to re-establish financial equilibrium.

#### 4. Operation & Performance

- **R22.** If the PPP agreement does not ensure that the government has full access to information on project performance, the government may be unable to effectively manage the contract. To mitigate this risk, the information-sharing requirements should be included in the contract and addressed in the legal framework.
- **R23.** If the contract does not clearly specify performance indicators, reference levels, and penalties or deductions, the government may face significant risks for not being able to address poor performance by the private partner. Failure to monitor project performance can lead to poor contract enforcement, which has administrative, efficiency, and political costs. It may also cause difficulties in applying project cancellation clauses and possibly in using step-in rights by financiers. To mitigate this risk, (1) key performance indicators should be included in the PPP agreement, with reference levels, linked to penalty mechanism (preferably automatic deductions from periodic payments); and (2) the core contract management team should be involved in contract negotiation to guarantee that performance indicators/levels are fair, measurable, and contractible, that is, able to be presented as evidence in court.
- **R24.** If the government does not have the capacity and procedures in place to monitor performance, it faces significant risks for not monitoring performance, which has administrative, efficiency, and political costs. To mitigate this risk, contract monitoring procedures should be in place when contracts are signed; a core contract management team should be assigned before contract closure and should be involved in contract negotiation to guarantee that contract management procedures are feasible and efficient.
- **R25.** Depending on whether and how the contract addresses the introduction of new technologies, technical innovation may create explicit and implicit fiscal risks for the government. To mitigate this risk, the duration of PPP agreements should not exceed the expected life cycle of the technology used in the sectors, enabling the government to respond to technological innovation within a reasonable timeframe. For PPP agreements for projects including high and low innovation components, it can be appropriate to separate the two components—for example, a hospital building from the medical equipment—into separate contracts that might be of different duration or nature; the high-tech component might not be under a PPP agreement but might be undertaken as traditional public procurement.
- **R26.** If there is a scarcity of specialized human resources, this could lead to performance issues. To mitigate this risk, the government should reallocate human resources from other activities or plan capacity-building activities in advance.
- **R27.** If there is a risk of significant increases in labor costs, this may lead to project failure. To mitigate this risk, the government should plan capacity building activities ahead of time.

#### 5. Financial

- **R28.** If the private partner is unable to obtain finance for project implementation, the government may face project failure before implementation starts, being forced to take over the

project, re-tender, or redesign and re-tender the project. To mitigate this risk, the government should: (1) undertake a proper due diligence on private bidders' financial conditions and their ability (technical and managerial) to conduct the project; (2) establish adequate qualification requirements; (3) consider bid bonds and performance bonds to discourage not suitable candidates from bidding for PPPs; and (4) require some degree of commitment by financing parties during tender for very sensitive projects in less developed financial markets

- **R29.** If the private partner is unable to refinance short-term financing instruments, the government may face project failure after implementation starts. In such cases, the government could (1) be required to pay compensation for capital investment, (2) take over the project, or (3) renegotiate an interim financial solution and then re-tender the project (possibly under worse cost conditions for government). To mitigate this risk, in addition to undertaking the measures listed under R28, the government may require bidders to obtain long-term financing for very sensitive projects.
- **R30.** If the private partner is unable to cope with excess volatility in interest rates, the government may face project failure after implementation starts. The government could (1) be required to pay compensation for capital investment, (2) assume the project, or (3) renegotiate an interim financial solution and then re-tender the project (possibly under worst cost conditions for government). To mitigate this risk, the government should undertake the measures listed under the R28.
- **R31.** If government contractually accepted some exchange rate risk, fiscal support may be needed in the form of compensation; it may have to pay compensation for excessive volatility of exchange rate. Also, if the private partner is unable to cope with excess volatility in the nominal exchange rate, the government may have to (1) renegotiate under stress or face project collapse and pay compensation for capital investment; or (2) assume the project and then re-tender under a different risk allocation scheme. To mitigate these risks, the government should ensure a proper consideration of exchange rate risk, which may lead to better risk sharing and proper use of hedging mechanisms.

