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Public-Private Partnership: The Answer to Nigeria's Development Challenges

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Abstract
In recognition of the relevant role played by Public Private Partnership (PPP) in the development of infrastructure the world over, the paper seek to find out how PPP initiative can bring about infrastructural development in Nigeria through proper policy formation and implementation. With the political will, regulatory and legal framework. PPP can bring about; Private sector growth and stability, prompt completion of projects, increase in infrastructure development as governments are able to implement more projects and so on. To overcome the challenges face by PPP globally, and in developing countries in particular. The paper recommends: The formation of the proper regulatory and legal framework, strengthening of the banking sector to be able to loan out long term finances to investors, also strengthening of the capital market which is the main source of long term finance so that funds can be raise for such projects, proper dealing with security challenges and also political office holders having the political will to tackle corruption head on then infrastructure development will be achieved in Nigeria.
Keywords: Public-Private Partnership, Infrastructure, Challenges, Contract.

1. INTRODUCTION

The importance of Public-Private Partnerships (PPP) as finance, management and maintenance option for development of infrastructure has been recognized in recent times. As governments the world over are looking for a better option of financing, management and maintenance of infrastructures for development. These forms of partnership bring public and private sectors together in a long term partnership for mutual benefit. This is brought about as a result of government's recognition that there are some things which the private sector does best and others where the public sector has more to offer. The old argument, as to whether public ownership was always best or whether privatization was the only answer, is simply outdated. Now government the world over firmly believes it will only deliver the modern, high quality public services that the public want and increasingly expect if it draws on the best of both public and private sectors. And the starting point is, therefore, the recognition of the contribution that the public and private sectors can each bring to the partnership in other to bring about development in the society.

The government go into Public Private Partnership with the objectives of delivering significantly improved public services, by contributing to increases in the quality and quantity of investment; to release the full potential of public sector assets, including state-owned businesses, and hence provide value for the taxpayer and wider benefits for the economy; and to allow stakeholders to receive a fair share of the benefits of the Public Private Partnership. The stakeholders in this aspect include customers and users of the service being provided, the taxpayers and employees at every level of the organization.

Adekunle, (n.d) notes that, there are two basic assumptions underlining PPP initiative in Nigeria namely: more efficient social service delivery by the private sector which is imbued with better risk management; and declining revenue accruing to government occasioned by financial crisis currently troubling the global economy. He further adds that PPP initiative in Nigeria can be describe in four ways and they include: infrastructure development and management, revenue generation in which private sector institutions collect revenue on behalf of the government (particularly state and local), waste management, and technical management.

Prior to independence, the development and financing of infrastructure are carried out by the public sector in Nigeria. This was inherited by the Nationalist that took over from the colonial government after independence. The state-led development strategy of that period essentially meant that the public sector was the sole financier of infrastructure. The importance of PPP as a finance, management and maintenance option was recognized in Nigeria, during Obasanjo's administration with the privatization of some public enterprises, deregulation and the monetization of some Ministries, Department and Agencies (MDAs) of government. It gain more ground with the establishment of the Infrastructure Concession Regulatory Commission (ICRC) by the late President Umar Yar'Adua in 2009 after the Infrastructure Concession Regulatory Act was sign by the Obasanjo's Government in 2005.

The examples of projects finance and maintain under the PPP initiative in the country includes: terminal II of the Murtala Muhammed Airport that is being rehabilitated under the Build, Operate and Transfer (BOT) scheme with Messers Bi-Courtney Consortium as the new private sector managers. It was the first to be executed under the current PPP initiative. Also being financed is the rehabilitation of two main gateways in the Federal Capital Territory; the Airport Expressway and the Outer Northern Expressway which runs from Zuba to Kubwa and to Asokoro. While the federal government will provide 40%, the contractors will source for 60% of the costs of the projects which when completed will, according to the past Minister of Federal Capital Territory, Adamu Aliero, generate employment opportunities and boost commercial activities within and around the federal capital (Adekunle, n.d).

