

Public-Private Partnership on Infrastructural Development in Lagos, Nigeria

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Abstract

In many large cities, such as Lagos, the delivery of public private partnership on infrastructure development is associated with a lot of problems. The traditional approach to Infrastructure development has always been that government invests in these essential infrastructures, while others including the community, individuals, and other private sector roles were seen in terms of paying taxes or other service charged for services rendered. It is in view of this that necessitated the evaluation of public-private partnership on infrastructural development in Lagos, using Ibeji-Lekki as a case study. This was done by identifying and appraising the concept of public-private partnership (PPP) contribution to infrastructural development in IbejuLekki area of Lagos State, evaluation of the level of effectiveness in the stages of agreement and negotiation process involved in public-private partnership scheme and the assessment of potential benefits and risks to parties concerned in Public-Private Partnership. The paper recommend that government needs to enlighten the public on the need for public-private partnership on infrastructure by including it in school curricular and also provide site and service scheme, where this could be practice.

Keywords: Public-Private Partnership (PPP), infrastructure, urban development, urbanisation

Introduction

The rapid rate of urbanization in the last two decades in Nigeria has been phenomenal. Presently, 40% of the Nigerian population lives in urban areas (Lagos State Ministry of Economic Planning and Budget, 2004). This rapid urbanization rate has brought with it some significant problems including shortage of housing, traffic congestion, and above all, inadequate basic facilities and services. All these problems have created a lot of pressure on government. With the growing inability of the government today to provide all the basic facilities essential for growth and liveability is a result of dwindling resources, calls have heightened the desire for more liberalization of the economy. This means greater roles for all stakeholders in the financing, development, and management of basic community facilities and services. Thus this partnering approach in the procurement of basic infrastructure might be the necessary solution to the lack of and parlous state of infrastructure in Nigerian towns and cities.

Today, public policy is undergoing necessary changes because a sustainable settlement can only be achieved with the political commitment to make the necessary changes. Changes envisaged in this way means greater dispersal of responsibility between the public sector and local society including businesses and individuals (Kaplan, 2001). Many development projects are currently being embarked upon today in Lagos State under a new policy thrust designed to guarantee project delivery by private developers in collaboration with the state (Otokhine, 2003). Linowes (1988), Keating (1989), Waterhouse (1996) and Lockwood (1997) as cited in Kopp (1997) all confirmed that there is indeed an ideological shift away from centralized, hierarchical decision making structures towards a more organic approach in which organizations, including governments, identify and focus their efforts on their core competencies. To resolve the lingering road and traffic problems, the Lagos state government decided to introduce certain new policy options. One of which is to adopt schemes by which private sector operators are encouraged. Also, the provision of shelter for all underlies the policy of sustainable development. The challenge posed by population growth in the state is frightening and day by day the situation is getting worse. The bulk of the population in an exploding city like Lagos relies on the rental market to provide accommodation. Government could no longer cope with the demand of housing supply considering the limited resources available. It therefore resolved to employ a three-pronged approach consisting mainly of: partnership with the private sector, site and services scheme, and direct intervention (Lagos State Government, 2006).

Thus, under the Public-Private Partnership scheme, some government schemes were released to some private sector entrepreneurs for development in several parts of the state. In view of these, there is need to carry out an appraisal of Public Private Partnership on Infrastructural Development in Lagos State with IbejuLekki as a case study. This was done through identification and appraisal of the concept of Public-Private Partnership (PPP) contribution to infrastructural development in the area, evaluation of level of effectiveness in the stages of agreement and negotiation process involved in Public-Private Partnership scheme, assessment of potential benefits and risks to parties concerned in Public- Private Partnership and finally, identifying the gaps currently existing in the practice.

Literature Review

The study area under study, IbejuLekki is located on the South Eastern part of Lagos Island. The existence of IbejuLekki Local Government could be traced back to 1990 during the local government creation exercise by then Nigeria head of state, General Ibrahim Badamosi Babangida. It was one of the four created in Lagos State and one of the two hundred and eighty nine Local Governments created in the country that year. It is important to state that it was at this time that nine new states were created in the country. The seat of the IbejuLekki local government was originally at Akodo before the recent Lekki Local Council Development Area was carved out, which necessitated the moving of the seat of government to the present IgandoOloja location.

