Public Private Partnership and Infrastructure Development in Southeast Nigeria

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Abstract

Infrastructure is inevitable for the socio-economic development of a nation including Nigeria. Indeed efficient transport, energy and communication systems among others are critical for socio-economic development of any society. Inadequate, deteriorating has become a common feature of the southeast region. It is seemingly responsible for increased poverty, insecurity, low investments, low human capacity utilization, poor basic needs, etc., which undermines the economy of the region. While the traditional means of procurement has failed to address the infrastructural needs of the region due to fiscal constraints and cost efficiency, public private partnership is increasingly being utilized across the globe as a veritable means of procuring public infrastructure. In the light of this, this study interrogates public private partnership and infrastructure development in southeast Nigeria. It aims to ascertain if public private partnership can be employed to accelerate the development of public infrastructure, particularly transportation of goods and services across the region. It adopts the tie-level theory as the framework for analysis and generates data from documentary sources. The results indicate that there is inadequate and poor infrastructure development in the southeast which can be addressed through the mechanism of public private partnership initiatives in several ways, including development of interstate highway systems, interstate railway and mass transit systems, regional international airport gateway, and coastal marine transportation gateways; water resources development for industrial, domestic and agricultural use; power system, etc. It therefore recommends the need to create a statutory foundation for the implementation of public private partnership in the region to ensure transparency and a competitive participation of private partners.

Keywords: Public Private Partnership, Infrastructure, Development, Governance

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Background to the Study
Infrastructure is important for development and integrating economies. Good quality infrastructure is a key ingredient for sustainable development (Uzor, 2013). Infrastructural facilities are not demanded for their own sake, but for what they will help in producing. In all aspects, whether in a developed or less developed country, the capacity and capability necessary for business growth stem from the acquisition of science and technology, culture and the availability of enabling infrastructure. The enabling infrastructures are the major factors which must exist to allow private enterprises to operate and grow. Available infrastructure will make people to be creative, innovative, gainfully employed, self-reliant, wealth creators and will ensure security.

However, it is saddening to note that the entire infrastructure in Nigeria is insufficient and poorly maintained by both the government and the governed. Fund for Peace (2012) avers that Nigeria's infrastructure is in a state of decay. The abysmal state of affairs is a consequence of years of inefficient maintenance of existing infrastructure and the nation's declining financial capacity to fund new projects. According to Infrastructure Concession Regulatory Commission (ICRC, 2012), virtually all aspects of the country's infrastructure are poor; about 70% of the country's 193,000km of roads is in very bad shape, 60% of the population lack any electric power supply, and the railway system is moribund. Southeast Nigeria comprising Abia, Imo, Anambra, Ebonyi and Enugu states, has the potential to accommodate several investments and spearhead economic development in Nigeria, but has been constrained by poor state of infrastructure. The region is faced with several developmental challenges and the states have in varying degrees witnessed near total collapse of infrastructure occasioned by inadequate and poorly maintained roads, absence rail transport, international airports, dam and inland ports among others, which have led to closing of businesses. The deplorable state of infrastructures and poor state of repairs and maintenance are evident on electricity, roads, ports, railways and water resources. The reasons for the deplorable conditions of the infrastructures are: negligence and reduction in government spending on infrastructure, vandalization of existing ones, corruption, bureaucratic bottlenecks and delay, maintenance and repairs of damaged facilities. Ijaiya & Akanbi (2009) argued that these could result into: low productivity growth, low income growth, low savings, low level of industrial development and ultimately end up as vicious cycle of poverty. Infrastructure deficit have ruined the region's growth potentials and made doing business very difficult and restrictive. For it to realize its growth potentials, a fully structured and sustainable infrastructure development policy is desirable. Infrastructure development and management constitute the critical area which requires efficient developments that the society heavily relies upon and this would provide a good yardstick of measuring socio-economic development.

Also, Ukiwo (2012) notes that the southeast is the only geopolitical zone in Nigeria that is landlocked without any international outlets. This impedes efforts to attract viable investments and spikes transaction cost, making the cost of manufacturing, trade and services very expensive. These have led to high unemployment among a highly-
educated youth population, lack of investments and collapse of industries. More so, among the six-geo-political zones of Nigeria, the Southeast is the biggest exporter of its first rate and best human capital. This denudes the region of human capital needed to service its own development and needs. A major reason for this is the absence of a viable economic infrastructure and industrial base to engage both the experienced and thousands of young people graduating every year from higher institutions. Thus, over the years, the zone has been consistently experiencing a downward slide in most development indicators, trailing behind other southern zones in measures of investment, infrastructure development and maintenance and inequality. This has become a source of concern because of the history of outstanding performance in educational attainments, human capital, industrialization and growth in the region. Since the advent of colonialism which marked the agglomeration of peoples in the region under the shared Igbo identity, social scientists have been astounded by the progress recorded by the people in the region. The emergence of Nnewi, Onitsha, Aba and Enugu as veritable industrial centres was the product of the capacity for innovation and adaptation and extant social capital which produced low transaction costs.