Other projects being financed through the initiative includes Shagamu-Benin road, Lagos- Badagry road as well as Abuja-Kaduna-Kano roads. In the agricultural sector, the National Food Reserve Agency (NFRA), a parastatal under the Federal Ministry of Agriculture and Water Resources, has aggressively adopted the PPP initiative to manage its silos and reservation facilities. Base on the above, this paper is structured as follows: introduction, literature review, possible benefits from PPP, challenges of PPP initiative in Nigeria and finally summary and recommendations. The paper aims among other things to:

i. Access the extent to which PPP initiative is employed in Nigeria.
ii. Find out how PPP initiative can bring about proper funding and maintenance of infrastructure in Nigeria
iii. Find out how successful the initiative is, towards infrastructural development since its inception in Nigeria.
iv. And proffering practical solution to the hindrance to the success of PPP in Nigeria.

2. LITERATURE REVIEW

2.1 CONCEPT OF PUBLIC PRIVATE PARTNERSHIP

There is no one single or concise definition of PPP. Accurately defining PPP is problematic because by nature it is a contextual concept, responding to the institutional, legal, investment and public procurement settings of different jurisdictions, also considering the contextual nature of individual agreements (Colverson, 2012; Khanom, 2010). Colverson (2011) and Turley & Semple (2013) sees PPP as a generic term used to describe a myriad of structures that facilitate the participation of the private sector in the provision of public infrastructure and services.

The Government of Nepal's National Planning Commission (2011) defined PPP as the blending of resources and assets from both public and private sectors with an objective of providing a more efficient and cost effective means of infrastructure and service delivery representing better value to people than traditional direct public delivery. Such partnerships potentially include the design, construction, financing, operation, and maintenance of public infrastructure and facilities or the operation of services to meet public needs. They adds that all projects that meet the under listed definition are to be executed under the PPP arrangement. The definitions are:

- A contractual agreement between a public entity and private entity
- For the delivery of infrastructure or services in the public interest
- Where the public partner focuses principally on the output and allows the private partner to determine the input
- In which a substantial transfer of appropriate risk takes place to the private party
- Where the private party or parties have investments at risk, although capital investment may not be required in all PPPs
- Where better Value for Money can be demonstrated than traditional public provision

According to Colverson, (2011) PPPs can be said to include:

- Long-term contracts/agreements/relationships
- A private funding component
- Provision of services or infrastructure through the private sector
- Significant transfer of risk to the private sector, such as investment, design, construction, or operational risks
- Complex contractual responsibilities and deliverables that vary over the contract period as the project moves through its phases, such as from finance to construction and operation
- The return of infrastructure/services to the control of the State at the end of the contract term or;
- The provision of services by the private sector on behalf of the State following the fulfillment of design and build responsibilities

Also Turley & Semple (2013) puts it that PPP refers quite generally to private sector investment in public projects, whereby investors receive a return on their investment within a specific legal framework. In the same vein the World Economic Forum defines a Public-Private Partnership as a voluntary alliance between various equal actors from different sectors whereby they agree to work together to reach a common goal or fulfill a specific need that involves shared risks, responsibilities, means and competencies. In the vein, the Government of India National PPP Policy (2011) defines Public Private Partnership as:

An arrangement between a government/statutory entity /government owned entity on one side *and a private sector entity on the other, for the provision of public assets and/or public services, through investments being made and/or management being undertaken by the private sector entity, for a specified period of time, where there is well defined allocation of risk between the private sector and the public entity and the private entity receives performance linked payments that conform (or are benchmarked) to specified and pre-determined performance standards, measurable by the public entity or its representative.*

Rivenbark, (2010), relates that PPPs are contractual agreement between a public agency (federal, state or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility. Egboh & Chukwuemeka (2012) adds that PPP involves a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. To Fussell & Beresford (2009) PPP refers to a specific type of arrangement that involves a long-term agreement between a private sector party and a government in which the private sector party designs, builds, finances and operates public infrastructure in exchange for some form of payment.