IbejuLekki is located at approximately latitude 4015' north latitude 4017' north and longitude 13015' east and 13020' east. It is bounded in the north by Ogun state and in the west by Eti-Osa local government. It is bounded in the east by Epe local government and its southern ends join it to the Atlantic Ocean. It is about 75 kilometres long and about 20 kilometres at its widest point. Suffice to say, that IbejuLekki local government land area is about 646 kilometres square, equals one quarter of the total land mass of Lagos state. Hence, it is regarded as the fastest growing local government area in Africa and the future of Lagos state

With the ever increasing influx of people into the this study area in search of employments and other related activities such as trade, commerce, education, administration, etc there is need to adequately prepare for good infrastructures such as housing and efficient transport system that will cater for the changing trend of population and its related activities. This phenomenon is already been handled by both public and private sectors in charge of road construction and maintenance and housing provisioning and attempt to tackle these problems in the area.

Public Private Partnership in Infrastructural Development

The term public private partnership (PPP) has no definite meaning rather various texts on the subject view it long term collaborative matrix between the public and private sectors for providing public service delivery (mainly public infrastructures). The concept of PPP in which the private sector is allowed a long term obligation to yield public service delivery for profit was first introduced in the United Kingdom (U.K.) around 1992. It is an arrangement between government and private sector entities for the purpose of providing public infrastructure, community facilities and related services. Such partnerships are characterized by the sharing of investment, risk, responsibility and reward between the partners. Generally, these partnerships involve the financing, design, construction, operation, maintenance of public infrastructure and services (Ministry of Municipal Affairs, 1999). According to Gerrard (2001), Public-private partnerships (PPP) combine the deployment of private sector capital and, sometimes, public sector capital to improve public services or the management of public sector assets. By focusing on public service outputs, they offer a more sophisticated and cost-effective approach to the management of risk by the public sector than is generally achieved by traditional input-based public sector procurement. The discipline of drawing up a PPP contract between a public sector client and a private sector contractor, on the one hand, obliges the public sector to articulate its long-term service needs (which could be the provision of, for example, transport, education, or health sector services) and, on the other hand, ensures that the private sector will not put its capital at risk to deliver these services unless and until it is satisfied about the PPP's long-term sustainable performance. As such, PPP can be an effective antidote to the temptations of short-termism in both the public and the private sector (Gerrard, 2001).

Contributions to Knowledge

From this study, it is obvious that comprehensive survey on the application of Public Private Partnership on Infrastructural development has been conducted in the past by environmentalist and social scientists but neglected by Government and other responsible agencies. This project has thus served as an eye opener that the most important criteria for choice of Private Partner are Financial Capability. The Lagos State Government still largely controls the PPP process in the state. This does not augur well for commercial viability. There is no guiding law or an act of parliament, which enables interested parties (Public and private) have access and better understanding of the PPP process and on how to be an active player in the process. At the moment the program is still left to the whims and caprices of the public sector.

Materials and Method

The research however made use of primary and secondary sources of data collection. The primary source employs the idea of conducting personal interview with technically minded persons who are into Public Private Partnership and the general public which are majorly residents and beneficiaries of Public Private Partnership. In addition, questionnaires which are of close ended questions were administered to two categories of respondents that are considered necessary for this study to sough their opinions. Apart from the private partners, the public partners also form part of the study research population of the study. Falling into this category are government ministries, parastatals, and agencies (or bodies) specifically concerned or established for this purpose. Also

important to this study are members of the public, particularly in areas of Ibeju-Lekki where such Infrastructure projects procured through PPP are located. This group is identified as the user group or community members.

Table 1: The Study area and their Management

Estate	Owners/Manager	No of Units
(1) Crown Estate	Lagos State Property Development Commission (LSPDC)	230
(2) Femi Okunnu Estate	Lagos State Property Development Commission (LSPDC)	216
(3) Goshen Beach Estate	Lagos State Property Development Commission (LSPDC)	94
Total	3	540

Source: Field Survey, 2013

In selecting the estates surveyed among the numerous estates in the local government, certain factors were considered, which influenced the choice of such estates. This factor essentially is based on the interest of the state government in the development of the housing units in the estates under the agreement of Public Private Partnership with LSDPC, and other attention being made on the estates through upgrading and development of existing infrastructures. Also, the estates are dominated by High and Middle income earners; they form the pool of people who needed accommodation in Ibeju-Lekki. These factors form the main reasons while

A systematic random sampling of housing schemes and estates in Ibeju-Lekki was used; this involves picking of Housing schemes at random among the 24 housing schemes that were identified. The sample selections regarding schemes in these areas are sampled randomly i.e. picking of schemes at intervals using even numbers (2nd, 4th, 6th schemes e.t.c. were selected). A total of One hundred and forty two (142) questionnaires were administered at three (3) estates which include Crown Estate, Femi Okunnu Estate and Goshen Beach Estate which represents 50% of the units in these estates. In the survey of the Housing Agency, staff members involved in the design and implementation of the corporation's housing projects were the target population. They include the two each for the listed professions; architects, town planners, estate valuers, engineers and quantity surveyors. This category of staff was identified by the human resource departments of the corporation and 10 members of staff were selected for the administration of questionnaires at the corporation which put the total number of questionnaires administered at 152.