To compound situation, the federal government, since the end of the civil war in 1970 has not been fair to the southeast in rebuilding its infrastructure and services destroyed during the war, which would have enabled the region to rebuild its economy and provide jobs for its army of young people. The government has consistently short-changed the region in the citing of major public works programme such as construction of power stations, expansion of road networks, water and irrigation projects and other social investments that would have contributed in turning the economy around. Furthermore, it appears that efforts to engage the federal government to rethink and redress the longstanding exclusion and neglect of the southeast in the allocation of major developmental projects such as power stations, road networks, water and irrigation projects and petrochemical industries despite the oil and gas endowments of the region failed to produce the intended result.

The foregoing suggests that the traditional means of procuring infrastructure in Nigeria has failed to address the infrastructure challenges of the nation and there are opportunities for private sector participation in this sector. This is truer of the southeast region which can hardly boast of any functional road linking two or more state. In the light of this, this study interrogates public private partnership and infrastructure development in southeast Nigeria. It aims to ascertain if public private partnership can be employed to accelerate the development of public infrastructure, particularly transportation of goods and services across the region.

Conceptual Clarification
Public Private Partnership
In the last few years, the world has witnessed a dramatic increase in the involvement of private sector in the development and funding of public infrastructure (Saptre, 2006). Techniques often referred to as Public Private Partnership (PPPs) are continuously being
developed to bring the public and private sectors together for procurement of public services and/or infrastructure with a view to sharing the benefits and risks associated with such partnership. The joint approach allows the public and private sector partners to blend their special skills and achieve an outcome which neither party could achieve alone (Akintoye et al, 2003). Lane & Gardener (2003) have stated that the primary objective of PPP is to facilitate the delivery of high quality public facilities and/or services by the private sector over a period at a cost that represents value for money whilst at the same time transferring an appropriate level of risk to the private sector. Public private partnership has been defined as arrangements between governments and private sector entities for providing public infrastructure, community facilities and related services. Such partnerships are characterized by the sharing of investment, risk, responsibility and reward between the partners. Public private partnership has also been defined by the Canadian council for PPP as co-operative venture where there is an allocation of the risks inherent in the provision of public service between the public and private sectors.

Obozuwa (2011) suggests that public-private partnership (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP or P3. To Osborne (2006), partnership refers to contractual arrangements, alliances, cooperative agreements and collaborative activities used for policy developments, programme support and delivery of government programmes and services. Implicit in this conception is the notion that partnership understands between two or more parties, whether private or public, for implementing a mutually beneficial goal or objective. Triggered by globalization and the notion of sustainable development, to address social, environmental and economic considerations, irrespective of which is the underlying concept, collaborations such as PPP has become an increasingly popular concept especially, since the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992. This was when PPP was first pointed out as a potential way to work towards sustainability, and sustainable business development on a micro level. Since then, researchers, as well as companies, have focused their attention towards these forms of collaborations, as theoretical there are several benefits associated with PPP such as access to expertise, legitimacy, social capital creation, or part of a risk management strategy.

The objectives of PPP are to contribute to the economic integration, accelerates economic growth and sustainable development, engenders and sustains private sector participation (PSP) in traditionally public sector projects, and expands local access to international markets. In order to achieve a sustainable PPP for ensuring the most effective, productive, compassionate, result-oriented and efficient use of resources, it is imperative that the partners should adopt a single framework of action that provides the basis for co-coordinating the work of all partners; put in place and maximally utilize a single national or community coordinating body with a mandate from various sectors or stakeholders, and agree on a single national monitoring and evaluation mechanism to ascertain and maintain accepted standards.
Methodology
The study adopts the qualitative method of data collection and is based on *time-series design*. Time-series design according to Frankfort-Nachmias and Nachmias (1996) is “a research design in which pretest and post-test measures are available on several occasions before and after the activation of an independent variable”. It calls for a lengthy series of repeated measurements before a presumed causal event occur, followed by another lengthy series of measurement (Leege & Francis, 1974). In time-series design, the researcher usually attempts to obtain at least three sets of measures before the three sets after the introduction of the independent variable (F-Nachmias & Nachmias 1996). A typical time-series design is represented as follows:

\[
\begin{array}{cccccc}
0 & 0 & 0 & 0 & X & 0 \\
1 & 2 & 3 & 4 & 5 & 6 \\
7 & 8 \\
\end{array}
\]

