The Burden of Public-Private Partnership in Nigeria: Sharing, Shifting or Shirking?

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Abstract
Public-private partnerships (PPPs) have become a household name in the provision of infrastructures. The romance between government and private business in this business is no longer news, but wholesale use by governments to mean the sophisticated contract techniques on private credit. A better efficiency in infrastructure provision strengthened, monitoring and accountability is promised. This relationship also builds a stronger business and investors’ confidence. The thrust of this relationship is the forecast benefits derivable from the private funding of public infrastructure arising
from the shifting of risks from the public sector to private parties. The co-operation between the public and private actors develops mutual products and/or services and in which risk, costs, and benefits are shared, shifted or shirked. A theoretical analysis of this relationship was done and the result found, that risk, cost and benefit were rather shared between them rather than shifted or shirked. The paper examines that, though the norms of the two differ, the relationship is still recommended for a better service provision and profit realization therein. The relationships have improved public service delivery and also provide development at less cost to the government, and the parties involved are better off in terms of profit from the business.

Key words: Burden, Public-Private Partnership, sharing, shifting and shirking

Introduction

Public-Private Partnerships (PPPs) have become a household name in Public sector infrastructures and services provider in many economies of the World. The reasons, at a general level, are common to all economies. The first, is the challenge of the failure of the public sector to provide adequate and efficient services, the cost of the provision of the services are heavier on the government at all levels; Federal, State and Local, for instance, in Nigeria the lack of the managerial skills is a tribute. These, however, together imply a major legitimacy crisis for the public sector as a provider of welfare services. It is in the light of this that there is the need for a joint hands between the public and the private sectors for, hoped, better services. In some welfare states/countries where this traditional role of the provision of public services did work, are gradually fading out giving way to the private driven economy or the joint efforts of the Public-Private Partnerships.

In recent time, there has been growing desire in the public-private dichotomy within administrative and organisational literature. Moore (2005); Greve (2007); De Graaf & Van der Wal (2008); & Van der Wal (2008) who explain that the growing popularity in this field of PPPs are in the growth of the new public service delivery structures that introduce private values and management principles into the public sector and this has turned around the economies of many countries. High levels of social trust facilitate interactions within societies and organisations through a healthy distrust can help to check abuses by power holders when the government provides a strong legal system and tackles problems of injustice and inequality.
worldwide, social trust increases. Despite the improvements promised by recent public sector reforms, current levels of citizen distrust in government, both in developing and developed countries, pose a serious threat to the capacities of governments to govern effectively. Distrust results from a loss of social capital, which is affected directly by how well the formal institutions of government facilitate good governance within their societies.

As put by Carnevale (1995), trust refers to the faith or confidence that exists about “the intentions and actions of a person or group to be ethical, fair and non-threatening concerning the rights and interests of others in social exchange relationships”. In the works of, Banfield (1958); Fukuyama (1995); Ingelhart (1999) and cited in Brewer (2003); Knade and Keefer (1997); Putnam (1993), the capacity to engage effectively beyond ties of kinship or common locality is an essential precondition for large-scale economic activities to develop within market economies. This trust is systemic and involves trust in institutions as distinct from the interpersonal trust that develops between individuals. Given that social trust and trust in government are strongly linked, efforts to enhance or at least to prevent further erosion of systemic trust are an important aspect of capacity-building in public policy development and public service delivery.

The reason for the surge of interest in this approach of the service provider is the questions over its distinctiveness. This approach had come under various other names, such as the Structural Adjustment Programmes (SAP), Privatisation and Commercialisation and government also as a deliberate attempt to promote this policy incorporated in its policy thrust of the National Economic Empowerment and Development Strategy (NEEDS), with slightly different defining characteristic, but with a large degree of overlapping in ideas. The main thrust of the privatisation war sees the struggle of capital interests, with a voracious desire for higher investment returns, against human and social interests, with community welfare and social cohesion as the instrument for governance.

