

## FORMS OF PUBLIC-PRIVATE PARTNERSHIP (PPP) AND THEIR APPLICATIONS IN NIGERIA

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### **Abstract**

*It has become imperative to study the features of the various models with a view to ensuring suitable application with increased application of Public-Private Partnership (PPP) as the panacea for infrastructure development and maintenance in most states of the country, The research employed review research design of which available journals, reports, textbooks, gazettes and newspapers sourced the information needed. Literature reveals the need for increased awareness of PPP, which is capital intensive with potency of complicated legal tussle, if not properly understood. The paper also analyzed the challenges militating against the implementation of PPP agreements in the country. It is thus, recommended that stakeholders in the areas of PPP should be adequately trained and enabling laws domesticated in each state of the federation in order to develop public infrastructure in the current reality.*

### **Keywords**

Agreements, challenges, infrastructure, models, Public-Private Partnerships (PPPs) and stakeholders

### **1.0 INTRODUCTION**

Funds and technical capacity have been on the rise in favour of the private sectors compared with public institutions in most parts of the world. This reality seldom diminishes the primary responsibilities of providing fundamental amenities, which rest on public institutions. With rising population and the increasing rate of rural-urban drifts, there is more pressure on existing and new facilities. It follows therefore, that a functional partnership has to be established between the government and private institutions to tackle obvious challenge – infrastructure deficit. Government can no longer bear the burden alone, hence, the growth of PPP schemes. Jones (2002) opined that Public-Private Partnership (PPP) came into being because of the continued budgetary constraints faced by the various governments and the exhaustion of opportunities for outright

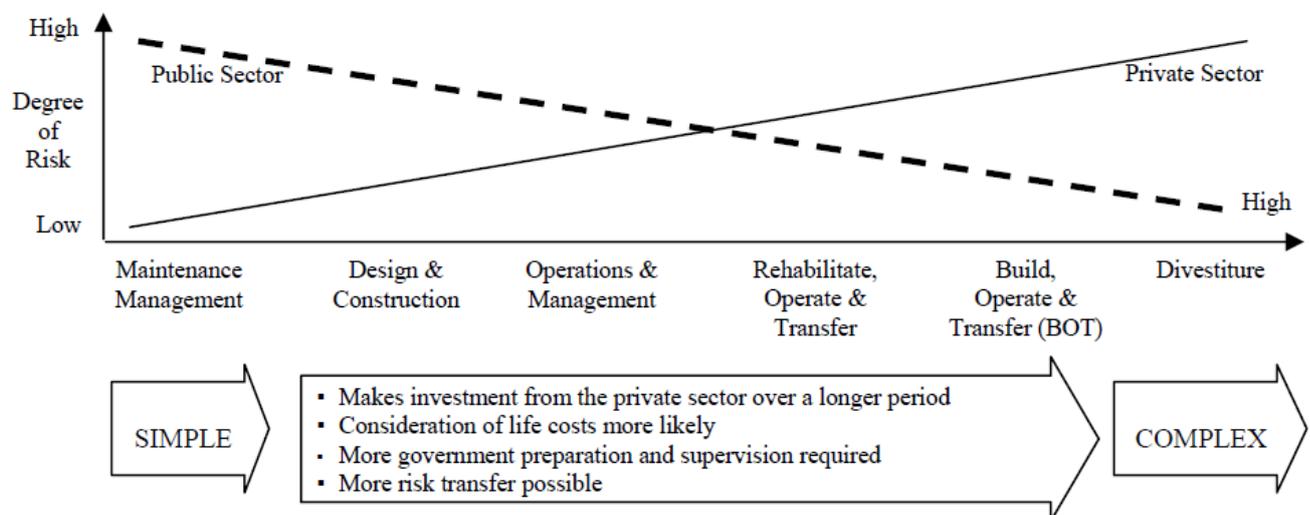
privatization of public infrastructure. This is evident in the public outcry and labour disturbances that followed government efforts at privatizing the downstream sector of the oil industry and the prolonged negotiations of the power sector in Nigeria. Further, the sensitive nature of ownership of public utilities makes partnerships between the private and public sectors, a brighter alternative. Following this thought, Yahaya (2008), submitted that policy discourse had since turned away from emphasis on public sector restructuring towards the search for innovative solutions and a more precise analysis of exactly how governments can most effectively meet infrastructure requirements. Again, the belief that “government has no business in business” further justifies the emergence of PPPs. The “Nigerian factor” in government endeavours makes it difficult for profit to be recorded where business is involved and good quality completion is almost impossible where capital projects are concerned. These factors attracted the private sector, which is also affected by corruption in the system, to the provisioning of infrastructure in developed and developing regions of the world to collaborate with government. According to Li, et al (2005), physical infrastructure has since been identified as a catalyst for economic growth in developed countries.

