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PUBLIC PRIVATE PARTNERSHIP POLICY (PPP) IN NIGERIA: AN OVERVIEW

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Abstract

Since the attainment of the country's independence in 1960, infrastructure development have been the major preoccupation of successive government, yet the evidence on ground shows that the country is far behind in terms of infrastructural development. It is because of this ugly trend that the federal government of Nigeria through the infrastructure Concession Regulatory Act 2005 introduced Public-Private Partnership (PPP) as a way of enhancing infrastructural development. This paper, therefore, carries out a careful analysis of the Public-Private Partnership in Nigeria. To achieve this, the paper made use of secondary sources of information by relying on the works of scholars using textbook materials, journals and other publications. The study adopts the New Public Management (NPM) theory as the framework of analysis. The study establish among others that corruption may be the major hindrance to effective actualization of the ideals of Public-Private Partnership. The paper therefore, recommends that government should intensity its fight against corruption.

Introduction

The concept of Public-Private Partnership (PPP) originated from the United States of America (USA), initially relating to joint public and private sector funding for educational programmes; and then in the 1950s to similar funding for utilities. It has come into wider use since the 1960s. It is referred to as public-private joint venture for urban renewal. It is also referred to as public funded provision of social service by non-public sector bodies often from the voluntary (not for profit) sector (Asimiyu, 2011).

Public-Private Partnership (PPP) came into the development dictionary of nation-states of the world as a result of the failure of the welfare state to continue to meet the increasingly complex challenges and demands for better quality service delivery in the advanced industrialized world. The dismal failure of the centralised state in Africa and in some other parts of the world to achieve the goal of development becomes elusive. According to Olaopa, 2009, this failure can partly be attributed to the image of government as the doers and provider of all. Public-Private Partnership (PPP) aims at changing government and its public services from the old, big, rule bound, command and control, unresponsive and inefficient organisation, to one that is lean, decentralized, effective, creative and responsive. Government does not have to do everything, it should do what it is best placed to do – setting development agenda and overseeing its actualization.

Overtime, the Nigerian public sector (bureaucracy) has been bedevilled by inefficiency in service delivery partly because of its large and rule bound nature. It is, therefore, in alignment global strategy of reforming the public sector for better performance and repositioning it for the challenges of the present time that the government of Nigeria introduced Public-Private Partnership (PPP) policy. The reform paradigm recognizes that there can be little meaningful progress with the development effort of government if there is no cooperation with the private sector.

It is against this backdrop that the study carries out an overview of the Public-Private Partnership (PPP) policy in Nigeria. The study is organized into nine parts. Part one is the introduction, which provides a background and general understanding of the problem. This is followed by conceptual clarifications, theoretical framework, methodology, the Public-Private Partnership (PPP) process, Public-Private Partnership (PPP) and its implementation, challenges of Public-Private Partnership (PPP) in Nigeria, and the conclusion and recommendations.

Conceptual Clarifications

There is no single universally accepted definition of Public-Private Partnership. Public private partnership describes a government services or private business venture which is funded and operated through a partnership of government and one or more private sector companies. Some governments have developed the definitions of Public-Private Partnership according to their functioning, ruling and processing. Brazil government has formulated a Public-Private Partnership law and Article 2 of this law defines that Public-Private Partnership contracts are agreements entered into between government or public and private entities that establish a legally binding obligation to manage services, undertakings and activities in the public interest where the private sector is responsible for financing, investment and management. According to Ireland government, Public-Private Partnership is an arrangement made between a state authority and a private partner to perform functions within the mandate of the state authority and involving different combinations of design, construction, operations and finance. In South Africa, Public-Private Partnership is defined in law as a contract between a government institution and a private party where the latter performs an institutional function and/or uses state property and where substantial project risks are passed to the third party. Public-Private Partnership is used in United Kingdom as where the private sector is introduced as strategic partner into a state owned business that provides a public service.

In the words of Savas (2011), Public-Private Partnership refers to any arrangement between a government and a private sector in which partially or traditionally public activities are performed by the private sector. In the words of Dhameja (2008), alternatively, Public-Private Partnership refers to long-term, contractual partnership between the public and private sector agencies specially targeted towards financing, designing, implementing, and operating infrastructure facilities and services that were traditionally provided by the public sector. This collaborative arrangement is built around the expertise and capacity of project partners. Under the arrangement, the private sector participation is helpful in bringing in technical and managerial expertise, improving operational efficiency, infusing financial resources and introducing competitiveness.