For citizens of a nation to trust their governments, evidence is needed that principles of good governance are being entrenched. In particular, they will expect that partnership activities are undertaken with due regard to critical elements of good governance, including accountability, responsiveness, transparency, fairness and predictability and stakeholder engagement. This is the main thrust of Public-Private Partnership. It is because of the enormous
social, economic and financial benefits that both the government and the private sector envisage to gain that the Nigerian government is devising means of luring the private sector into this collaborative framework to provide the needed services in the system.

Therefore, the objective of this paper is to determine whether the risk, benefit and cost of the relationship between public and private sectors are shared, shifted or shirked. To achieve this purpose or objective, the paper has been structured into five sections with the Introduction as section I; Section II deals with conceptual and theoretical issues of PPP. Section III is an evaluation of the PPP as a tool of governance and financial management, Section IV discusses how the risk, benefit and cost of the relationship between public and private sector is determined. Section V summarises, concludes, and policy recommendations.

**Concepts and Theoretical Issues**

Public-Private Partnership in concept is a contractual relationship between a public entity and a private entity, whereby the private party takes part of a government organisation’s service delivery functions, and assumes the associated risk for a significant period of time. In return, the private partner receives a benefit/financial remuneration according to predefined performance criteria, which may be derived;

(i) Entirely from service tariffs or user charges  
(ii) Entirely from Government budgets and  
(iii) A combination of the two above.

However, in the relationship, the public sector retains a significant role in the partnership project, either as the main purchaser of the services provided or as the main enabler of the project. It buys services and specifies the service outputs/outcomes required as well as the performance criteria for payments. The private party only provides the design, construction, operation and possibly financing for the partnership project, and is paid according to performance. Risks are identified and placed with the party best able to bear and manage them at lowest cost.

The concept of the Public-Private Partnership is broad. This concept is used world-wide and it does not have a universal meaning. These vary from country to country, Nigeria, where Public-Private Partnership is been
associated with partial privatization and commercialisation of public-owned utilities for a better provision of services, United States of America’s PPP is been associated with urban renewal and downtown economic development, while in the United Kingdom, where the Private Finance Initiative (PFI) has become a cornerstone of New Labour’s stakeholder. Osborne (2001) opines that PPPs have become a pivot for public services provider and development in civil society in post-communist regimes such as the USSR, Hungary and a tool for combating social exclusion and enhancing development in communities. It is, therefore, clear that PPPs are a family of different possible names through which public sector infrastructures and services are provided jointly by the public and private sectors. Presently, the common ground under which PPPs could be taken is that government has a business relationship that has a long time gestation period with risks and returns being shared and that private business becomes involved in its finances, designs, constructs, owns, or operates public facilities or services. As put by Wendell (2002),

Relationships among government agencies and private or non-profit contractors that should be formed when dealing with services or products of highest complexity in comparison to traditional contractor – customer relationships, they require radical changes in the roles played by all partners.

This partnership is not limited in its sphere, a hunk of the role in infrastructure decision making is possible, bigger financial flows and greater capacity for risk could be shifted to either side of the partnership. In whatever ways the relationship might have to be, the public interest is paramount for the long term and that whatever trade-offs are made for political expediency should be transparent. Wilson (1998), submits that no country in the World today can be competitive internationally, nor equitable and efficient domestically without very close cooperation between the private and public sectors. However, the bridging mechanisms and the institutional infrastructural facilities for investment typically provide three features needed to complete the relationship and make it work effectively. These are communications, compromise and coordination. Klijn and Teisman (2000) define Public-Private Partnerships as cooperation between public and private actors with a durable character in which actors develop mutual products and/or services and in which risk, costs and benefits are shared. The hybrids
in these sectors have become the most acceptable ways in which the cures for the welfare state’s ills are diagnosed. This is why, today, our politician, seasoned administrators and business Mongols have embraced this new path which has increasingly intertwined with public management in term of service delivery.

