# Impact of Public Private Partnership on Infrastructure Development of Nigeria

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**Abstract**
*Public Private Partnership began to draw attention in Nigeria when it became evident that the role of the state alone in the provision of infrastructure was no longer sustainable. A number of initiatives have been taken to address the dearth of infrastructure and forestall decay of existing infrastructure but the result is below desirable. It was on this basis that this study set out to assess the impact of public private partnership on infrastructural development in Nigeria. Data was garnered from secondary materials such as World Bank documents and Government Gazettes. Data was analyzed qualitatively and it was revealed that inadequate concession plans coupled with sentiments have rendered PPP inefficient in Nigeria. Some of the state governments gave concession to their cronies and political associates and this crippled the aim of the PPP as they became financially incapacitated to continue funding the projects. The study recommended that placing emphasis on merit rather than political patronage is a sure way of making the PPP more effective.*

**Keywords:** Infrastructure, Partnership, Nigeria, Development

## Introduction

Public private partnership relates to practice that call for minimum participation of government in the provision of goods and services. In the 1990s when the problem of good governance began to draw attention in Africa, there was a global debate with respect to the role the state is meant to play in the delivery of goods and services. Initially the delivery of public services and provision of infrastructure was the sole responsibility of the government but with the growing population coupled with the need for the development in other areas, government was found to be ineffective in the discharge of its duties. Sequel to this problem, governments all over the world now partner with the private sectors in the provision and administration of goods and services which include infrastructure such as construction of roads, schools, hospitals etc. According to the United States National Infrastructure Improvement Act (2006), these amenities include water supply and distribution system, waste water collection and treatment facilities, surface transportation facilities, mass transit facilities, airports and airways facilities, docks or ports, school buildings and solid waste disposal facilities. To address the infrastructure problem in Nigeria and put the economy on the path of sustainable development, past administrations initiated measures and policies aimed at addressing infrastructure problems. Records show that Common Facilities Centre (CFC), Community Driven Development (CDD) initiatives, etc. were initiated to facilitate the provision of basic infrastructure in Nigeria through the arrangement of PPP. In spite of all these initiatives, the infrastructure facilities in Nigeria still suffer a setback. Evidence abounds in the dilapidation and deplorable condition of its health system, education, road network, electric power generation and distribution. It is against this background that this paper examines the impact of public private partnership on infrastructure development in Nigeria. This study specifically aims to assess the impact of public private partnership on infrastructure development in Nigeria.

**Assumption**

It is assumed that Public Private Partnership has a significant relationship with infrastructure development in Nigeria.

**Literature Review and Theoretical Framework**

Atobatele (2018) carried out a research on the Contribution of Public Private Partnership to Educational Development of Nigeria. The study adopted qualitative technique of research coupled with a survey. The study found that public private partnership (PPP) also known as Private Financial Initiative (PFI) has contributed to educational sector greatly. The study therefore recommended that concerted effort should be made by the government and private sectors to providing lasting solutions to the decline in the education sector of Nigeria.

Afolabi (2011) conducted a study on Examining the Public Private Partnership (PPP) in Nigeria: Potentials and Challenges. The study adopted qualitative technique of research where primary source of information was adopted which include internet, paper presentation, published and unpublished articles. The study found out that lack of political will is one of the problems affecting PPP in Nigeria. The study therefore recommended that government must do the needful in ensuring that strategies are put in place to facilitate the development of PPP. The study is limited to the advantages and disadvantages of PPP.

Atobatele (2018) conducted a study on Public Private Partnership (PPP) Versus Socio-Economic Development: Panacea to Achieving Economic Growth in Nigeria. The study adopted a documentary approach to analyse its result;

materials were collected from the secondary sources which include Journals, Publications, Internet, Magazines, etc. The study found that infrastructure in the education industry, etc. have not been adequate to put Nigeria on the path of growth due to weak institutions coupled with lack of political will and corruption. The study therefore recommended that government should be realistic in the formulation and execution of its policies by establishing a formidable institution that is capable of assisting the government to consolidate its political will, free from internal and external influences and more power should be given to the agencies established to fight corruption.

Oluwasanmi and Ogidi (2014) carried out a study on Public Private Partnership (PPP) and Nigerian Economic Growth: Problems and Prospects. The study found out that corruption is the bane of Nigeria which affected PPP from achieving its objectives. The paper therefore recommended that stakeholders should be adequately trained and enabling laws should be enacted and domesticated in each state of Nigeria.