Time-series design helps researchers to separate reactive measurement effect from the effects of an independent variable. It also enables the researcher to see whether an independent variable has an effect over and above the reactive effects. If the reactive effect shows itself at \(0_1\), this measure can be compared with \(0_0\). An increase at \(0_1\) above the increase at \(0_0\) can be attributed to the independent variable. In this regard, this study is guided with data that relate related economic development in the region when there was adequate, functional infrastructure in the southeast region and the condition during the period of gross neglect of infrastructure provision and the possible effects of the application of PPP models in the provision of infrastructure in the region.

Theoretical Framework
The study adopted the tie-level theory by Kilduff & Tsai (2003). The theory explains links between networks and their implications. The theory contends that people are connected to each other through organisations, while organisations are connected to each other through people. The networks do have influences on the success or failure of projects (Kilduff & Tsai, 2003).

There are benefits to gain from networking such as the creation of social capital, but it must be kept in mind that it also requires a substantial amount of resources such as time, money, trust, commitment, etc. (Rotter & Özbek, 2010). PPP can be characterised as a networking collaboration between at least two actors, and each actor is subject to constraints and opportunities, which will depend on their position and roles in the network and changes to same overtime (Kilduff & Tsai, 2003 and Rotter & Özbek, 2010). This suggests that patterns of transaction within and between firms may depart from what might be expected from a pure economic perspective. By implication, organisations may prefer collaborations with organisations that they have ties with rather than random alliances. The tie-level concept is used to analyse social networks and encompasses three core concepts: Strength, Reciprocity and Multiplexity. The strength of a network tie has been defined by the level of emotional intensity, intimacy and time spent. The range is from weak to strong, where the weak- ties hypothesis argues that more diverse information is likely to derive from weak than from strong ties (Granovetter, 1973 in Kilduff & Tsai, 2003). There is a trend in research that claims that certain types of strong
ties may facilitate the transmission of complex knowledge (Kilduff & Tsai, 2003). Weak
ties are characterised as infrequent and distant, whereas strong ties are frequent and long
lasting.

This implies that for PPP to succeed in developing infrastructure in the southeast, it is
essential for government to acquire the requisite capacities to engage in the
implementation and monitoring of PPP projects. This will require greater oversight
functions in ensuring that terms and specifications of partnership are adhered to.

**PPP and Conventional Public Procurement**

Conventional Public Procurement refers to the purchase, lease, rental or hire of goods or
services by the public sector. The United Nations Economic Commission for Europe
(UNESCE, 2008) disclosed that this method is desirable if the goods or services needed
are not complex and there is a possibility of choosing from numerous providers. Under a
classic PPP arrangement (DBFO), the public sector specifies the services it wants the
private sector to provide and then the private sector designs and builds a dedicated asset
for that purpose, finances its construction and subsequently operates the asset and
provides the services deriving from the asset. This is different from traditional
procurement, where the public sector is responsible for the design and financing of the
provision of the asset and then its operation once it is built. The role of the private sector is
only limited to building the asset on contract for the public sector. Thus, the main
differentiating characteristic between a PPP and conventional procurement is the fact
that finance, ownership (at least initially) and service delivery lie in the hands of the
private sector.

**Application of PPPs in Nigeria**

The primary motivating factor for PPP in Nigeria is the lack of government funds to
improve the country’s derelict infrastructure. Therefore, the Government is trying to
attract much needed private sector funds for infrastructure development. The other
factor is the failure and/or inefficiency of public authorities in providing much-needed
public services. It is hoped that the private sector would be more efficient in providing
these services.