Public-Private Partnership is policy decision and initiative of the government at any level to promote public interest and public good. In this approach, participation/partnership/collaboration of the private sector bodies is sought to be harnessed by the government for major or mega development projects because participation and involvement of citizens, voluntary associations, and civil society groups in the process of development is the building block of successful development administration.

Theoretical Framework

In the vast literature of social sciences, the New Public Management (NPM) is considered most relevant to the topic under investigation. The term New Public Management was coined by Christopher Hood in 1991 and used in his paper "A Public Management for All Seasons", published in Public Administration (Vol. 69, Issue 1). Another equally important contributor is Gerald Caiden. Some notable scholars who have contributed to New Public Management are P. Hoggett, C. Politt, R. Rhodes, R.M. Kelly, P. Aucoin and L. Terry. New Public Management has become a very popular concept, the secret lying in its appeal as an attractive solution to the problems of big and inefficient government. The New Public Management (NPM) is an incarnation of a new model of public sector management in response to the challenges of liberalization, international competitiveness and technological changes (Fadia and Fadia, 2011).

The whole idea of the market-driven New Public Management reform is implicitly underlined by the idea of constant and continuous cooperation and partnership between the public sector, and the private sector. Much of the methods, tools and operational strategies that make up the package to be adopted by public sector bodies are borrowed from private business organizations, while the public services that are deemed fit for contracting out under the reform are contracted out to private sector organizations. Hence, the New Public Management reform establishes a trend of mutually beneficial bond between both sectors of the economy and society (Olaopa, 2009).

Central to the New Public Management theory is the opening up of public service delivery to market-driven competition through such means are creating autonomous executive agencies, contracting out public service delivery to private sector bodies, and remodelling of public sector organizations to function and operate like private business enterprises. It is therefore obviously clear that the major argument in favour of New Public Management theory which Public-Private Partnership is part of its element is about innovation which entails creatively devising strategies to meet the dynamic challenges of the time.

Research Methodology

This study relied on secondary sources of data, which were obtained from textbooks, journals and other publications.

Public-Private Partnership Process

For effective actualization of Public-Private Partnership project, the National Policy on Public-Private Partnership identified the following processes as guide to action in implementing Public-Private Partnership projects.

1. Project Development
    - i. Identification of need;
    - ii. A systematic appraisal of technical solutions to the identified need;
    - iii. Preparation of economic, social and environmental cost benefit analysis, and an Environment Impact Assessment if required;
    - iv. Value for Money (VFM) and affordability testing of different procurement options;
    - v. Preparation of financial analysis – the pre-feasibility study;
    - vi. Budget allocation within the National Development Plan, and subsequently, the Medium term Expenditure Framework (MTEF), and
    - vii. Approval of Outline Business Case (OBS) prior to the commencement of procurement.
2. **Procurement**
    - i. Creation of a project team and management structure;
    - ii. Preparation of an information memorandum and bid document;
    - iii. Market consultation, if appropriate;
    - iv. A competitive and transparent procurement process, with a clear audit trail for the selection of bidders and the evaluation of bids; and
    - v. Approval of Full Business Case (FBC) before the decision to award a contract.
3. **Implementation**
    - i. Monitoring of design and construction, and subsequently operation and maintenance to ensure compliance with the required service standards; and
    - ii. Monitoring of payments against services delivered and any contingent liabilities.

4. **Maturity**
    - i. Inspection and preparation for the handover of any public assets in accordance with the specified requirements, if appropriate;
    - ii. Analysis of future service delivery options and further procurement, if appropriate; and
    - iii. Contract close and recoding of lessons learned.

Public-Private Partnership and Its Implementation

One of the challenges facing developing countries are the problem associated with institutional framework for the implementation of policy initiatives. This is obvious considering the failure of well formulated policies as a result of absence of institutional capacity for proper implementation. Creating the right institutional arrangement is considered as the most critical step once government has established its policy direction. On the strength of the foregoing submission, this aspect of the paper examines the institutional framework for the implementation of Public-Private Partnership in Nigeria.