The involvement of the private sector in the development and financing of public facilities and services has increased substantially over the past decade. Akampurira et al., (2008) concluded that, the provision of adequate and reliable physical infrastructure is important given the role it plays in supporting the growth of industry and delivery of social services that enable the movement of people and goods, amongst others. Li et al., (2005) recognized PPP as an effective way of delivering value for money for public infrastructure and services. PPP seeks to combine the advantages of competitive tendering and flexible negotiation, moreover, to allocate risk on an agreed basis between the public sector and the private sector. Masetti (2014) stated, however, that Nigeria, which is now leading in Africa ahead of South Africa, couldn't rejoice yet. When compared with population figures, Nigeria is more than three times the size of South Africa. For Nigeria to close the gaps in economic development there must be substantial improvement in its infrastructure and business environment. This should however be well defined, as it may not necessarily translate to increased government spending. The relationship between government expenditure and economic growth has generated many arguments among scholars. Amongst others, government performs two basic duties- security and provisions of public goods and utilities. Protection duties include the creation of rule of law and enforcement of civil and property rights. This minimizes risks of criminality, protects life and properties of the citizenry, and protects the nation from external aggression. The provision of public goods includes but not limited to roads, power, education, waste management, pipe borne water and health. Nurudeen and Usman (2010) are of the view that increases in government spending on socio-economic and physical infrastructures promote economic growth. For instance, government expenditure on health and education improves the productivity of labor and increases the growth of national output. Conversely, however, Folster and Henrekson (2001) refute the submission that increasing government expenditure promotes economic growth, rather they assert that higher government expenditure may reduce overall growth of the economy. They submitted that, to fund rising expenditure, government might hike taxes. Higher income tax reduces an individual's purchasing power, increases production costs and reduces profitability and reinvestment. This study appraises various models and their applications with a view to achieving sustainable socioeconomic and infrastructure sufficiency.

## 2.0 REVIEW OF RELEVANT LITERATURE

### 2.1 PPPS—Concept and models

PPPs aim at financing, designing, implementing, and operating public sector facilities and services through partnerships between public agencies and private sector entities (UNECE 2008). One of the main reasons governments are opting to use PPPs for infrastructure development is to increase the efficiency of infrastructure projects through a long-term collaboration between the public sector and private business (Davies and Eustice 2005). It is stated that the main consideration for public agencies for opting on PPPs should be ensuring monetary value. PPPs facilitate the project to be implemented on time and within budget. The “no service/no pay” principle ensures that the private partner is on incentive for timely delivery and operation of project assets. Better overall governance by private sector entities enables it to have better control of cost overruns contrary to traditional public procurements, which are often characterized by significant construction delays, and cost overruns. Because of assigning life cycle maintenance obligations to the private sector, private partners are encouraged to optimize capital and maintenance expenses over the project duration. In short, by transferring responsibilities and risks to those best able to manage them under PPPs, overall cost of risk is reduced. This reduced risk is the key way of delivering value for money to the public sector. In fact, in case of successful PPP projects on account of the reduced risk, there is still monetary value in spite of the high cost of finance from private partners vis-à-vis public borrowing (European Investment Bank (EIB), 2004). PPPs, in the broadest sense, can cover all types of collaboration across the interface between the public and private sectors to deliver policies, services, and infrastructure. The term PPP refers to a wide range of arrangements with simple arrangement such as management contract on one extreme of the spectrum, while arrangements such as full privatization or divestiture remain on the other extreme of the spectrum. Various approaches are in use to classify the arrangements between the two extremes of the spectrum. One of the approaches is to refer to the wide variety of arrangements based on the involvement of the private and public sectors in the various phases of project life cycle. However, the most common way of referring to the different arrangements is based on the extent to which the responsibilities and risks are transferred from public sector to private sector. Figure 2.1 shows the risk transfer variety and the characteristics of the various PPP models.