## **6. Force Majeure**

- **R32.** If there is no exact list of events to be considered force majeure tailored for the project, the government might have to pay compensation, adjust, or even terminate the contract due to force majeure events. Full or partial compensation by the government may even force the government to buy the assets or assume debt. To mitigate this risk, the scope of the force majeure events should be clearly stated in the contract, considering the legal requirements and specific project conditions. The contract should create incentives for the private partner to get insurance against some risks when insurance is available at a reasonable cost and to effectively manage risks by designing assets and managing services in ways that minimize the probability of occurrence and size of impact

## **7. Material Adverse Government Actions (MAGA)**

- **R33.** If no clear definition of events to be considered MAGA are included in the contract, the government might have to pay compensation, adjust, or even terminate the contract due to acts and omissions by public entities, potentially forcing the government to buy the assets or assume debt. To mitigate this risk, contract managers should monitor the channels through which

government's actions and omissions can affect the project during the life of the contract. Executive government actions and policy changes should be carefully evaluated by the contract manager and the fiscal management team to assess any impact on the PPP agreement.

## **6. Change Law**

- **R34.** If the PPP agreement does not identify changes in law that do and do not require compensation by the government, the government might have to pay unforeseen compensation when adjusting or even terminating the contract due to changes in law. Changes in law might also benefit the private partner and, if not considered in the contract, increase the private partner's profit margin without benefitting the government. The cost of changes in law might include compensation payments, need to buy the asset or to assume debt, or loss of potential compensation paid by the private partner to the government. To mitigate this risk, the PPP agreement should clearly identify changes in law that trigger a compensation or the right to terminate and should define the consequences. In addition, legislation and public policies should be in place to efficiently deal with this risk.

## **9 Rebalancing of financial equilibrium**

- **R35.** The legal framework may prescribe that the government is paying compensation and/or terminating the contract due to requirement to reinstate financial equilibrium. The government may have to pay compensation or cancel the project. To mitigate the risk from this, the PPP agreement should restrict its application to the cases of force majeure, MAGA, avoiding its application to a wider range of situations.
- **R36.** The government might have to pay compensation and/or terminate the contract due to contract guaranteeing a rate of return for the private partner. To mitigate this risk, clauses and expectations on a guaranteed level of project rate of return or the shareholder's rate of return should be avoided.
- **R37.** The government might have to pay compensation and/or terminate the contract due to excessive protection against some hardships. To mitigate this risk, hardship clauses, if needed, should be precise and strict. Alternative methods to reduce excessive private sector risks should be considered, including insurance, future markets, and other hedging mechanisms.

## **10. Renegotiation**

- **R38.** If the government opens an uncontrolled renegotiation process, under information asymmetry and no competitive pressure, it might jeopardize economic efficiency by allowing the private partner to transfer to the government costs and risk that had originally been accepted by the private partner, with the fiscal impact depending on the government's ability to manage the renegotiation process. To mitigate this risk, the government should have a strategic view of PPP agreement management and create the capacity to renegotiate.

## **11. Contract Termination**

- **R39.** If the government enters into an early termination process without clear knowledge of the consequences and procedures, the lack of clarity regarding consequences on early termination increases the private partner's bargaining power, leading to increases in the cost of termination; possibly preventing the government from cancelling non-performing contracts, or generating incentives for governments to nationalize a project or assets without proper assessment of the

cost of that decision. To mitigate this risk, contracts should include a clear definition of the reasons for early termination (for example, underperformance of the private partner, public interest, or force majeure) and should present its consequences in terms of transfer of assets and responsibilities, namely, financial compensation for capital investment. Compensation should vary according to the party responsible for the early termination.

- **R40.** If the government terminates the contract without a clear understanding of transfer processes, including financial consequences, then (1) it may need to pay for stock of inputs or outputs; (2) human resources issues may imply financial compensation or increased current expenditures; and (3) licenses needed to continued operation may create fiscal surprises. To mitigate this risk, contracts should include a clear definition of the termination process; all financial consequences and identified gaps in the contract should be resolved by having both parties sign transfer protocols detailing the rules.

## Appendix B: Fiscal Risk Screening Template (Step 1)

This high-level screening tool helps identify PPP projects with potential fiscal risks at the concept stage.