According to Zimmer & Stecker (2004), Evers & Laville (2004), & Nyssens (2006), the assumption and theories about the specific strengths of the PPPs organisation in relation to service delivery have been manifold. This can be seen in four different ways; (i) community involvement; (ii) giving the different groups a voice; (iii) pioneering innovations in service provision that matters to groups, situations and/or needs neglected by states and markets and (iv) the complementary role play in enhancing the qualities of established public service. According to Kenniscentrum (1998), the provision of infrastructures will be faster and more efficient through Public-Private Partnership. Hitherto, the public sector was seen to have played a dominant and increasing role in the Nigerian economy as was contained in the Second National Development Plan of 1970 – 74. The role of public enterprises was considered to be crucial and that called for proliferations of same until the collapse of the world oil market in the early 1980s. According to Oshionebo (2001) it was obvious for the sector to retreat from its dominance in the management and provision of national economic development. In the view of Obadan and Ayodele (1999), whatever form privatisation and commercialisation are conceptualised, it was an umbrella to express and describe a variety of statutory restrictions and monopoly power in order to bring about tremendous economic gains. According to Baliamoune and Chowdhury (2003), in order to remove any market distortions that impede free market conditions, reforms of the price liberalisation and deregulation of activities in the public sectors were pertinent. As posit by Rosenau (1999) and Mcquaid (2000) ideally, all partners benefit from establishing joint investments and longer-term relationships. By working together each can still achieve their own objectives and, as a cooperative synergy builds between the partners, accomplish more than could be achieved by independent action alone. This has been a part of a broader move towards a reduced role for the government in the economy and a better service to its citizenry.

Public–Private Partnership arrangements exist in a wide spectrum, differing in purpose, service scope, legal structure and risk sharing. At one end of the
spectrum would be an outsourcing of some routine operation, while the other could involve the private sector conceiving, designing building operating, maintaining and financing a project, thereby taking a considerable proportion of the risk. The choice of the PPP arrangement for a particular project depends on government’s policy in the related sector and on potential value for money to be generated under such an arrangement.

**An Evaluation of PPP as a Tool of Governance and Financial Management**

The PPP is popularly seen as a tool of governance or management. It is generally accepted that PPP provides a soft landing for delivering goods and services to citizens, and this way is a mode of managing and governing (Hodge and Greve 2005). The approach focuses on the organisational aspects of the relationship. The focus on governance and management tools emphasise that PPPs are either inter-organisational or financial arrangement between the public and private sector. Most of the literatures on PPP tend to look at the approach in term of cooperation between organisations and risk sharing. This relationship can result in better product or services that could not have been possible for a single organisation, whether public or private.

As put by some Dutch public management scholars, Van Ham and Koppenjan (2001) cooperation of some sort of durability between public and private actors in which they jointly develop products and services and share risks; costs, and resources which are connected with these products, through the Len of the institution. Both the private and public see to the day-to-day activities of joint venture(s) in terms of it profitability and management, subscribe to the fact that it is a tool of governance or management. The relationships between the Public and private sector use the principles of governance and management to sustain and realise profit as a product of cooperation.

It is argued by different authors, that public private partnerships form an alternative to the New Public Management (NPM) philosophy and that they enable governments to control their service delivery to a far greater extent than when public services are privatized or outsourced (Bovaird 2004). The need for partnering is as a reaction to problematic privatizations situations in which partners attempt to take advantage of each others. According to Lowndes and Sullivan (2004) partnerships seek to overcome the efficiency of bureaucracy and inequity of market solutions through cooperation among
public, private, profit, and non profit organisations. This, therefore, buttress the fact that management of PPPs differs with the old traditional public administration which is been replaced by the New Public Management (NPM) under the PPP policy.

There is the new approach which several scholars argue that the desire to fade away NPM that formed a paradigmatic break with the old traditional notions of public administration by revaluing traditional notions of public administration should instead be replaced by a desire to balance between both extremes. In order to establish a governance framework for new public service delivery structures, mark the contours of a new perspective on public and private cooperation: Public Value Management (PVM), it needless comparing Traditional Public Administration (TPM) with the values derivable from New Public Management. Since the PVM bears in mind the importance of specific public values, while at the same time, leaving room for managerial techniques and structures.