Data Analysis and Discussion of Result

The whole analysed questions were representative and capable of giving the desired results of the objectives of this research work. The questionnaires administered were analysed using SPSS, a statistical package for data analysis. Results are presented on tables and bar charts where it is more suitable. The results were established and the conclusion drawn out to achieve the basic facts of the research work.

Concerning project information, the respondents were asked as part of the questionnaire to rank the frequency of the application of types of PPP agreements and also to rank their effect on time and cost. Also to rank the stages involved in the PPP process and the potential risks and benefits of PPP respectively. The results of the response are as follows:

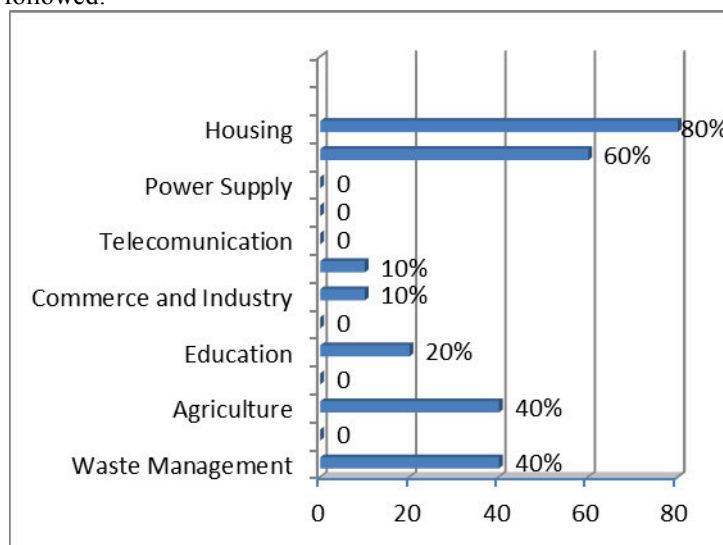


Figure 1: Areas of Participation in Public-Private Partnerships (PPP) projects.*Source: Field Survey, 2013*

The figure above represents the number of response to the participation in Public-Private Partnerships in different areas of infrastructural projects. It shows that housing has more than half of the total response and about 60% of the respondents have participated in transportation projects. No respondent have ever participated in Power Supply, Water Supply, Telecommunication, Health, Security and Sports projects.

Table 2: Frequency of the application of the types of agreement in Public-Private Partnerships contract in Lagos state.

Agreement	Mean	Rank
Design Build (DB)	4.45	1
Build-Operate Transfer (BOT)	4.15	2
Developer Finance(DF)	4.09	3
Build-Transfer-Operate (BTO)	3.61	4
Design-Build-Operate (DBO)	3.56	5
Design-Build-Maintain (DBM)	3.52	6
Operations and Maintenance	3.42	7
Operations, Maintenance and Management	3.39	8
Build-Own-Operate-Transfer (BOOT)	2.97	9
Turnkey	2.79	10
Temporary Privatization	2.79	11
Buy-Build-Operate (BBO)	2.52	12
Enhanced Use Lease (EUL)	2.18	13
Lease-Purchase	2.12	14
Sales-Leaseback	2.00	15

Source: Field Survey, 2013

The table above shows the types of agreements in Public-Private Partnerships (PPP), Design Build is the most frequently applied, followed by Build-Operate-Transfer. The lesser applied of the agreements are Lease-Purchase and Sales-Leaseback.

Table 3: Beneficiary of Public-Private Partnerships Projects

Beneficiary	No of Response	Percentage (%)
Government	2	20
Private Sector	1	10
Public	7	70
Contractor	0	0
Consultant	0	0
Total	10	100

Source: Field Survey, 2013

The table above shows that the public is the main beneficiary of most PPP projects, 20% of the respondents chose the government, while contractors and consultants are never beneficiaries of any PPP projects.