According to Nwangwu (2013), the decision to resort to PPP was made easier by the fact
that the country had gone through a privatization program that lasted for over 3 decades.
This also included a reform program encompassing the liberalization and deregulation of
the economy (Nwangwu, 2013). There was a partially liberalized economic environment
in place; PPP was thus seen as the natural progression from privatization. Also, PPP did
not carry “the baggage” which burdened the privatization program simply because it did
not lead to the complete transfer of ownership of assets from the government to the
private sector (usually from overseas) and so people were naturally more comfortable
with it. Nigeria as a developing country, with a moderate capital budget, an undeveloped
capital market and not very buoyant private sector had to rely on foreign private sector
funding to realize its goals of providing infrastructure for its citizens. It is not surprising
therefore that most of the early investment in infrastructure via PPP came through collaboration between foreign investors and Nigerian businesses. The multilateral financial agencies also came in with a lot of support and finance (Nwangwu, 2013).

Some of the projects that have been consummated so far are mainly in the transport sector including a new airport terminal in Lagos, a new toll road in the Lekki area of Lagos, the seaports located around Lagos and the Niger Delta region of the country (Nwangwu, 2013). Similarly, Ekanem (2010) noted that there are a number of other projects currently in the pipeline like the light rail project for the Federal Capital Territory and Lagos and the concession of major road networks around the country. There is also a muted suggestion that the existing railway network will also be concessioned. In other sectors like housing, the Federal Capital Administration has concluded plans to concession the provision of infrastructure in certain areas of the capital city to some investors and there are also ongoing deals being negotiated in the power sector (Nwangwu, 2013). Joint ventures and BOT arrangements appear to be the most common PPP delivery mechanism used in infrastructure projects in Nigeria (Ibrahim, et. al. 2006). However, apart from BOT and joint ventures, other popular PPP arrangements are BOOT and DBFO. It is also true that there have been several concessions (Nwangwu, 2013).

It is clear therefore from the foregoing that Nigeria has seemingly embraced the use of PPP to finance infrastructure. However, due to the desperation and haste by government to provide infrastructure, crucial enablers to ensure for successful PPP transactions were never put in place.

**PPP as a Tool for Infrastructure Development in Southeast**

There are many ways public private partnership can promote infrastructural development in southeast Nigeria. This is more so, since the federal government appears either incapable or unwilling to address the infrastructure gap in the region as revealed in the 2016 budget distribution of capital projects in Nigeria in figure 2 below:

![Nigeria's 2016 Budget Distribution of Capital Projects](image_url)
One of the reasons private investment can thrive in the southeast, according to African Institute for Applied Economics (AIAE, 2008), is that the region boasts a common-interest economic services which would generate positive development spill-over throughout the zone, but which individual states and private sector agencies, acting independently and disparately, might not be able to deliver effectively. Similarly, Ukiwo & Chukwuma (2012) contend PPP model could be used to carry out the construction of the Onitsha-Enugu road, which has become a pain in the neck of road users in the area. AIAE (2006) also lamented the absence of an Expressway to the north and the non-existence of a good road to Nigeria’s eastern borders (gateway to Central and Eastern Africa) constitute major constraints to trade, industry and development in the zone. Public/private partnership can therefore be employed to make this lofty dream a reality. This is more so, considering that the zone is well known for its entrepreneurial spirit. The collapse of infrastructure, particularly road (figure 2), rail transport system has impacted very negatively on economic activity in the southeast region. Lack and insufficiency of infrastructure in the zone also hampered socio-economic development. Besides, the region has considerable mineral resources which can be exploited for regional and national economic growth and development.

Source: Nigerian Premium
Furthermore, AIAE (2008) disclosed some of the potentials include coal, solar energy, ceramic materials, limestone and marble. Nigeria currently depends on hydro-electricity and gas for most of its power generation. Although globally coal is the most widely used fuel in electricity generation, Nigeria has abandoned its only coal based power station, the Oji River Power Plant. The current energy shortfall in the region calls for diversification of power sources and PPPs arrangements is vital. Return to the use of coal, using current best practice will not only relieve the hardships created by inadequate and unreliable power supply in the South East but also creative new employment opportunities. The utilization of coal as a domestic fuel (turning into coke so that it becomes solid smokeless fuel) will help in preserving the country’s foreign exchange as well as ameliorate environmental degradation in terms of fuel wood harvesting (AIAE, 2008). PPPs can play a crucial role in making this a reality.