Screening Question	Yes / No / Uncertain	Comments / Risk Flag
Does the project require government financial support (e.g., VGF, subsidy, availability payments)?		
Is there a request for a government guarantee (e.g., on debt, revenue, or minimum traffic)?		
Are there foreign exchange, demand, or inflation risks potentially transferred to government?		
Will the project be off-balance-sheet for the private party, requiring government credit enhancement?		
Has a similar project elsewhere resulted in fiscal strain or litigation?		
Is the proposed contract likely to include termination compensation obligations?		
Are there institutional capacity gaps in managing PPP risks or contracts?		

Outcome:

- Proceed to full risk assessment
- Reconsider structure or reject project
- Require additional information before proceeding

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## Appendix C: Risk Identification and Assessment (Pre-Project Phase)

This appendix expands on the phased approach to assessing fiscal risks before a PPP project enters the procurement stage. It follows Step 1 (Fiscal Risk Screening Template) and includes subsequent steps aimed at deepening fiscal risk analysis and mitigation planning as provided for in 6.1 of this Framework.

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### Step 2: Risk Categorization and Allocation

Classify the identified risks by type and allocate them to the party best suited to manage each risk. This process informs contractual design and helps ensure proper risk sharing.

Risk Category	Example Events	Proposed Risk Owner	Justification / Notes
Construction Risk	Delays, cost overruns	Private	Contractor has control over construction management
Demand Risk	Lower-than-expected user revenue	Private / Shared	Depends on project type; may require minimum guarantees
Operational Risk	Equipment failure, maintenance lapses	Private	Private party typically manages operations
Financial Risk	Interest rate or refinancing risk	Private	Financial structuring is under private control
Macroeconomic Risk	Inflation, FX volatility	Shared	Shared where costs are denominated in foreign currency
Regulatory Risk	Legal/policy change	Public	Government responsible for legal/regulatory framework
Force Majeure	Natural disasters, war	Shared	Outside the control of either party
Termination Risk	Early exit and compensation	Public / Shared	Public liable if terminated for public interest

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### Step 3: Quantitative Risk Assessment

Quantify the potential fiscal impact of each identified risk using probability assessments, financial modeling, and expert analysis.

Risk Event	Probability (L/M/H)	Estimated Fiscal Exposure (₦)	Time Horizon	Assessment Method
Demand shortfall	Medium	₦5 billion	2028–2045	Traffic forecast + Financial model
Contract termination	Low	₦20 billion	Variable	Contract terms + NPV modeling
Inflation indexation	High	Variable	Annual	CPI forecasts + Contract provisions
FX depreciation	Medium	₦2 billion/year	2026–2040	Macro projections + exposure analysis

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#### Step 4: Fiscal Risk Mitigation Planning

Define strategies to mitigate fiscal risk exposures based on the earlier analysis. Responsibilities for implementation should be clearly allocated.

Risk	Mitigation Option	Responsible Entity	Action Required
Construction delay	Performance bonds, LDs	Procuring MDA	Include in PPP contract
FX risk	Hedging, local currency payments	MOF	Structuring during negotiation
Demand risk	Availability-based model	Transaction Advisor	Feasibility study
Termination risk	Escrow account or reserve clause	MOF	Legal review of contract
Operational risk	KPI-based penalties	MDA / PPP Agency	Monitoring & compliance enforcement

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#### Step 5: Risk Approval and Disclosure

Prior to procurement, the risk assessment must be formally approved and disclosed to relevant stakeholders for transparency and fiscal discipline.