Table 4: Potential Benefits of Public-Private Partnerships in Lagos state

Benefits	Mean	Rank
Revenue enhancement	4.47	1
Cost saving	4.32	2
Economic benefit (PPPs can help to stimulate the private sector and contribute to increased employment and economic growth)	4.26	3
Improved levels of services or maintaining existing levels of services	4.03	4
Risk sharing (Cost overruns, inability to meet schedules for service delivery)	3.89	5
More efficient implementation	3.80	6

Source: Field Survey, 2013

The table above shows that revenue enhancement was rated the most significant benefit that may accrue from the use PPP, the respondents agreed that more sources of revenue may be introduced as this revenue may be non-government, this is followed closely by cost savings, as respondents agreed on cost savings by the government as the project may be partly/co-financed by both parties or fully financed by the private partner, thereby reducing cost expended by the government on such project The least significant of the benefits is more efficient implementation.

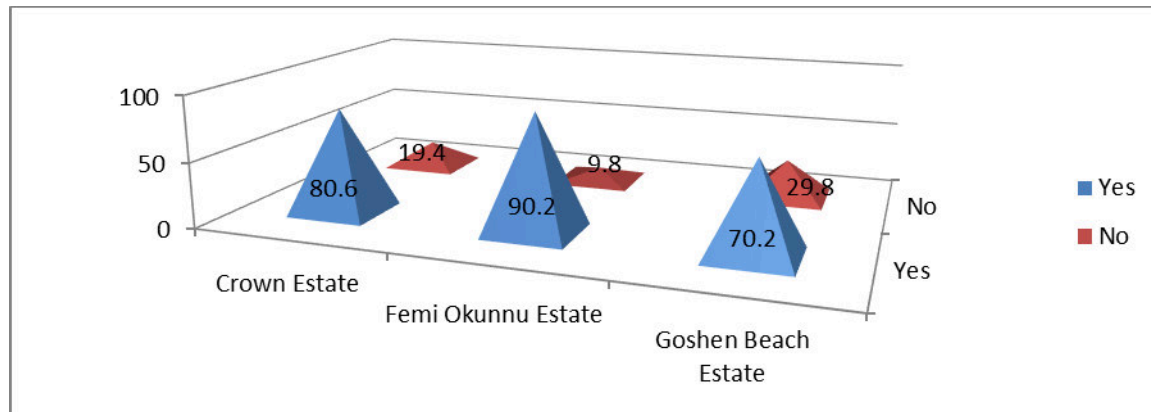


Figure 2: Knowledge of Public Private Partnership (PPP)Source: Field Survey, 2013

The above figure shows that majority of the respondents in these estates have the knowledge of Public Private Partnership (PPP) 80.6%, 90.2% and 70.2% in Crown Estates, Femi Okunnu and Goshen Beach Estates have the knowledge of Public Private Partnership (PPP)

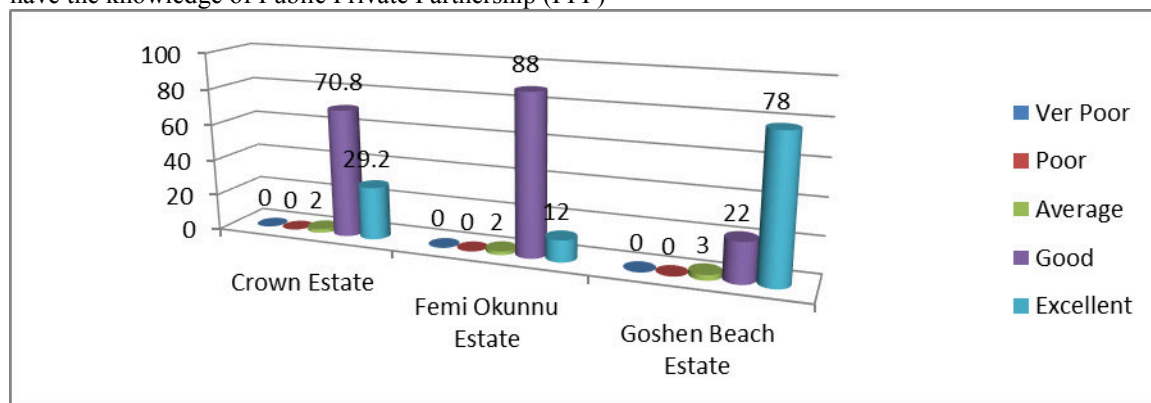


Figure 3:Assessment on Public Private Partnership (PPP)Source: Field Survey, 2013

The above chart shows the assessment of Public Private Partnership (PPP) by the user groups in the estates. 70.8%, 88% and 22% of the respondents in Crown Estate, Femi Okunnu and Goshen Beach estates said Public Private Partnership (PPP) in these estates are good while only 2%, 2% and 3% in Crown Estate, Femi Okunnu and Goshen Beach estates gave average on the assessment of Public private Partnership

Findings

The summary obtained revealed that the respondents most of whom were familiar with Public-Private Partnerships (PPP) and have used it successfully and just only about 10% of the respondents were not familiar with Public-Private Partnerships (PPP). The clarification that Public-Private Partnerships as arrangement between government and private sector entities for the purpose of providing public infrastructure and services was unanimously agreed by the respondents. Over 60% of the respondents have been involved in a minimum of 5 Public-Private Partnerships projects and over 30% of those projects have been completed.

