Financing Development Initiatives In Nigeria; The Public-Private-Partnership Option.

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Abstract.
This paper focuses on the quest to fast-track the development of Nigeria through infrastructural development with emphasis on the importance of taking the public-private partnership option at this stage of our national development with a background introspection to the inefficiency of a public sector dominated economic system. The body of the paper also defined workable frameworks that could be adopted for an effective and efficient public-private partnership to thrive without loosing sight of possible challenges in respect of exogenous and endogenous risks as well as other externalities and the possible adoption of the Pigouvian - corrective tax. In conclusion, it is suggested that the public-private partnership engagement in public works should go beyond public financing initiatives to include the bringing on board the well proven management capability of private sector players.

1.0 Introduction

The ever increasing population growth of Nigeria which is currently put at 3.5% per annum (World Bank 2008) has made it imperative for public infrastructure to be expanded to cope with the demands of a growing population. Also, the decay of our national infrastructure occasioned by the many years of neglect and lack of maintenance of such facilities like roads, hospitals, railways, airports etc has created a serious gap between the aggregate demand for infrastructure and the aggregate supply of such infrastructure.

It is no longer news that the decay or dearth of infrastructure in Nigeria can be linked to official corruption perpetuated by managers of different key sectors of our national economy. Year in year out, funds have always been appropriated for construction of new facilities and maintenance of existing infrastructure but such money have often ended up in private pockets and accounts in Nigeria and in some foreign banks.

The loopholes in the public fund accountability procedure have made the absolute funding of infrastructures by government unwise and unsustainable. It is common knowledge that the private sector is more

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frugal with funds and as such a good partnership between the public and private sector is seen to be a better way for funding public utilities.

2.0 The relevance of this study.

Taking a sincere look at the pronouncement and efforts of the Nigerian government in her desire to ensure that Nigeria is among the twenty largest economies by year 2020 as encapsulated in the year 2020 vision, it becomes imperative to address the issues that can frustrate government efforts at realizing this set out objective. Consequently this write-up is meant to bring to the fore once again in a more realistic but simple style, the problems that confront our economy with a view to proffering solutions.

Succinctly speaking, the unenviable growth recorded in our economy is directly linked to the lack of support structures necessary to drive any economy for reasonable growth and sustainable development. For example, the supply of energy (electricity) to run activities in the real sector has grossly fallen short of what is needed. The World Bank (2008) reported that for Nigeria to succeed in her quest to achieve the vision 2020. her annual growth rate must be in the range of 13-15% and to do this, the nation must generate 13000 megawatts of electricity as against the present 3000 megawatts being generated though the installed capacity of Nigeria's power plants is about 6200MW as shown below;

Plant	Capacity in Megawatts (MW)
Afam	986
Egbin	1320
Sapele	1020
Delta	912
Plant	**Capacity in Megawatts (MW)**
Thermal	4238
Kainji	760
Shiroro	600
Jebba	570
Large Hydro	1930
Total	**6168**

***Source:** PHCN Report as cited by Oluyemisi .A. (2009)*

The energy situation in Nigeria as at now is such that an average Nigerian that needs electricity for his business or daily work often engages on daily work actively for less than 3 hours a day, hence our dismal level of productivity as a nation. The difference between the installed ...

of the plants and actual generation is linked to the frequent breakdown of equipment and drop in the supply of gas to some of the plants arising from sabotage and sometimes system failure.

Considering the transportation sector, the scenario is equally pathetic as the infrastructure gap in the transportation sector is about 60%. This is derived from the fact that of all the road networks under the control of various arms of government (67% under the local government, 16% under States and 17% under the Federal government), only about 35% of the total road network is in good condition.

However, in respect of the telecommunication sub-sector, the policy of complete liberalization has improved teledensity, though according to the (World Bank 2008), there is approximately about 59% of Nigerians not having access to telephone lines yet.

Against this background of the need for infrastructures, there are challenges facing government that makes the ready provision of such infrastructure almost impossible hence the need to think of alternative ways of providing such and a public private partnership arrangement comes handy.

The dwindling revenue profile of Nigeria occasioned by the fall in the price of crude oil in the international market and consistent volatility of the oil sector which is the major source of revenue for the nation calls for a rethink in the means and methods of funding necessary public infrastructures to the level that is required to achieve meaningful economic growth.

Considering the fall in government revenue, many scholars and policy makers are in favour of leaning towards Public-Private-Partnership in the provision of public infrastructures. Though the adoption of public private partnership arrangements is fairly new to many developing economies including Nigeria, this approach to providing public facilities have been in use in the United Kingdom, United States of America, Australia, Canada, China since the 1990s. Examples of Public-Private-Partnership projects executed in these countries include the Sydney Harbour Tunnel and M2 Hills Motorway, and the Royal Ottawa Mental Health Centre.