Output	Prepared By	Approved By	Disclosure Method
Risk Assessment Report	PPP Agency / MDA	MOF / Budget Office	Internal PPP platform
Risk Allocation Table	Transaction Team	MOJ / MOF	Included in tender documents
Contingent Liability Report	MOF	Fiscal Committee	Risk Annex to annual fiscal risk report
Cabinet Briefing Memo	PPP Agency	Governor's Council	Internal circulation

## Appendix D: Sample Risk Matrix

Risk Category	Description	Typical Allocation	Mitigation Strategy
Construction Risk	Delays or cost overruns during construction	Private	Fixed-price, date-certain contracts
Demand Risk	Lower-than-expected usage or revenue	Shared / Private	Conservative forecasts, availability payment model
Financing Risk	Difficulty in securing funds	Private	Competitive procurement, creditworthy partners
Exchange Rate Risk	Currency depreciation affecting payments	Public (if government pays in FX)	Local currency payments, hedging
Regulatory Risk	Changes in law or tariffs	Public / Shared	Stabilization clauses
Force Majeure	Natural disasters, war, pandemics	Shared	Insurance, relief clauses
Political Risk	Expropriation or breach of contract	Public	International arbitration clauses
Termination Risk	Early termination requiring government compensation	Public	Clear formula in contract, escrow accounts



## **Appendix E - Fiscal Commitments and Contingent Liabilities (FCCL) Heat Map**

### **1. Purpose of the FCCL Heat Map**

This Heat Map provides a visual and analytical summary of the fiscal exposure associated with PPP projects in Edo State. It enables decision makers to quickly identify risk concentrations across the PPP portfolio, understand the likelihood and severity of potential fiscal impacts, and prioritise mitigation and monitoring actions.

The Heat Map also supports internal reporting, annual fiscal risk statements, and the State's medium-term fiscal planning.

### **2. Structure of the Heat Map**

The FCCL Heat Map categorises identified risks according to two dimensions:

#### **(a) Likelihood of Occurrence**

- Low
- Moderate
- High

#### **(b) Fiscal Impact on Government**

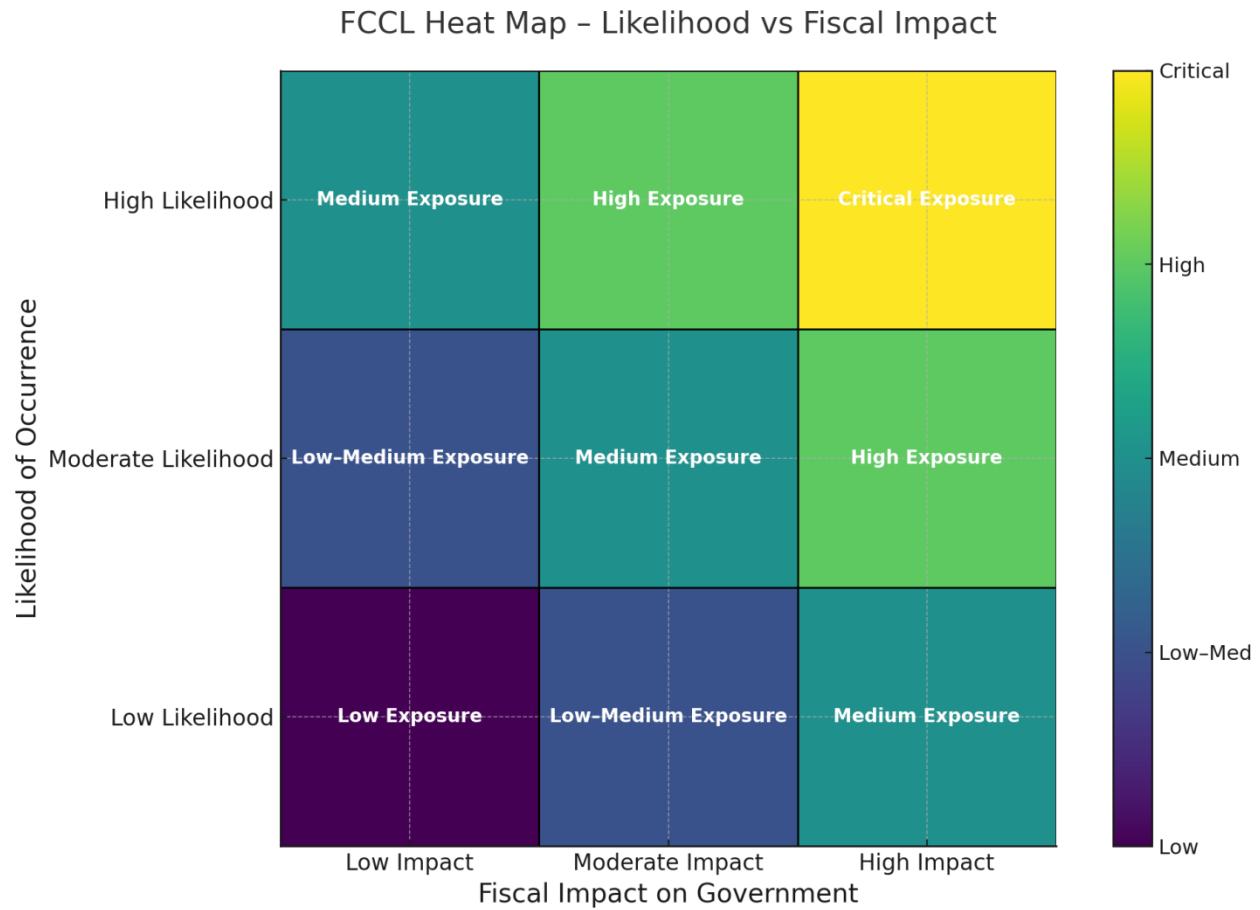
- Low (minor budgetary effect; manageable within existing provisions)
- Moderate (material effect requiring adjustments or reallocation)
- High (significant fiscal stress or potential breach of borrowing/fiscal limits)