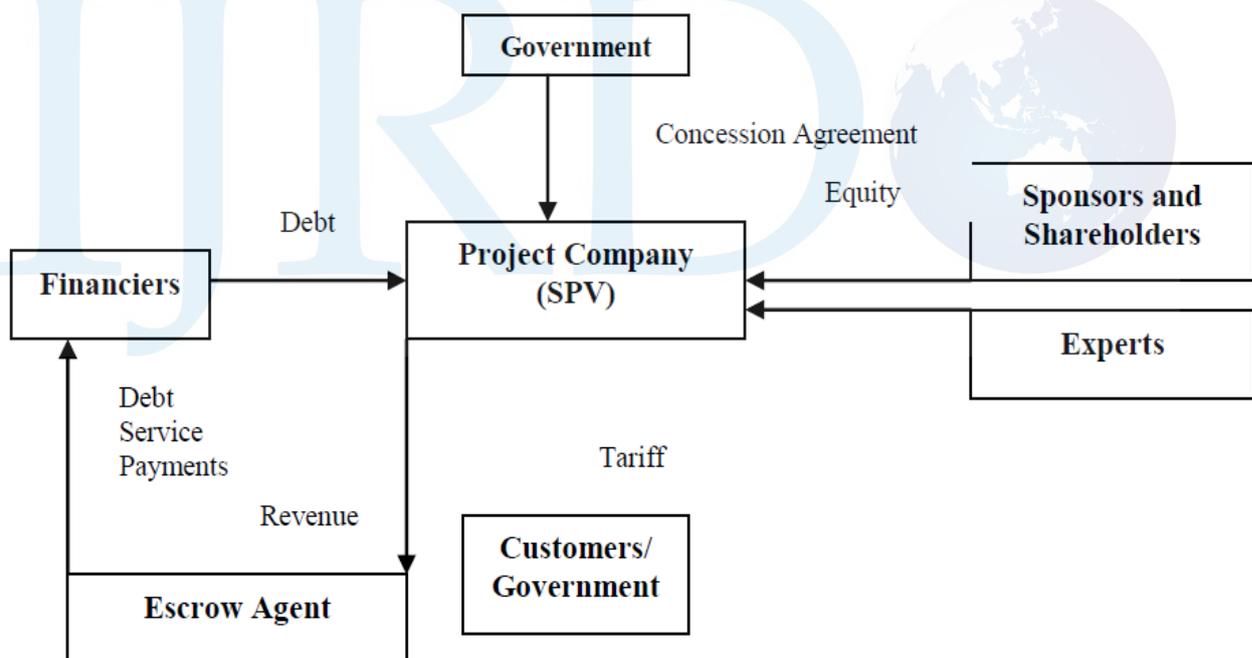
**Figure 2.1:** PPP models risk transfer variety and their characteristics (adapted from ADB [2000] and World Bank [2004])

The risk transfer to the private sector increases as we move from maintenance management to divestiture (Hammami et al. 2006). Critical risks such as market risk are completely transferred to the private sector in PPP models such as BOOT and divestiture.

## 2.2 Parties involved in PPP projects

Wide ranges of stakeholders are involved in the execution of PPP projects. According to Figure 2.2, parties typically involved in PPP include:

- (i) Government appointed authorities with PPP contract responsibility,
- (ii) Special Purpose Vehicles (SPV) formed by private sector participants exclusively for the delivery of the PPP project,
- (iii) Design, engineering and construction contractors,
- (iv) Operators and managers,
- (v) Project managers,
- (vi) Lenders,
- (vii) Equity investors,
- (viii) Insurers,
- (ix) Legal advisers and,
- (x) Financial advisers.



**Figure 2.2:** Typical structure of PPP Contract (Source: Guidelines for Successful Public Private Partnership, European Commission - 2005)

## 2.3 Public-Private Partnership (PPP) and its models

Okumagba (2008) stated that, economic infrastructure consists of Public Utilities such as postal services, telecommunications, water supply, waste disposal, and power, public works such as roads, dams, waterway dredging, canals for farming and irrigation, and drainage; and Transportation such as road transportation, railways, seaports, and airports. Social infrastructure includes child welfare, care for the aged and disabled, healthcare delivery and education. Olufowose (2008) submitted that transport infrastructure services in Nigeria are

inadequate and in deplorable conditions. Nigeria's transport sector contributed about 2.4% of real GDP in 2004 with road transport accounting for about 86% of the transport sector. He stated further that of the total 193,200km of roads in the country, only 15% of are paved and about 23% of the paved roads are in bad conditions, requiring urgent rehabilitation. The situation remains the same now. Considering the wide infrastructure gap, urgent investments are needed particularly in power generation, transportation, waste disposal and water supply in Nigeria.

Egbewole (2011) believed that the allocation of sizable and, at times significant, elements of risk to the private partner is essential in distinguishing the PPP from the more traditional public sector model of public service delivery. There are two basic forms of PPP: contractual and institutional. Although institutional PPP has been quite successful in some circumstances, particularly in countries with well-developed institutional and regulatory capacities, contractual PPP are significantly more common, especially in developing economies. While there is no universal consensus about the definition of public-private partnerships, the following elements typically characterize a PPP: The infrastructure or service is funded, in whole or in part, by the private partner. Risks are distributed between the public partner and private partner and are allocated to the party best positioned to manage each individual risk. PPP is a complex structure, that involves multiple parties and relatively high transaction costs. PPP is a procurement tool where the focus is payment for the successful delivery of services (the performance risk is transferred to the private partner). Oyedele (2013) identified the essential features of PPP as follows;

1. The Legal Framework must be sound because of the different objectives of the parties.
2. There must be efficient and effective costing. The costing must take into consideration all the risks involved.
3. The source of finance must be assured, accessible and sustainable.
4. Both parties must have technical knowledge of the infrastructure being developed though it may be at different levels.
5. It must be based on value for money (vfm), must be economical, efficient and effective.