This study thus aims at looking at how best to carry out our Public-Private-Partnership exercise drawing from the experience of other countries at this critical time of global economic downturn.

3.0 A review of literature and Public-Private Partnership Models

According to (Bennet,1999) the World Bank acknowledged that the preferred option in funding public projects is the engagement of the privat[e] sector by the public sector in partnerships to solve the increasing demand fo[r] services. For example, in Lagos State, where less than 1000 megawatts o[f] electricity is being supplied, as posited by Fashola, (2007) the actua[l] electricity need of Lagos is about 12000 megawatts while about720millio[n] gallons of water is needed per day, but only about 170million gallons is bein[g]

As a nation, (Ahmed,2006) in his paper on Public Private Partnership, posited that for Nigeria to achieve enviable growth, the country needs $2.5billion per year from year 2000-2010 to provide the quality of service in the energy sector alone and this could be done through a public private partnership arrangement.

Essentially, public private partnership as a major vehicle for investment in public infrastructure that provide public services has been adopted in the building of roads, tunnels, underground rails, hospitals and even government offices in the United Kingdom.

Since the main objective of any reasonable government including the Nigerian government at all levels is to enhance sustainable growth and development, the engagement of public private partnership may just be what is best to achieve this in the face of the recent financial constraints accentuated by the global financial crisis.

Public private partnership entails the coming together in partnership or collaboration of government and private sector players to do business and in this regard, in the provision of public facilities and services that can drive the economy forward.

The many advantages of a public private partnership arrangement make it a better alternative for actualizing government intention at building public facilities. Some of the advantages of a public private partnership arrangement include the following;

a. Public private partnership has the capacity of promoting efficiency in service delivery
b. It is a safe approach to privatization in that it does not entail the total transfer of public sector activities to the private sector.
c. It allows for proper sharing of risk liabilities and profits in business
d. It makes for the proper pricing of scarce public resources.

As stated by Efraim, (2007) since with a public private partnership the private sector is the final "referee" of the project, then indeed the economic viability of the project will be calculated at socially appropriate prices.

e. It helps in carrying out a good cost-benefit analysis that reduces the possibility of embarking on white-elephant projects.

For example as reported by Prud'homme, (2004) and cited by Efraim, (2007) costs are generally underestimated and benefits overestimated by large amounts in public infrastructure projects. This assertion was supported by the reference made by Strong Guasch and Benavides, (2004) as cited by (Efraim, 2007) the underestimation of cost and overestimation of benefit for toll roads in Argentina, Brazil and Mexico

Following the global wave of economic liberalization an privatization that swept across nations of the world beginning in th 1980s, many countries engaged the private sector in one way or the othe though with extreme caution. Countries like Argentina, Hungary and som in Asia that are considered as emerging market leaders have bee providing public infrastructures through the use of public privat partnership.

China in year 2008 during the Olympic game in Beijing contracte some of the projects to private sector players under a public privat partnership arrangement. Other types of collaboration have expanded th provision of services and growth in some countries all over the world.

According to Roger (1999), the telecommunication and energ sectors have led the growth in private activity since the 19990s due to th increased private involvement in these sectors driven by technologic change that has reduced sunk cost, permitted major reforms in marke structure and facilitated competition.

Given the fact that public private partnership has evolved because c the thinking and the need to ensure quality and efficiency in the provision c public services at a time like this when governments and internation development budgets are shrinking, what type of model or models could b appropriate in getting the best of public private partnership arrangeme especially with reference to Nigeria even as many state governments a becoming more disposed to this kind of arrangement. For example states lik Abia, Lagos, Akwa Ibom, Rivers have started work on public privat partnership arrangements in the area of manufacturing, roads, estat development respectively.

There is a newly commissioned ceramic industry in Abia Stat which is a project put together by the Catholic Church and the stat government. Lagos State government has an on-going public privat partnership arrangement collaboration through a Build Operate an Transfer with Lekki Concession Company in the development of Lekk Epe road.