Combining these dimensions produces a nine-cell matrix. Each PPP project or risk category is plotted based on PFRAM analysis, OBC/FBC results, and the Government's assessment.

## **3. FCCL Heat Map Template**

### **3.1 Heat Map Matrix**

<b>Likelihood \ Impact</b>	<b>Low Impact</b>	<b>Moderate Impact</b>	<b>High Impact</b>
<b>High Likelihood</b>	Medium-Level Exposure	High Exposure	Critical Exposure
<b>Moderate Likelihood</b>	Low to Medium Exposure	Medium Exposure	High Exposure
<b>Low Likelihood</b>	Low Exposure	Low to Medium Exposure	Medium to High Exposure



#### 4. Risk Categories Reflected in the Heat Map

The Heat Map incorporates fiscal exposures across the following PFRAM-aligned risk categories:

##### **(1) Construction and Completion Risk**

Cost overruns, delays, or technical failures that require government intervention.

##### **(2) Operational and Performance Risk**

Failure of the private partner to meet performance standards leading to compensation or service substitution costs.

### **(3) Demand and Revenue Risk**

Lower-than-expected usage or revenue shortfalls affecting availability payments, minimum revenue guarantees or viability gap support.

### **(4) Macroeconomic and Financial Risk**

Exchange rate movements, inflation volatility, interest rate changes, or financing disruptions that affect government payments.

### **(5) Legal and Regulatory Risk**

Unforeseen changes in legislation, court rulings, or licence/approval issues that translate into government liability.

### **(6) Force Majeure and Extraordinary Events**

Natural disasters, extreme weather, security events, or pandemics requiring compensation or renegotiation.

### **(7) Government Support Obligations**

Triggered guarantees, subsidies, tax exemptions, or termination payments.

### **(8) Project Termination and Residual Value Risk**

Scenarios where early termination payments or handback deficiencies impose fiscal burdens.

Each project is assessed against these categories and plotted accordingly.

## **5. Example of a Portfolio-Level FCCL Heat Map**

This example illustrates how Edison State (for illustration) could populate its PPP portfolio. Replace the generic project names with actual PPPs.

<b>Project / Risk Category</b>	<b>Risk Description</b>	<b>Likelihood</b>	<b>Fiscal Impact</b>	<b>Heat Map Position</b>
Benin City Water PPP	Low revenue collection affecting minimum revenue guarantee	High	Moderate	High–Moderate
Street Lighting Concession	Indexation risk due to inflation on O&M payments	Moderate	Moderate	Moderate–Moderate

Project / Risk Category	Risk Description	Likelihood	Fiscal Impact	Heat Map Position
Civil Service Housing PPP	Construction delays requiring State facilitation	Moderate	High	Moderate–High
State Agro-Processing PPP	FX exposure on imported equipment	Low	High	Low–High
Transport Terminal PPP	Lower-than-expected user uptake	High	High	High–High (Critical)

## 6. Interpreting the Heat Map

The Heat Map should guide decision makers as follows:

### (a) Critical Exposure (High Likelihood – High Impact)

- Immediate attention and mitigation.
- Requires fiscal buffers, insurance strategies, renegotiation safeguards, and enhanced monitoring.