In this regard, Ukiwo & Chukwuma (2012) note that the cardinal goal of PPP could be the promotion of economic competitiveness and sustainable development of the south-east geopolitical zone within the national and global economies. Notwithstanding, the government has not done much in this direction. This contradicts the essence of PPP, as it has the capacity to resuscitate the decaying infrastructure in the region. AIAE (2008) outlined some of the possible landmark areas which can be effectively developed within the context of Nigeria’s PPP policy. These include:

1. Transportation Development: Interstate highway systems, interstate railway and mass transit systems, regional international airport gateway, and coastal marine transportation gateways;
2. Water Development: water resources development for industrial, domestic and agricultural use;
3. Energy: power supply systems (coal, gas, bio-fuels wind), solar systems, small hydro schemes, etc;
4. Education: developing employment-promoting educational opportunities, supporting international linkages for industry-oriented education, entrepreneurship and leadership institutes;
5. Tourism: Development of film village, Eco-tourism, arts and cultural facilities infrastructure;
6. Industry: development of industrial clusters and value chains, strategic raw materials development and other lumpy industrial schemes;
7. Commerce: development of regional trade fair complexes, shopping malls and export free trade centres, large conference centres, etc;
8. Health: Special centres of excellence in health, and health insurance schemes, etc;
9. Sports: Development of large infrastructural schemes for sports developments as economic activities;
10. Information and communication technology: promoting industrial growth and competitiveness through strategic ICT infrastructure particularly investments in high speed broad band internet platforms;
11. Investment and Development Finance: mobilize resources from international agencies and partners for common-interest projects and services;
12. Research and Innovations: support the creation and utilization of knowledge and innovations critical to regional economic growth and development;
13. Security across the zone – initiatives that improve security of life and property for a friendly investment climate; and
14. Agriculture: Large scale agricultural farms and associated processing schemes.

Based on its comparative organizational advantage, the PPP policy can dwell on these lumpy issues focused on the bigger picture. It will evolve imaginative ways of getting local governments, state governments, private sector, communities and civil society to work together to strengthen the economy of the zone. AIAE (2008) further identified how infrastructure in southeast Nigeria can be transformed in the context of Nigeria’s PPP policy. These include:

1. Public-private partnership (PPP) involving collaboration with international investment agencies, international development organizations, etc;
2. Mobilization of all levels of civil society and private sector for sustained ownership and economic participation; and
3. Elaborate fund mobilization from public agencies, private sector and civil society.

To this end, the public-sector role includes and responsibilities include:

1. Enabler and facilitator of PPP initiatives in the region;
2. Setting the legal framework through laws, regulations and policies,
3. Primary fund provider; and
4. Asset owner of land and physical infrastructure.

Similarly, private stakeholders will include civil society groups, academia, private sector organizations, scholars, professionals, NGOs and charities and local community groups. Their roles and responsibilities in the infrastructural development of the region will include:

1. Proposing, debating and communicating intellectual perspectives on contemporary national issues affecting the south-east geopolitical zone of Nigeria;
2. Mobilizing non-government funding to augment government resources; and
3. Investing in the key sectors of the economy of the South-east geopolitical zone of Nigeria.

The southeast geopolitical zone has favorable conditions for the implementation of the PPP. Adopting the PPP framework in infrastructural development in the zone can lead to sustainable infrastructure and efficient level of service delivery. This includes consolidation on PPP, emulation of best practices among other.

**Conclusion**

Functional and adequate infrastructure not only reduces business cost, increase capacity utilization of resources, enhance profits and revenue but provide incentives for investments and capital mobilization. Indeed, the importance of a healthy business
environment that would ensure effective planning, rewards achievement, and encourages investments in the southeast cannot be over emphasised. Improved infrastructure will enhance productivity, income growth, economic growth and sustainable development at all levels of the economy. With improved infrastructure, there will be improved industrial and economic transformation; technological development and business growth. The traditional methods of infrastructure procurement have left socio-economic infrastructure in the southeast in a deplorable condition. This is, despite the positive steps over the years towards a stable foundation for economic growth, is in tremendous need of enhancement to its base structure. While emphasis has been over time for government to improve the infrastructure base of the country, it is evident the public sector is stretched beyond capacity to maintain and develop new ones. It is therefore imperative for stakeholders in the region including political leaders, business community and the citizens to work towards facilitating the emergence of a reoriented leadership inspired by a value system that places the highest premium on service, accountability and selflessness and promote the vision of regional inter-dependence and economic integration of southeast states as a veritable vehicle for achieving faster economic development as an alternative to the 'silo mentality' and nondescript and disarticulated developments plans of governments in the zone.

It is also imperative work with the federal government to rethink and redress the longstanding exclusion and neglect of the southeast in the allocation of major developmental projects such as power stations, road networks, water and irrigation projects and petrochemical industries despite the oil and gas endowments of the region.
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