As indicated in the National Policy on Public-Private Partnership, the activities of the following institutions are critical to the realization of Public-Private Partnership policy.

a. **Infrastructure Commission Regulatory Commission (ICRC)**

The Infrastructure Commission Regulatory Commission Act 2005 seeks to provide for the participation of the private sector in financing, construction, development, operation and maintenance of federal government infrastructure or development projects through concession or contractual arrangements. The Infrastructure Commission Regulatory Commission and its governing Board were established to regulate, monitor and supervise the concession and development projects. The Infrastructure Commission Regulatory Commission is responsible for setting forth guidelines to promote, facilitate and ensure implementation of Public-Private Partnership projects in Nigeria with the objective of achieving better value for money (VFM) for infrastructure services and enhanced economic growth.

b. National Planning Commission

In line with the provision of the policy, the National Planning Commission is tasked with developing a 15 year investment strategy for all infrastructure services provided by the federal government.

c. Ministries, Departments and Agencies (MDAs)

Ministries, Departments and Agencies are to prepare long-term plans for infrastructure investment and maintenance which will be incorporated into the government's rolling 15 year National Development Plan by the National Planning Commission and whether the investment is to be funded through Public-Private Partnership or from the MDA's budget.

d. Federal Ministry of Finance

The Ministry of Finance will have an important role in public financial management of Public-Private Partnership projects, and in evaluating and managing fiscal risks that may result from the terms of the agreements. The ministry needs to ensure that the forecast costs for the government – including any subsidies that may be required to make a project financially viable or to ease the transition for poor households to a full cost recovery tariff are affordable over the life of the contract and within the medium term expenditure framework.

e. Debt Management Office

Together with the Ministry of Finance, the Debt Management Office (DMO) needs to be satisfied that any contingent liabilities are manageable within the government's economic and fiscal forecasts.

f. Accountant General of the Federation

The Office of the Accountant General of the Federation is to ensure that funding for payment obligations incurred through a federal Public-Private Partnership contract is safeguarded to ensure prompt payment, subject to appropriate authorisation. The states also need to develop processes to ensure that contractual payment obligations are met.

g. Bureau of Public Procurement (BPP)

The Bureau of Public Procurement (BPP) plays an important role in ensuring due process in the procurement of public works and services. It uses techniques such as benchmarking to ensure that the prices paid for goods and services are fair and reasonable. The Public-Private Partnership resource centre within Infrastructure Commission Regulatory Commission will work with Bureau of Public Procurement to develop appropriate procurement process for Public-Private Partnership.

h. Bureau of Public Enterprises (BPE)

The Bureau of Public Enterprise may be required to serve as internal consultant to Ministries, Departments and Agencies. Public-Private Partnership project teams along with any other External Transaction Advisers that may be procured by Infrastructure Commission Regulatory Commission.

Besides the government institutions discussed above, several other parties are involved in the implementation of a Public-Private Partnership. They include project sponsor(s), banks and other financial institutions, experts, suppliers, off-taker(s) and third parties.

Challenges of Public-Private Partnership in Nigeria

Like most public policies in Nigeria, the implementation of the Public-Private Partnership policy may be endangered by the following challenges:

a. Macroeconomic Challenges

The macroeconomic policy of the government determines the risk of the country, influences the enabling framework for infrastructure development and enhances sustained economic development. It could be challenging for an industry to develop when the economy is often hit by macroeconomic shocks and financial crises. The table below shows the macroeconomic trend in Nigeria for selected years between 1980 and 2010.

Table 1: Some Macroeconomic Indicators for Selected Years

Year	GDP Growth Rate (%)	Exchange Rate ₦ to US$	Inflation Index (%)	Per Capita Income (as % of USD)
1980	-2.7	0.78	9.9	7.22
1985	9.5	2.83	5.5	1.89
1990	13	8.94	7.5	1.49
1995	2.2	54.36	72.8	1.28
2000	5.4	102.24	6.9	1.11
2005	6.1	131.01	17.9	1.96
2010	5.8	149.2	13.4	1.32
2011	5.9	158.1	12.6	1.34
2012	4.7	156.2	9.7	2.11
2013	8.3	182.6	9.1	3.19
2014	8.7	219.2	10.2	2.82