### (b) High Exposure (Moderate or High Likelihood – High Impact)

Priority risks.

Documented mitigation plans must be included at OBC/FBC stage and reviewed quarterly by EDPPP Agency and MoF.

### (c) Medium Exposure

- Active risk management and periodic monitoring.
- Mitigation to be built into contract design and ongoing reporting.

### (d) Low Exposure

- Monitoring with minimal intervention.
- Recorded for completeness and portfolio balance.

## 7. Use of the Heat Map in the FCCL Cycle

The Heat Map supports several decision processes:

- Screening of PPP proposals before OBC approval
- Detailed PFRAM risk assessment during project appraisal
- Budget and Medium-Term Expenditure Framework planning

- Government guarantee and support evaluation
- Annual fiscal risk reporting and portfolio review
- Development of mitigation strategies and contract monitoring plans

## Appendix F - Risk Assessment Questionnaire for PPP Projects

### SECTION A: Project Overview

Question	Response
1 What is the title and sector of the project?	
2 Which MDA is sponsoring the project?	
3 What is the estimated capital cost (₦)?	
4 What is the proposed contract model (e.g., DBFOM, BOT, Concession)?	
5 What is the expected duration of the PPP contract (in years)?	

### SECTION B: Government Financial Commitments

Question	Yes / No / Uncertain	Details / Notes
6 Will the government provide Viability Gap Funding (VGF)?		
7 Are any capital grants, land, or assets being provided by government?		
8 Are there ongoing availability or annuity payments expected?		
9 Are any payments subject to inflation or exchange rate adjustments?		
10 Will the project require annual budgetary allocations during operations?		

### SECTION C: Contingent Liabilities

Question	Yes / No / Uncertain	Details / Notes
11 Will the government provide loan or revenue guarantees?		
12 Could the government be liable for termination compensation?		
13 Are there any minimum revenue or offtake guarantees in the contract?		
14 Does the contract include force majeure provisions with fiscal implications?		
15 15. Is there risk of litigation or arbitration with fiscal consequences?		

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## SECTION D: Risk Identification and Allocation

Question	Public / Private / Shared	Comments / Risk Mitigation Measures
16 Who bears construction risk (cost/time overruns)?		
17 Who bears demand/revenue risk?		
18 Who bears operational and maintenance risks?		
19 Who bears financing/refinancing risks?		
20 Who bears macroeconomic risks (inflation/FX)?		
21 Who bears legal/regulatory change risks?		
22 Who bears early termination risk?		
23 Who bears force majeure risks?		

## SECTION E: Risk Quantification

Question	Estimate (₦) / Description	Method Used
24 What is the maximum potential cost of termination compensation?		
25 What is the projected annual contingent liability exposure (average)?		
26 What is the worst-case fiscal exposure over the contract term?		
27 What financial or econometric models were used to estimate risk?		

## SECTION F: Institutional and Legal Capacity

Question	Yes / No / Uncertain	Details / Recommended Action
28 Has a legal review of the draft PPP contract been conducted?		
29 Is there institutional capacity to monitor fiscal risks throughout the contract?		
30 Is there clarity on which agency will track and report fiscal obligations?		
31 Are all fiscal risks disclosed in the project's fiscal impact note?		