Farlam (2005) suggests that PPPs bring business efficiency and effectiveness to public sector service delivery and avoid the politically volatile factor of full privatization of public utilities. They allow governments to retain ownership while contracting the private sector firm to carry out a specific function such as designing, building, maintaining and operating infrastructure like roads, bridges and ports, or providing basic services like health, water, waste disposal and electricity. Government earns income by leasing public-owned properties or alternatively pays the private firm for improved infrastructure and efficient service delivery. The private sector may also get paid by consumers for using such utility.

IOB (2013), asserted that PPPs can be commissioned for (or any combination of) financial, developmental, efficiency, ideological and political reasons.

**Financial reasons (risk diversification):** PPP may be implemented because the government does not have enough resources to carry out a project alone. Risk diversification can also be a motive to implement PPP because it encourages investment in projects that would otherwise not have been carried out because of the high product/market risks.

**Development reasons:** the realization of Millennium development goals (MDGs), Vision 20:2020, or certain international standards is another reason to implement PPP.

**Efficiency reasons:** this can be viewed from two angles; market failure and government failure.

- Market failure means that private firms fail to innovate and ensure continuous improvement in product and process development because this is not profitable for them.
- Government failure means that the government fails to secure accountability between decision makers and industry/economic players.

**Ideological/political reasons:** the changes that occur in the socio-political and industrial climate sometimes encourage PPP interventions, especially where the project is internationally funded. Also for political reasons, government may support economic liberalization and less state interventions.

Oyedele (2013) identified the following types of PPP model:

**Build, Operate, Transfer (BOT).** The private investor faces the challenge of construction risk, operating risk and social, and environment risk, endeavors to make profit, and thereafter transfer ownership to government at the expiration of the time stated in the contract. Under this model, the contractor may be a developer and financier who will build and own the property with the agreement that the client will possess the property in the future. This model is usually used for specialized facilities like hospitals, schools and housing.

**Design, Build, Finance, Own (DFBO).** The venture is 100% private sector owned. The challenge here is that of regulatory risk, project risk and creeping taxation. It is a Public Finance Initiative (PFI) in which a private sector firm conceived a development idea, design, construct it, operate it and own in perpetuity.

**Design, Build, finance, Operate and Transfer (DBFOT).** The private investor is charged with the responsibility to design a project, build it, finance it and operate within an agreed period of time, thereafter transfer ownership title and operations to the government. The second Niger bridge, currently under construction, is being built by a Julius Berger - Nigeria Sovereign Investment Authority (NSIA) Motorways Investment Company (JB-NMIC) consortium. This model is being applied under a concessional period of 25 years.

**Build, Own, Operate and Transfer (BOOT).** This is similar to DBOT model however, the private sector partner will have a complete ownership for a given period, during which it directs the affairs of the enterprise with interference from the public sector.

**Rehabilitate, Operate and Transfer (ROT).** This is an agreement to rehabilitate existing public infrastructure, operate it for an agreed period and transfer ownership to government at the expiration of the contract.

**Joint Development Agreement (JDA).** This model encourages the private and public sectors to come together and sponsor the development of a project from scratch. At completion, both parties maintain the stakes in the management and running of the venture.

**Operation and Maintenance (OM).** The operation and maintenance function of the project, usually existing, is contracted to the party that has the experience, resources and technology to carry out the function ownership and management remains with the initiator of the deal.

**Management/Lease Contract.** Management contract and lease contracts involve a private firm taking over the management and control of a public enterprise for a given period although the facility continues to be owned by the public sector. The public sector may retain the

responsibility of financing the investments in fixed assets. In the case of management contracts, the public sector also finances working capital. In this plan, it is 100% Public sector owned.

**Outsourcing.** This is where government outsources some supporting services to the private sector such as billing, postage, stationary supplies, metering, transport, or cleaning.

**Leasing Contract.** In Lease Contract, the private investors build the infrastructure and lease it to government under finance or operating lease.

**Greenfield projects.** With Greenfield projects, a private entity or a public-private joint venture builds and operates a new facility for the period specified in the project contract. The facility may return to the public sector at the end of the contract period or may remain under private ownership.

**Divestiture.** Another form of private participation in infrastructure is divestiture where a private entity buys an equity stake in a State-Owned Enterprise through an asset sale, public offering or mass privatization. For a country where the majority of the citizens are stricken by poverty, whatever model is adopted should place the benefit of citizenry at top most priority to avert resistance to infrastructure management.