It is instructive to highlight the types of model often used in publ private partnership such as:

a. Service Management Contract which entails a situation where public agency buys services delivered to the consumers by th private investor supplier.
b. Public Financing Initiatives; this describes for example th engagement of a private party to construct an office an subsequently the constructed building is rented by the governme for a period of time within which an amount of money is paid to th private developer. After a specified and agreed period, th building is transferred to the government at a given price.

c. Joint Ventures: in this regard there is shared risk even as the public sector retains strategic control of services in a fairly long-term agreement while the private investor designs and operates the facility as you have in the oil and gas sector and the arrangement with Virgin Nigeria.
d. Leasing; a situation where a private investor manages a public sector facility to render services to the public and pays government for the use of the facility.
e. Concessions; in this case, a private entity invests in designing and operating a public facility while the public sector maintains a level of control of the services rendered. Concessions apart from being a Design-Build-Finance-Operate could also be a Build-Operate-Transfer as earlier stated.
f. Build Own and Operate; here the private sector designs and construct and renders services for a fee or tariff.

Now, talking about the model of Public-Private-Partnership to adop,t I am of the view that there cannot be a straight-jacket model of design because of the peculiarities of projects and the different states or phases of the economies of nations at any point in time. However, every care must be taken to ensure that a win-win situation or scenario is achieved for the government representing the interest of the public and private investor.

4.0 Making Public-Private-Partnership Work in Nigeria

There is no doubt that adopting a public-private-partnership arrangement is expedient where government is expected to provide public goods like roads being an example of a congested public good and in such services where over the years, government agencies and corporations have demonstrated gross inefficiency.

Apart from the efficiency that a public private partnership arrangement will bring to service delivery, it gives a more appealing picture of the budgetary accounts of the government in that, only the amount to be spent on rent will be stated in the books instead of the total cost of the project. This is the major thrust of resource accounting adopted by some governments.

This approach is most useful during periods of dwindling government economic fortune like the crude oil price volatility and subsequent fall as we are experiencing in Nigeria now despite the compelling need to develop our national infrastructures.

Public-Private-Partnership is equally advantageous where you have a multi-party democracy and with no party having an overwhelming majority in the legislature. The ruling party in this situation, may not have the strength to direct the flow of resources for specific projects execution due to contending interests of people from other parties. The engagement of a public private partnership arrangement may make it easier for seeing development projects through the necessary approval stage.

Consequent upon the growing awareness of the advantages of public private partnership and the insurgence of a new collaboration between the different levels of government and the private sector players through the change in attitude of policy makers, who now appreciate the fact that commercial suppliers can be useful partners in promoting good governance, how best can such collaborations be entered into without jeopardizing the interest of the larger populace and the users of such facilities.

It is obvious that more often than not, there are un-anticipated externalities in agreements such that exists in the Build Operate and Transfer. There can exists a scenario where the private sector partner may fix a price higher than the efficient market price in order to quickly recover cost and still make profit before transferring the facility to the government.

Consequently, in entering public private partnership agreements, the Nigerian government must define her roles to ensure that the public is not extorted and customers get value for money paid for services. Also on the part of the private developer, exogenous uncertainties which could affect the delivery of qualitative public private partnership is a risk factor. For example issues related to increasing cost of materials and general inflation.

In addition, a situation where entering into a public private partnership arrangement on road construction results in less patronage and subsequently congestion on the freeway, it may be necessary to introduce some fees on the freeway and carry out reduction of toll fee on the public private partnership managed road by introducing what is known as the Pigouvian externality corrective tax.

In the provision of public facilities, people in government who have largely benefited and are still benefiting from the loopholes in the management of government corporations have argued for the non-engagement of private sector players in the day to day running of organizations financed through public private partnership arrangements, but it makes more common sense to say that private sector involvement in Nigeria in the delivery of public goods should not be restricted to financing such ventures alone. They should be encouraged to bring on board the management competency and efficiency associated with the private sector.

With the background knowledge of the inevitability of a public private partnership arrangement, if Nigeria must achieve vision 2020, it then becomes imperative for the policy thrust of government to focus on developing a framework for executing public private partnership.
In order to do this successfully, the following issues should be taken into consideration;

a. the need to develop legislative and institutional structures to support public private partnership.
b. The need to define the role of government explicitly in this type of collaboration.
c. The need for a strong political will and commitment to make public private partnership work in Nigeria.
d. Putting in place, procedures and processes to develop human capacity especially in the public service.
e. Ensure political stability and good governance
f. Give enough support to the financial system through consistent policies that affect that sector that carries out financial intermediation.

5.0 Recommendations and Conclusion

It is strongly recommended that in the light of the overwhelming demand for infrastructure in Nigeria and the dwindling financial resources of government, every level of government in Nigeria should explore opportunities of engaging the private sector in developing facilities necessary to fast-track economic growth and development.
In doing this, apart from accessing funds from the private investors, they must be allowed to bring on board their management capability, while the government must give all necessary support to make sure that all such public private partnership agreements work effectively and become sustainable.

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