## SECTION G: Final Risk Evaluation

Summary Question	Response
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32 What is the overall fiscal risk rating of the project?  
(Low / Medium / High)

33 Should the project proceed to procurement based on the fiscal risk assessment? (Yes / No / With Mitigation)

34 What key risk mitigation actions must be implemented before contract signature?

35 Has this assessment been reviewed and endorsed by the Ministry of Finance or Fiscal Risk Committee?

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#### ✓Certification

Prepared by:

*Name:*

*Position:*

*Agency:*

*Date :*

Reviewed and Approved by:

Edo State PPP Agency

*Signature:*

*Date:*

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## Appendix G - Legal Framework for Disclosure and Implications for PPP Disclosure in Edo State

Legal Instrument	Article / Section	Provision Summary	Implication for PPP Disclosure
1999 Constitution of Nigeria	Section 39(1)(2)	Guarantees freedom of expression, including the right to receive and impart ideas and information without interference.	Reinforces the right of citizens to access and discuss information about PPPs.
	Section 39(3)	Provides for exceptions to access, including protection of confidential, judicial, or sensitive government information.	May restrict disclosure of certain commercial or security-sensitive PPP data.
Edo State Private Property Agency Law 2025	Section 47	Provide for disclosure of Framework for all PPP Projects in the Edo State	Disclosure of information on all PPP projects in the State.
Freedom of Information Act, 2011 (Applicable Federally and adopted by Edo State)	Sections 1 & 2	Provides general right of access to information held by public institutions, requiring institutions to maintain and disseminate records.	Obligates Edo State entities to disclose relevant PPP documents, including contracts and risk assessments, unless exempt.
	Section 2(7)	Broadly defines "public institutions" to include private entities performing public functions or using public funds.	PPP project companies are subject to disclosure obligations under FOI provisions.
	Sections 4 & 6	Information must be disclosed within 7 days, extendable under certain conditions.	Enforces timely disclosure of PPP-related requests.
	Sections 7, 10, 20	Provides penalties for wrongful denial or destruction of requested information.	Legal consequence for non-disclosure of PPP information without justification.
	Sections 11–19	Lists exceptions to disclosure, including national security, law enforcement, and trade secrets.	Justifies withholding commercially sensitive PPP data during procurement or operations.
	Section 28	FOI Act may override restrictions under the Official Secrets Act, subject to certain limits.	Encourages openness while balancing national security or commercial confidentiality.
Edo State Fiscal Responsibility Law (2021)	Sections 1 & 2	Establishes principles of prudent fiscal management, including accountability and transparency in public finance.	Supports the systematic disclosure of PPP-related liabilities, commitments, and obligations.
	Section 15	Mandates regular publication of fiscal reports, including debt and contingent liabilities.	Justifies disclosure of PPP-related commitments as part of State's fiscal transparency obligations.
Edo State Public Procurement Law	Section 43(2)	Mandates equal and simultaneous access to bidding information for	Requires proactive publication of bid processes

<b>(2012, amended)</b>	as	all potential bidders.	and evaluation criteria in PPP procurements.
	<i>Section 56(1)(2)</i>	Restricts disclosure of information labelled confidential, especially technical and financial submissions.	Protects commercially sensitive PPP data during the procurement stage.
<b>Edo State PPP Policy (Proposed/To be Adopted)</b>	<i>Draft Clause on Transparency</i>	Embeds transparency and disclosure as guiding principles throughout the PPP lifecycle.	PPP contracts, risk matrices, and fiscal implications must be published unless exempt.
	<i>Draft Clause on Procurement</i>	Emphasizes competitive, open tendering with accessible evaluation reports.	Requires disclosure of bidder rankings, contract award justifications, and redacted copies of final PPP contracts.
<b>Edo State Debt Management Office Guidelines (2022)</b>	<i>Section on Reporting</i>	Requires compilation and reporting of all debt and contingent liabilities, including those arising from PPPs.	Fiscal risk from PPPs must be quantified, documented, and reported to relevant fiscal oversight bodies.
<b>Official Secrets Act, 1962</b>	<i>Section 9</i>	Restricts public disclosure of information deemed classified or prejudicial to national security.	May be cited to withhold certain sensitive PPP details, particularly with defense/security implications.

## Summary:

Edo State operates within a multi-layered legal framework that both encourages transparency and allows for the protection of sensitive information. The Constitution, FOI Act, and Edo-specific laws collectively enable significant disclosure of PPP-related documents, such as project justifications, financial commitments, contracts, and risk assessments, while providing safeguards for information that may compromise public interest or commercial integrity.