3. POSSIBLE BENEFITS OF PUBLIC-PRIVATE PARTNERSHIP

According to Colverson, (2011) & Colverson (2012), the following benefits can be derive from PPP initiatives:

i. Value for money: Utilizing private sector skills and technology to deliver projects in a more efficient manner, resulting in either lower costs or a superior product for the same investment.

ii. Optimization of design and operation: Using outputs based specification allows room for and promotes innovative solutions from the private sector on the design, operation and maintenance aspects of the project, with the intention of improving effectiveness while reducing costs over the whole life cycle of the project.

iii. Quicker delivery of project: Private sector capacity and flexibility are seen to be superior to the public sector, and PPPs therefore allow projects to be finished more quickly and on schedule than those attributed to public sector provision. With PPP, the bureaucratic tendencies are reduce thereby making projects to be completed on time.

iv. Risk transfer: Project risks (e.g., finance, timeframe, planning permits, community consultations) are transferred to the party best equipped to deal with it, both in terms of expertise and costs, to the stability and benefit of the project.

v. Increased investment: In public infrastructure, governments are able to implement projects more frequently and on a larger scale because the private sector finance element reduces its need to raise or budget additional funds, as is the case in standard procurement.

vi. Increased budget/financing certainty: The transfer of responsibility (and risk) to the private sector for some of the project elements shields governments from unforeseen financial liabilities following cost overruns, delays, or operational difficulties that would otherwise impact upon the budget bottom line. Project finances are secured for the length of the contract and not subject to cyclical political budget adjustments, allowing for greater investment planning and efficiencies throughout the management, operation, and maintenance phases of the project.

vii. Improved service delivery: PPP allows both sectors to operate within their sphere of expertise, the government in policy and governance, the private sector in the technical aspects of design, construction, operation, and management. Payments that are linked to performance targets or requirements provide an incentive to perform that is too often absent in public provision of services.

viii. Access to additional capital/off-balance sheet financing: Because all or a large percentage of finance in PPP is provided by the private sector, the government is not responsible for raising funds from within its own coffers or adjusting budgets to allow for large infrastructure spending. This is particularly advantageous during times of fiscal crisis where the government is already short of funds or where the government may have a poor credit rating and is not able to raise the necessary finance. International and national accounting standards do provide some guidance as to what and how PPPs are recorded on balance sheets, but the issue is far from secure.

ix. Political advantage: There is political leverage to be gained from PPP agreements in terms of public perception and financial management credentials, as projects are delivered on time with less impact on the budget and provide superior quality infrastructure or services.

x. Private sector growth and stability: PPPs provide the private sector with access to reduced risk, secure, long-term investment opportunities that are underwritten by government contracts. Such agreements ensure private capital flows, provide investment opportunities, and stimulate local industry and job markets.

4. CHALLENGES OF PUBLIC-PRIVATE PARTNERSHIP IN NIGERIA

Public Private Partnerships in Nigeria are face with challenges such as: financial limitations, dominance of public companies, corruption, inability of private companies to access local currency and affordable long term loan. Others include:

PPPs are face with the problem of definition, as it is not properly defined in the law permitting the used of the finance option.

Incessant changes in relevant political office holders and the Chief Executives of Regulatory agencies is also a major problem with PPP projects. For example the MMA II concessionaire over a period of 7 years has had to deal with 6 different Ministers and 5 different Chief Executives of the Federal Airports Authority of Nigeria (FAAN), each with different policies, divergent opinions and perspectives on Concession Agreement and concession itself (Afolabi 2011).

In the same vein, the sizes of the Nigerian banks pose a problem to the survival of such projects as they are unable to give a long term loan, when such loans are available the rates on them will be too high to cope with. Many of the banks officials also lack experience in project financing (Okpara, 2012).

There is no sound legal and institutional frame work backing Public Private Partnership in the country, in a situation where there is problem with the arrangement(s) the private sector or investors are left to bear the brunt financially and otherwise (Okpara, 2012).

5. RECOMMENDATIONS

The public sector can be able to realize its objective of infrastructure development and the private sector to make her profit (that is the symbiosis relation not at the expense of the citizens after role) through complementing the government's effort with finance, maintenance and so on. To realize this therefore, the research recommends that:

- PPP as a concept should be properly defined by government as it is not defined in the Infrastructure Concession Regulatory Commission Act (2005)
- Tackling insecurity in the country will go a long way to improve infrastructural development. As during crisis properties are destroy and as such no investor will like to invest his money in a place that it will not be save.
- The possession of political will by the agents and leadership of government to deal with corruption without any fear or respect for the position of the individual or body.
- The establishment of the required regulatory framework for proper implementation of PPP projects.

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