**Concession.** This is a collaborative agreement between a government and private developer(s) to design and develop facilities through combination of participants, which include the financiers, contractors and consultants. The developers may not necessarily be the financiers of the project.

#### 2.4 PPP experience in some parts of Nigeria

Sotola and Ayodele (2011) are of the opinion that the controversy and problem surrounding PPP could be less damaging if public authority transferring public utilities to private sector make efforts at transparency and public education all through the project life cycle. The Olokola FTZ Gas project was conceived as a PPP venture involving Ogun, Ondo and a consortium companies in the oil and gas industry. Though this project is not officially closed, the commitments from political leadership have waned, with a change of government in the states. In making efforts to repair the Lagos/Ibadan expressway, the federal government of Nigeria engaged the services of Bi-courtney Nig. Ltd in a Concession exercise to develop and manage Lagos-Ibadan Expressway into five lanes.

Bi-courtney Limited was expected to coordinate the financial and technical contributions of other partners and not to act as the contractor, but to be the manager of the concession. Managing the concession involves arranging for finance and reputable contractors to develop the road. However, this effort failed because Bi-courtney could not get a financier, and rather turned itself into a contractor. Government, of recent, had to revert to the former contracting system by engaging the services of Messrs Julius Berger Construction, and RCC. Bi-courtney's aviation arm was, however, successful in the construction of the local wing of Murtala Muhammed International airport. In the same vein, Oyedele (2013) identified the challenges of the Kuto-Bagana Bridge over the River Benue, which is a PPP venture between the federal government, Kogi and Nasarawa State governments. One of the states, Nasarawa paid its counterpart fund of N1billion to the development partner, however other parties could not meet up with their commitment. The Victoria Island - Epe Express Road also failed because the concessioner Lekki Concession Company (LCC) failed to carry along other stakeholders. Without adequate

consultation and approval, LCC wanted to construct three tollgates within a distance of less than 5 kilometers. Concerned Nigerians kicked against the idea and threatened legal actions. The state government was forced to construct alternative roads that leave road users with options. This is in line with United Nation's rule on PPP. Cutting corners affected Messrs Maevis airport landing fee-collection concession at Murtala Muhammed Airport, Ikeja. The venture failed because of the alleged costly non-receipted amount paid upfront by the concessioner.

The perennial problem of the Ajaokuta Steel Rolling Mill also comes to mind. Recently an attempt to use public private partnership in reviving the facility attracted some public outcry. The inability of the government sector to manage the steel mills in Nigeria has caused a near comatose situation for the steel industry. The latest of such is the concession granted Global Infrastructure Holding, allegedly owned by a past President. The concession involved National Iron Ore Manufacturing Company, Ajaokuta Steel rolling mills and Delta steel rolling mills. Sentiments and public outcry bedeviled the project.

In 2004, the Ogun state government unveiled a cargo Airport initiative under a PPP framework. The project was located in Iperu/Ilishan axis in Ogun East Senatorial district. The design of the project was based on the framework that the state government would kick-start the project with on-site mobilization of contractor and some selected private sector participants will ensure the completion. By 2009, the project has been abandoned due to controversies and allegations of corruption. Gateway Hotels, owned by the state government, remained closed due to disagreement surrounding concession agreements. The concession of many publicly owned projects to private firms has become a major debate in public discourse in Ogun. The government had instituted a probe into the public-private partnership ventures entered into by the previous administration in the state.

However, in various PPP interventions in Nigeria some successes were recorded starting with the development of the oil industry immediately after oil was discovered in Oloibiri in Bayelsa State in 1956. Having no expertise on ground to mine the black Gold, government turned to multinationals in the oil industry for partnerships. Further, the development of Dolphin Estate, Lagos, in the 1980s was through PPP by the Lagos State government and HFP Construction Limited. This, no matter how little, has contributed to upscale housing provision in Lagos. Adopting the Design, Build, Finance and Own (DBFO) model, the Millennium Park, Maitama Abuja was designed and developed by Salini Construction Company Limited. Where wholesale privatization or commercialization of existing structures appears impossible, government adopts PPP on a partial basis. Sotola and Ayodele (2011) submitted that in adopting a sector-based view of some parastatals within the government, it was discovered that public-private partnership has been employed in form of granting concessions to divest or privatize many units. In the Nigeria Port Authority (NPA), 16 terminals have been placed on concession to private firms.

Lagos state, believed to have the largest economy in Nigeria, also recorded success in some of its PPP projects especially in public transportation such as the LAGBUS and BRT. The Bus Rapid Transit (BRT) service has eased the movement of people along its routes thereby making way for convenient means of transport in a city with terrible traffic jams. With a standardized billing system, the service makes life easier for Lagos residents as the sudden hike in bus fare by the regular commercial buses was avoided. One fact that shows the effect of BRT on transport cost is that it carries about 4,192,950 passengers per month. These passengers would have been at the mercy of commercial transport drivers who have no fixed price and knowable schedule.