The three most applied of the PPP agreements include: design build, build-operate-transfer (BOT) and developer finance. Sales-Leaseback has the longest concession time while Design Build has the shortest concession time. Buy-Build-Operate is the most expensive to the end user and this correlate with the disadvantage of Buy-Build-Operate in a PPP handbook published by District of Maple Ridge (2003). The results further show that the PPP agreement model that is least expensive to the end users also has the shortest concession timeand at the same time is the most applied of all the PPP agreement models which is Design Build.The respondents unanimously agreed that the public is the main beneficiary to any Public-Private Partnership projects, though some believed that the government is the main beneficiary and this may be true in the sense that since part or most of the burdens are being carried by the private partner during the course of the concession therefore government benefiting from such.

Majority the respondents there are satisfied with the design of the buildings. The reason of satisfaction by majority of the respondents in these estates include the room size, the number of rooms, the type of building and the luxurious comfortability of this buildings. More than half of the respondents in these estates said the contribution of Public Private Partnership on Infrastructural development in Lagos State is good. This shows the effort of the present government in improving Infrastructural development in the state through the participation of Public Private Partnership.

Conclusion and Recommendations

This research work mainly described the Public-Private Partnerships (PPP) process; it is examined in the light of the stages involved and the procurement process used in infrastructural development in Lagos state. An appraisal of the Public-Private Partnerships (PPP) contribution on infrastructural projects amongst professional in the housing industry and user group in various housing estates was conducted, also the potential benefits and risks all compiled from various literatures reviewed on PPP was presented to the participants in this project and conclusion was drawn from their response.

This study has shown that Public-Private Partnerships (PPP) is well known amongst the professionals in the housing industry in Nigeria and more than 50% declared that they have successfully used PPP. Workshops/seminars/conferences contributed most to the knowledge of PPP by the professionals, while the less effective means of knowledge is higher institutions of learning and personal study. The study also showed that about 60% of the respondents has been involved in at least one Public-Private Partnerships project areas and that the highest proportion of those projects are in housing and transportation areas with Design-Build, Build-Operate-Transfer and developer finance being the most frequently applied models in the PPP agreements. It further revealed that of all the PPP agreement models Design Build is the most applied, has the shortest concession time and is the least expensive to the end users. The most significant potential benefits in Public-Private Partnership in Lagos state include: revenue enhancement, cost savings and economic benefits, while the most significant potential risks in Public-Private Partnership include: limited competition, increased user costs or fees and political risks.

The major problems in the surveyed estates are more of quantitative than qualitative, the reason being that there exist facilities in the houses provided but the number of units cannot meet the need of the user group. The units provided here are lavished with luxurious facilities and quality designs why giving little attention to the low income. The responses obtained from the residents shows that the cost of selling the houses are expensive compared to the salary or income of the people.

In the view of the above conclusion and the admonishment given by the participants on the application of public-private partnerships in Lagos state, it is recommended that Public-Private Partnerships should be included in the curricula of higher institute of learning in order to enhance the level of knowledge of future professional about public-private partnerships. Government should also ensure that the public are well enlightened about public-private partnerships and they should make known the essential of public-private partnerships to the public and private sector so as to enhance private participation. Primary mortgage institutions should be introduced to give out loans to both the corporation and individuals to build their own houses. This granting of loans would be with low interest rate and long gestation or maturity period. Government should also give out loans to her workers, these loans would be in terms of housing loans or the government should purchase a dwelling unit for her workers with the money paid back in instalment to the government purse or deducted from their monthly take home which will be for a reasonable period of time i.e. 15-20 years. This scheme should be encouraged by the corporation and the corporation at large, the available land on the estates should be furnished with the essential facilities and the land thereafter sold or lease out to the public. This would ensure that the people build their houses to their own taste and satisfaction with specific type of house and standard well laid out and enforced thus relieving the government from construction of houses.

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