Umar and Tubosun (2016) conducted a study on Public Private Partnership (PPP) as an Imperative in Nigeria Education. The researcher employed descriptive survey design, using primary and secondary sources of data. Observation and multidisciplinary approach were used simultaneously as instruments of primary and secondary data collection respectively. The study revealed that under-funding of educational sector led to shortage of teachers, inadequate infrastructure and institutional materials, poor quality control etc. The study therefore recommended that PPP is a mechanism needed in solving problems of educational system in Nigeria.

**Concept of Public Private Partnership**

Public Private Partnership is the cooperative efforts of private entities coupled with that of the state to provide certain goods and services for the benefit of the public. This cooperation is mainly financial. It is a collaborative relationship between the public and private sectors aimed at harnessing and optimizing the use of all available resources, knowledge, and facilities required to promote efficient, effective, affordable, accessible, equitable and sustainable infrastructure in Nigeria. Effective partnership among private sector institutions, Civil Society Organizations and Governments will allow fulfilment of their social expectations without compromising core missions. All formal partnerships shall be based on written agreements specifying the purpose, duration, and exit arrangement (NPPPPHN, 2005).

 

There is a long-term and sustained partnership relationship between the public-private sector in the provision of goods and services. Public sector explores public resources and technical expertise of the private sector so as to provide goods and services to the public and to ensure value for money through PPP. Central to PPP initiative is the identification of risk associated with each component of the project and the allocation of the risk factor to either the public sector or the private sector or both. Thus, the desire to ensure best value for money is based on allocation of risk factors to the participants who are best able to manage these risks and thus minimize costs while improving performance (Sotola & Ayodele, 2009).

According to Jones (2000), Public Private Partnership (PPP) came into being as a result of the continued budgetary constraints faced by the various governments and the exhaustion of opportunities for outright privatization of public infrastructure. This is obvious because huge amounts of money were spent on public utilities such as roads, schools, hospitals, pipe borne water etc but there was no sustainability. The decay in infrastructure was prompted by inefficiency coupled with bureaucratic bottlenecks in terms of its provision (Jones, 2000).

**The Need for Public Private Partnership**

According to Amakom and Nwogwugwu (2012), the policy and reform measures were essentially targeted at prudent fiscal management; strengthening institutions to reduce waste and fight corruption; ensuring transparency, accountability and good governance in a sustainable environment that will reduce poverty; generate employment; and create wealth, the civilian government recognized the need for leveraging on the public private partnership (PPP) in investing in the infrastructure. Sequel to this, Infrastructural Concessions Regulation Commission (ICRC) Act was enacted in 2005 which was given a mandate to develop policies, guidelines, and procurement processes for public private partnership (PPP) in infrastructure development in Nigeria (Ibrahim and Musa, 2010). According to Sanusi (2012), the PPP approach is used all over the world and has yielded impressive results in both developed and emerging economies and presents a viable opportunity for the provision and sustenance of infrastructure delivery in Nigeria. Hence, Okeola and Salami (2012) note that following the passage of the ICRC Act in 2005 and its inauguration in 2008, a national policy statement which identifies the key objectives of PPP comprising economic, social and environmental was developed. The national policy on ICRC brings out different frameworks which will lead to effective implementation of PPP which include the review of the legal and regulatory framework established under existing legislation such as: the Privatization and Commercialization Act of 1999; the Fiscal Responsibility Act of 2007; the Public Procurement Act of 2007 and other relevant legislation (Okeola & Salami, 2012).

Infrastructure is pivotal to the development of any country; this is because of the important role it plays in sustaining the country's development. Supporting this view is Haide et al, (2004) who pointed out that the importance of infrastructure in national development cannot be overemphasized. This is because of the crucial role they play in providing the bulwark upon which production and distribution stands. Unfortunately, infrastructure decay has remained unaddressed in developing countries like Nigeria, Ghana, etc. According to the World Bank Enterprises survey (2009), only 50% of the population is estimated to have access to electricity, good roads, education, health facilities and housing accommodation. In order to address the infrastructure decay and to reduce the monopoly of the government in putting the country on the path of sustainable development, Infrastructural Concessions Regulation Commission (ICRC) Act was promulgated in 2005.