## 2.5 Public-Private Partnership (PPP) in Nigeria and associated issues

According to NPC (2006), Nigeria being Africa's most populous nation also doubles as its biggest infrastructure market. Construction begets infrastructure development. UKCG (2009) submitted that the construction industry is a driver of growth in other sectors due to its heavy reliance on an extended and varied supply chain. All other sectors of the economy like manufacturing, education, health, sports etc, depend on construction industry for performance.

PPP has been successfully used in the provision of infrastructures worldwide. According to Oyeweso (2011), the infrastructure gap is very wide in Nigeria because of the irresponsibility of past and present leaders in the provision of infrastructures. With PPP, governments are now achieving greater provision of infrastructures. Wright (2001) is of the opinion that PPP gives local authorities access to new sources of capital investment and management skills for new or improved facilities and creates new opportunities for the private sector to combine construction facilities, management, finance and operating skills. Globalization and modern technology means that direct provision of goods and services is no longer popular and that a dynamic and inventive kind of politics is required in response. Oyedele (2013) asserted that the focus of PPP is on end results and standards, and not on processes as the case is with traditional contracting. PPP provides the best quality and value for the taxpayer's money.

PPP helps the government to focus and to engage in more capital investment than it would by following conventional procurement methods. It is akin to taking out a mortgage, with public bodies being forced to pay the true market rate for capital. Commercial companies provide the initial capital and in theory assume the risks associated with construction and maintenance in return for guaranteed leases that will allow them to cover costs and make a profit. Instead of building new offices, schools and IT facilities, local councils now lease them from commercial companies, thereby providing the provider of these 'asset-based services' with a secure low income. Despite the above, there exist some challenges. A key function of the government is the provision of infrastructure for the populace. Most Nigerians still view the transfer of this responsibility to the private sector as gross inefficiency especially where it is marred with controversies, as it is the case with Nigeria. PPP has been seen by many pundits to be, elitist, expensive and diversionary. Pricing is a major economic obstacle. Citizens are concerned that, if not curtailed, their collective future will be mortgaged to the elites. Especially in situations where there are no existing and/or efficient alternatives. Some pundits are rather conservative, as they see PPP as the leeway employed by powerful firms and multinationals, primarily driven by profit, to gain entry into the public sector.

Oyedele (2013) opined that PPP will always be a more expensive method of funding capital projects because of the requirement to finance the profits of the private firms and the additional borrowing costs. This has caused an affordability gap for many public service organizations. PPP has also been viewed as indicative of the secret and conspiring relationship the government has with big businesses. This can be likened to a face saving relationship for political patronage and electioneering sponsorship. Another problem is that the complexity of many PPP agreements. Most are designed in such a way that it defeats the very essence of democracy as - *government of the people by the people and for the people*. Closely related is the responsibility factor, PPP places on successive administrations on the assumption that government is continuum. With Ogun State, Nigeria as case in point, these administrations may not wish to

continue with the contract, where there are no binding laws. Public Private Partnership can be more successful if there is transparency in the partnership.

## 2.6 Structuring a PPP in road delivery and maintenance: requirements and expectations

PPPs can follow a variety of structures and contractual. However, all PPPs incorporate three key characteristics:

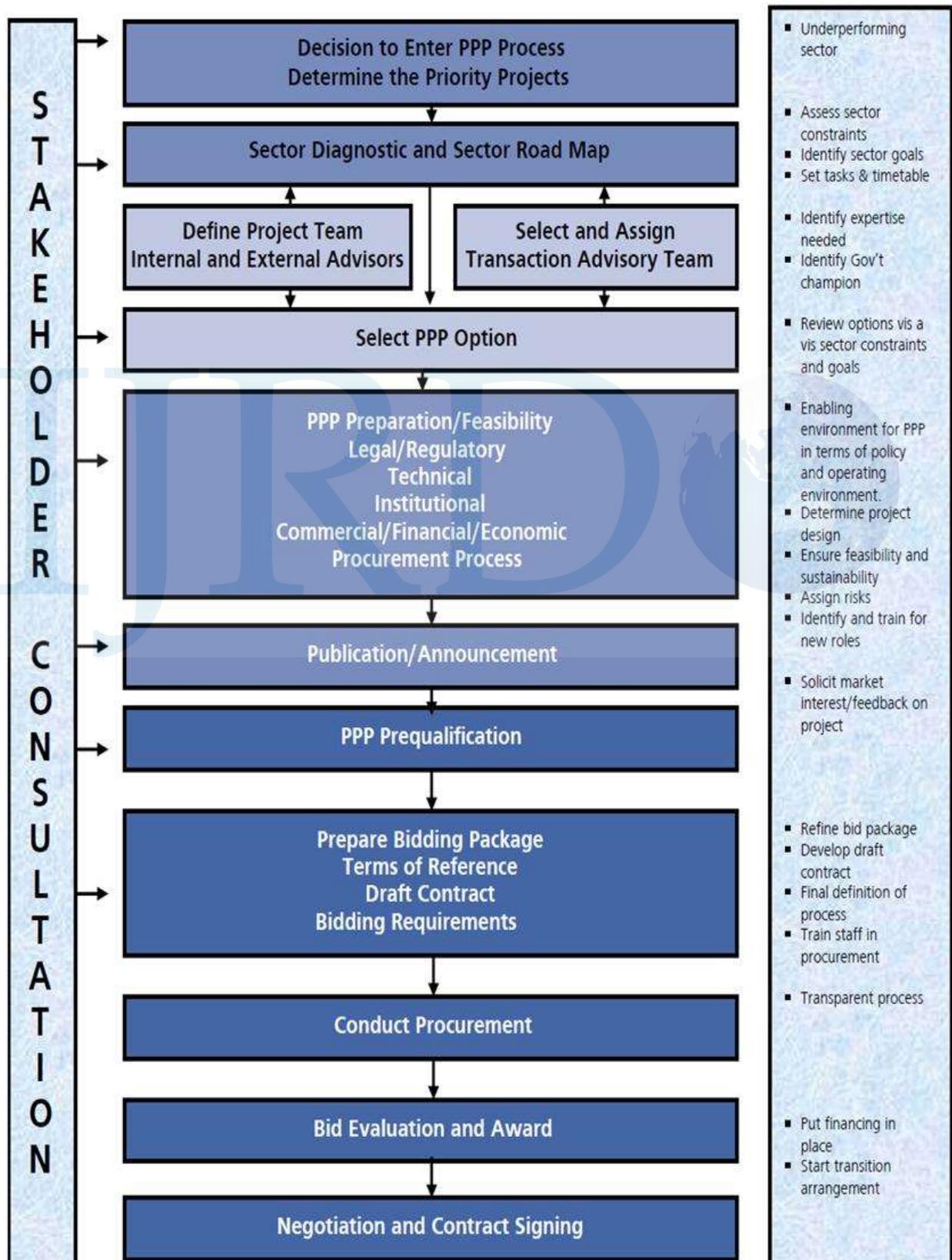
- Contractual agreement defining the roles and responsibilities of the parties,
- Sensible risk-sharing among the public and the private sector partners, and
- Financial rewards to the private party commensurate with the achievement of pre-specified outputs.

PPP is one tool available to decision makers in reforming infrastructure or service delivery. It is most effective when it is accompanied by other reform activities to underpin and reinforce the PPP and to support sustainable improvement. A successful PPP is designed with careful attention to the context or the enabling environment within which the partnership will be implemented. Where the operating environment can be reformed to be more conducive to the goals of PPP, this should be accomplished. Where elements of the operating context cannot be changed, the PPP design must be tailored to accommodate existing conditions. Thus, in designing a PPP process and selecting a form of PPP, it is important to consider the reform objectives; policy environment; the legal, regulatory, and institutional frameworks; financing requirements and resources of the sector; and the political constraints and stakeholder concerns. PPP will be an effective tool to address some, but probably not all, sector issues. To be successful, PPPs must be built upon a sector diagnostic that provides a realistic assessment of the current sector constraints. Specifically, the sector structure will cover:

- Technical issues;
- Legal, regulatory, and policy frameworks;
- Institutional and capacity status; and
- Commercial, financial, and economic issues

The sector diagnostic helps the government to assess the status quo, identify gaps and weaknesses, and develop a sector reform strategy or road map, outlining the tools and activities required for reform. In many cases, reliable or comprehensive data on performance are not available in every area, such as financial or technical areas. In those cases, it may be more efficient to focus on the collection of limited, but key, indicators which provide an overview of the overall performance of the sector. The sector diagnostic is best performed with the support of a team of local and/or international engineers, lawyers, economists, financial analysts, policy specialists and transaction specialists. The diagnostic is critical to getting the transaction structure right and sufficient time is needed for the process. Depending on the complexity of the sector, the availability of data, and the consultant procurement process, the sector diagnostic can take from 1 to 2 years. A critical part of the diagnostic is a process of stakeholder consultation and identification of a government champion to drive the process into preparation and implementation.