Source: CIA World Fact Book, Nigeria Country Report, Global Finance Estimates

The GDP growth rate increased sharply from -2.7 percent in 1980 to 9.5 percent in 1985 and 13.0 percent in 1990. In 1995, it declined to 2.2 percent and increases to 5.4 percent in 2000. In 2005 and 2010, diversification initiatives finally took effect and the growth was restored to 6.01 and 5.8 percent respectively. In 2011 and 2012, it was 5.9 and 4.7 respectively. In 2013 and 2014, it went up to 8.3 and 8.7 respectively. Due to inflation, per capita GDP in 2010 remained lower than in 1980. The exchange rate stood at ₦0.78 to US Dollar in 1980, depreciates steadily to ₦2.83 in 1985, ₦8.94 in 1990, ₦54.36 in 1995, ₦102.24 in 2000, ₦131.01 in 2005, ₦149 in 2010, 158.1 in 2011, 156.2 in 2012, 182.6 in 2013 and 219.2 in 2014.It should be noted that volatility in the inflation rate and exchange rate increases the cost of capital and causes uncertainty in a way that makes it difficult for investors to undertake long-term projects or keep to long-term obligations as required by long-term projects.

b. Political and Governance Factors

Nigeria has changed its leaders many times, but the social, economic and political problems remain unsolved. The country depicts a case study in oil-based wealth being squandered by poor governance and internal strife. Given Nigeria's location, the country could be an economic hub for Western and Central Africa. The unstable political arrangement and weak economic management have taken its tool on infrastructure. The Index of Economic Freedom ranks Nigeria as mostly un-free economy due to high trade barriers, heavy regulation, and excessive government intervention. Consequently, foreign investment outside the oil sector has been impaired. If adequate care is not taken, these factors are capable of impairing the effective implementation of the Public-Private Partnership policy.

c. Corruption

There have been no commensurate improvements relative to the huge amount of money allegedly spent on infrastructure due to corruption. Various efforts have been geared towards good governance and anti-corruption. Prominent among the existing efforts are making anti-corruption a cardinal programme and setting up of institutions and enactment of laws to actualize a policy of a corruption free society. Some of which include the Independent Corrupt Practices and other related offences Commission (ICPC), Economic and Financial Crimes Commission (EFCC), Due Process Office, Failed Bank Decree No. 18 of 1994, Advanced Fee Fraud Decree No. 13 of 1995, Money Laundering Act of 2004, Fiscal Responsibility Act 2007 and Public Procurement Act of 2007. Nevertheless, wide corruption has worsened service delivery and the country's rating. Therefore, corruption is one major ugly phenomenon that is capable of hampering the effective implementation of the Public-Private Partnership.

d. Workable Institutions

Another major challenge may be the grafting of appropriate and workable institutions that will help facilitate a conducive atmosphere for functional Public-Private Partnership.

e. Appropriate Legal Framework

According to Olaopa (2009), the challenges to viable Public-Private Partnership could also be of legal nature. Part of the necessary ingredients of a fertile and fruitful environment for productive partnership is a good comprehensive legal mechanism to guide the operation of the partnership. In fact, it is within the context of proper legal regulation that any meaningful partnership can take place.

Conclusion and Recommendations

In the final analysis, the high level infrastructural decay in Nigeria may be better corrected by collaborative arrangements of the private and public sectors and the Public-Private Partnership reform policy provides the platform for such collaboration to take place. Scholars have argued that Public-Private Partnership promote improved responsiveness to public needs and greater performance orientation; expansion in the quantity and quality of public goods and services that can be produced beyond the level possible under pure private or public arrangements.

To ensure that Nigeria realizes the benefits associated with Public-Private Partnership, the following recommendations may be considered:

a. There should be a means of widening participation in the development process. Hence, in putting together the arrangement to deliver public services or build a public infrastructure – even though the partnership is primarily between the state (or its agencies) and the private partners concerned – the users of the service, who are also stakeholders, should be involved in the arrangement. Besides having the same right to participation in the issue that concern them, involving the users also helps facilitate the ultimate success of the project in question.

b. Viable institutional and legal framework must be put in place to guide the partnership. This is important, because no matter the level of mutual interest, understanding and trust; and regardless of how well meaning the parties are, the partnership is doomed without the proper legal and institutional framework for its operation.

c. Government should work out a way of ensuring a stable and performing macroeconomic indicators. This is because no investor would want to invest in an economy that is often hit by macroeconomic shocks and financial crises.

d. There must be a conducive and stable political environment without which nothing reasonable could be achieved.

e. No reform policy can survive in an environment that is corruption driven. Therefore, to ensure the survival and effectiveness of the Public-Private Partnership policy in Nigeria, the government has to intensify its fight against corruption.

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