Yahaya (2008) states 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. This is so because of the belief of the people that government should not be a player in the economy but should be an umpire, coupled with the failure of the government to provide and sustain the infrastructure, which necessitated the emergence of PPP. According to Li et al. (2005), physical infrastructure has long been identified as a catalyst for economic growth in developed countries. Akampurira et al. (2008) conclude that, the provision of adequate and reliable physical infrastructure is important given the role it plays in supporting the growth of industry and delivering of social services that enable the movement of people and goods amongst others. Li et al. (2005) recognizes PPP as effective way of delivering value for money for public infrastructure and services. This is because PPP brings about healthy competition amongst the producers of goods and services, which gives citizens value for their money. Olusola et al. (2012) note that the Nigerian government is moving increasingly towards a private-sector-driven economy and one of the major issues to facilitate the effective implementation of such a policy is to put in place enabling laws that will regulate the PPP contractual arrangements. However, it is believed that for Nigeria to develop economically, there must be a pragmatic improvement in her infrastructural facilities and a friendly business environment.

 

Government is to make sure that there is a provision for enforcement and property rights. The essence of this is to minimize criminality, protection of lives and properties of the citizenry, and protection of the nation against external aggression. Government should also concentrate efforts in the provision of public goods which include power, education, roads, waste management, hospital etc. Nurudeen and Usman (2010) are of the opinion that increases in government spending on socio-economic and physical infrastructure promote economic growth. For instance, government expenditure on health and education improves the productivity of labour and increase in the growth of national output. Folster and Henrekson (2001) reject the submission that increasing government expenditure may reduce overall growth of the economy. They conclude that to fund the rising expenditure, government will increase the rate of tax which will affect the individual's purchasing power, increase the cost of production and reduce profitability and reinvestment. Okumagba (2008) observes 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, health care delivery and education.

Olufowose (2008) pointed out that transport infrastructure services in Nigeria are inadequate and in deplorable conditions. Nigeria's transport sector contributed about 2.4% to real GDP in 2004 with road transport accounting for about 86% of transport sector. Olufowose further pointed out that of the total 193,200 km of roads in the country, only 15% are paved and about 23% of the paved roads are in bad conditions, requiring urgent rehabilitation. The situation is still the same now, considering the infrastructure depletion, urgent investments are needed particularly in power generation, transportation, waste disposal and water supply in Nigeria. According to the National Council for Public Private Partnership (2012) PPP is a 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.

**Characteristics of Public Private Partnership**

Oyedele (2013) identifies the important requirements for PPP as follows:

i. The legal framework must be sound because of the different objectives of the parties.
ii. There must be efficient and effective costing. The costing must take into consideration all the risks involved.
iii. The source of finance must be assured, accessible and sustainable.
iv. Both parties must have technical knowledge of the infrastructure being developed, though it may be at different levels.
v. It must be based on value for money. It must be economical, efficient and effective.

All of these have to be in place for PPP to succeed. Besides, where such arrangement is deficient of these features, the result is usually catastrophic.

Farlam (2005) suggests that PPP brings business efficiency and effectiveness to public sector service delivery and avoid the politically volatile factor of full privatization of public utilities. They allow government 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.

**Methodology**

This study adopted the qualitative method of research that requires the use of both primary and secondary sources to enable the researcher to discuss problems identified in this area that needs to be further explored. The survey method of research was adopted with the help of interview from the stakeholders, secondary source such as World Bank documents, Government Gazettes, Internet, Publications, Journals and unpublished materials were used to arrive at the findings and conclusion.

**Discussion on Public Private Partnership: The Nigeria Perspective**

The interventions of PPP in Nigeria have been confronted with myriads of obstacles, however this should be seen as take-off problems. At the take-off stage of PPP in Canada, the framework was described as "problem, problem, and problem". Sotola and Ayodele (2011) observe that the controversy and problem surrounding PPP could be less damaging if public authority transferring public utilities to private sector makes efforts at transparency and public education all through the project life circle.

The Olokola FTZ gas project was under PPP venture which include the States of Ogun, Ondo and a consortium of companies in the Oil and Gas industry. Though the project has not been officially closed, it is lack of commitment from the political leadership that contributed to its failure coupled with a change of government in the state.

Also, in order to repair the Lagos/Ibadan expressway, the federal government of Nigeria entered into a concession contract with Bicourtney Nigeria Limited to develop and manage Lagos/Ibadan expressway into five lanes. Bicourtney Limited was expected to coordinate the financial and technical contributions of other partners and not to act as a contractor. However, these efforts failed because Bicourtney could not get financial support and turned itself to a contractor. This made the government to review the former arrangement and contracted the concession arrangement to Messrs Julius Berger and RCC. Also the company's aviation unit was responsible for a successful construction of the Murtala Muhammed International Airport Local Wing.

Oyedele (2013) observes that there are challenges in Kuto-Bagana Bridge over the River Benue, which is under PPP arrangement amongst the federal government, Kogi, and Nasarawa state governments. Nasarawa State paid its share of ₦1billion to the development company but other parties failed to meet up with their financial responsibilities.