As a result of the sector diagnostic, the government is able to determine to what degree an enabling environment exists for PPP and what activities are required in advance of PPP to create such an environment. The diagnostic is important to: (i) identify the strengths and weaknesses of the sector and the most promising areas for efficiency increases, (ii) regularly gauge and report on the progress of reform, and (iii) tweak the reform program as needed. The sector diagnostic leads to development of a road map and a sequence of PPP activities as can be seen in Figure 2.3, which describes the components of the sector diagnostic.



**Figure 2.3: Generic PPP project sequence** (source: Heather Skilling and Nils Janson, “*Models for Private-Public Partnerships*” 2006)

## 2.7 Fundamental factors affecting the implementation of PPP

Based on a research by Sader, Frank (2000), report, which focused on the experience with partnerships in the water sector the main obstacles within developing countries would seem to include:

- **Political Commitment:** In countries where the rule of law is not firmly entrenched governments have reneged on contracts signed by previous administration. There also have been several cases of governments reneging on contractually agreed terms (e.g. the right of levy cost recovering tariffs) in the fact of public dissatisfaction.
- **Existing service providers:** Where incumbent service providers, often state owned, remain in the market they are often the subject of preferential treatment. This goes hand in hand with a tendency, in many countries, to invite private participation in the absence of a commitment to overall sectorial liberalization.
- **Public governance:** Many private investors have had to contend with conflicting public authorities, for instance central versus sub-national governments, or regulatory bodies versus ministries. In addition, non-existent or inexperienced regulators created avoidable uncertainty about price and tariff setting.
- **Regulatory framework:** A weak legal environment necessarily leads to concerns for non-state underwriters of long-term contracts. Existing legislation in many countries was designed to define public sector responsibility in infrastructure and is inadequate in a situation of private participation. In addition, human capital such as relevant regulatory expertise is in short supply in many countries without much experience in privately operated utilities.
- **Award procedures:** The award procedures often lack of transparency and are not based on objective evaluation criteria. Corruption has been a problem- in general, and in the specific context of awards. Also, some projects have been compromised by official preference for local participation, preferred sub-contractors or suppliers and the employment of weakly qualified local staff.
- **Conflicting aims:** Often, one objective (implementation project) has been expected to serve several policy objectives, from financial, to macroeconomic, to social, to environmental. Protests by local communities and non-governmental organizations against individual projects have rebounded on investors rather than the initiating authorities. This is a typical case of a popular concessionaire arrangement on Ekpee road in Lagos Nigeria. Extreme capitalism in absence of social security has also been identified as one of the causes of failure of PPP arrangements. Persons of this view, which is also being looked into in this research, believe that sabotage is common in economies with unchecked capitalism.

## 3.0 Conclusions

- In the past, a high level of distrust for government has been built, such that in situations where there are genuine efforts on the part of government to do right things with PPP, the idea becomes rejected at point of statement of intent. The condition that resulted from recorded cases of abuse of office demands more from government in terms of confidence building.

- Most stakeholders are not conversant with the rudiments of PPP, and there is poor orientation of the average person on PPP.
- The failure of PPP projects can be traced to corruption resulting from extreme capitalism, which beclouds the reasoning of officials entrusted with the responsibility of managing projects. Special Purpose Vehicle (SPV) administrators and government officials often collude, extort the end-users of PPP infrastructure, use the proceeds to build houses and further exploit the latter as tenants.
- Self-gain mentality, drive new government officials to review or discontinue existing PPP arrangements.
- The adverse consequences of what most nations are facing today are because of past neglect of the road transport infrastructure.
- High cost of road transport services, the carnage on our roads and the unprecedented rapid deterioration of our roads is a pointer to the reality that there can be no better substitute to the public-private partnership in development of road transport infrastructure.

#### 4.0 Recommendations

- i. Necessary regulatory framework for proper implementation of PPP projects, especially for dispute resolution during the tenor of the contract, should be instituted.
- ii. Leaders of Nigeria should muster political will to deal with corruption without discrimination.
- iii. Nigeria banks through the CBN should be assisted to handle PPP financing. Interest rate associated with long term funding should be reasonably low.
- iv. Since extreme capitalism means unregulated acquisition of wealth, which invariably leads to corrupt practices, it is recommended that government should provide fundamental amenities to its citizens to guarantee social security.
- v. Complex or scanty enabling laws exist and therefore fail to provide sufficient security and incentives to investors in PPP arrangements. As a result, lawmakers should create simplified PPP rules.
- vi. The private sector is often exposed to neck-breaking risk. Governments need to help to reduce those risks allocated to the private sector to encourage participation.
- vii. The selection of the bidder should be undertaken following a transparent, neutral, and non-discriminatory selection process that promotes competition and strikes a balance between the need to reduce the length of time and cost of the bid process while selecting the best proposal.
- viii. Tackling insecurity in the country will go a long way to improve infrastructure development. During crisis, properties are destroyed and as such no investor will like to invest in an unsafe environment.

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