Furthermore, Lekki Concession Company failed in the execution of Victoria Island-Epe Expressway as a result of the fact that other stakeholders were not carried along. Inadequate consultation and lack of approval led to the failure of LCC in the construction of three toll gates within the distance of less than 5 km. This move was kicked against by some Nigerians who threatened to institute legal action against the government. This led the government into constructing alternative roads.

In addition, Messrs Maevis Airport landing fee collection concession at Murtala Muhammed Airport, Ikeja experienced failure as a result of costly non-receipted amount paid upfront by the concessioner.

Ajaokuta Rolling Mill also experienced the same failure, many attempts made by Public Private Partnership to revive the mill could not succeed because of the public outcry. The failure of the Nigerian government to maintain the mill caused a lot of problems to the steel company. National Iron Ore Manufacturing Company, Ajaokuta Steel Rolling Mill and Delta Steel Rolling Mills project did not succeed because of public reactions and sentiments.

Ogun state government announced the building of Cargo Airport which was an initiative under the framework of PPP. The project was designed in such a way that the state government would commence the project with on-site mobilization of the contractor and some selected private firms which will ensure its completion, but the project was abandoned in 2009 as a result of corruption.

The Gateway Hotel owned by the Ogun state government stopped functioning as a result of controversy surrounding the concession arrangement. In spite of the failure that PPP has recorded in some areas, it is important to note that in some areas PPP recorded success. Immediately after crude oil was discovered in Oloibiri in Bayelsa state in 1956, the Nigerian government invited multinationals in the oil and gas industry for partnership arrangements which recorded robust success up till now.

Also, there was a partnership arrangement between the Lagos state government and HEP Construction Limited for the building of Dolphin Estate, Lagos in the 1980s which contributed to the infrastructural development of the state.

Also, Millennium Park, Maitama was designed and developed by Salini Construction Company Limited through the arrangements of Public Private Partnership.
Sotola and Ayodele (2011) observe that in adopting sectoral view of some parastatals within the government, it was discovered that public private partnership has been employed in form of granting concession to direct or privatize many units. Nigeria Port Authority (NPA) gave concession of 16 terminals to the private firms.

In addition, the public transportation in Lagos, known as LAGBUS and BRT (Bus Rapid Transit) gave concession to the private firm which is easing the movement of the people and Lagosians along its routes to reduce traffic jam coupled with a standardized billing system.

 

## The advantages and disadvantages of PPP in Nigeria

According to NPC (2006), Nigeria being Africa's most populous nation doubling as its biggest infrastructure market construction is important to the infrastructural development of any nation. According to UKCG (2009) the construction industry is a driver of growth in other sectors due to its reliance on an extended and varied supply chain. Other sectors of the economy such as manufacturing, education, health, sports etc depend on construction industry for performance. However, it is disheartening that infrastructure in Nigeria is not maintained despite the contracting arrangements due to high level of corruption. Oyedele (2013) observes that the focus of PPP is on end results and standards, and not on processes as the case is with traditional contracting. PPP provides quality and value for the taxpayer's money. Also, there will be adequate and affordable provision of infrastructure, employment, rural development and generation of revenue to the government with the adoption of PPP in infrastructure development. PPP has been successful in the provision of infrastructure all over the world. 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 infrastructure. Wright (2001) is of the view 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. The emergence of globalization and modernization has made the provision of goods and services available worldwide.

## Findings

Public Private Partnership arrangement worked in the 1950s that led to the success of oil and gas sector immediately oil was discovered in Nigeria by giving concession to multinationals to begin the exploration in Oloibiri.

Also, the PPP arrangement between the Lagos State government and HEP Construction Limited recorded feats in building Dolphin Estate in Lagos and also Millennium Park built by Salini Construction Company in Abuja.

Besides inadequate concession plans, sentiments have rendered PPP arrangement inefficient in Nigeria in the provision of social amenities and coupled with the fact that some of the state governments gave concession to their cronies and political associates which crippled the aim of the PPP arrangement as they became financially incapacitated to continue funding the projects.

## 5.0 Conclusion and Recommendation

Adoption of public private partnership is an effective measure to fix the decay in the infrastructure development of Nigeria. PPP arrangement on infrastructure development will help to speed up the growth of the economy as it will attract foreign investors to the country. In spite of the gain that Nigeria will benefit from PPP, it is important to note that corruption is the main problem to PPP success in Nigeria. Hence, government should combat corruption to a minimum for the sustainability of infrastructure in the country.

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