The relationships between the public and private sector also stress their financial commitment. The relationship promises to reduce pressure on government budgets as the relationship will use private finance for infrastructures and also provide better value for money in the provision of public infrastructures. The most prominent of PPPs literatures on infrastructure building are BOT (Build-Operate-Transfer), BOOT (Build-Own-Operate-Transfer), and BOO (Build-Own-Operate).

**Build- Operate-Transfer (BOT)**

The most common of these arrangements of BOT are the project designed and financed by the private sector, run and maintained by the private sector for a concession period. In the process, the private receives income from running the infrastructure, for instance, toll gates, electricity distributions, BRT in Lagos, Health sector and the host others. After the expiration of the concession period, the legal ownership of the project is transferred to the government. Campbell (2001) opines that the financial arrangement of PPPs project involves the design, construction, financing and maintenance and in some cases operation of public infrastructure or a public facility by the private sector under a long term contract. There are other ways in which financial arrangements in PPPs, that both public and private actors are involved in financing. The partnership arrangement of the PPP between the public and one or more private firms where all parties are involved in sharing
risks, profit, utilities and investments through the joint ownership of these ventures and most importantly, the financial investment of all organisations. The relationship under BOT can be represented in form of a model like below,

**Build Operate &Transfer Model (BOT)**

![Diagram of Build Operate &Transfer Model (BOT)]

**OWNERSHIP: PRIVATE/PUBLIC**

**Source:** Adopted from Kentucky Transport Centre 2006

The ownership of this relationship is concessional with a time bound after which the ownership is transferred back to government and maintained by it for the rest of life span of the project. This model of relationship can be used for both large and small projects with many goals and have various interest parties and prospects.

**Build-Own-Operate-Transfer (BOOT)**

This partnership is one in which the private partner designs, constructs, operates, maintains and returns the ownership of this facility to the public partner after the concessional period. The difference here in this relationship with BOT and BOO T is that there is element of ownership of the facility by both partners for the period of the concession. Government or the
public partner would finally own the facility for the rest of the life span of the project, when the concessional ownership period of the private partner expired.

**Build- Own- Operate (BOO)**

The build own operate model is a Public-Private Partnership approach in which the private partners constructs, operates, maintains and retains ownership of the facility. The public sector forms a partnership with a private firm, and this private partner is responsible for the design, construction, operation, and maintenance of that facility. The public sector is responsible for eminent domain and securing right-of-way if necessary. In some cases, the public sector may also be responsible for the delivery of the connecting public infrastructure.

**Build Own Operate Model**

Responsibilities
- eminent Domain
- Right-of-way
- Delivery of connecting public infrastructure

**OWNERSHIP: PRIVATE**

Source: Adopted from Kentucky Transport Centre 2006

The BOO model, government agency, forms a partnership with a private firm that will then be responsible for all aspects of the project, including ownership. It is the ownership aspect of this model that significantly
differentiate it from the other public-private partnership models, as the private sector ownership of the property and facilities constructed for the purposes of the project previously, the BOO model has been used in large projects that have many goals and various interested parties or in prospects that may only serve a small portion of the population where it is not feasible for the public sector to dedicate scarce resources. A BOO model can also potentially be used for the completion of only one portion of an overall larger project.

This partnership lies between BOT and BOO model, because all the parties own the facility for the period of the concession unlike in the case of BOT and BOO. In the case of BOT, the private partner has no ownership of the facility, while in BOO the private partner owns the facility for its life span.

These partnerships can extend beyond the shores of a country. Public Private Partnership (PPP) is emerging as a new development arrangement. The arrangement maximises benefits for development through collaboration and enhanced efficiency. It is also seen as a significant tool of promoting development. These collaborative activities among interested groups or actors create mutual recognition of respective strengths and weaknesses, working towards common goals or agreed objectives developed through effective and timely communication. There will be specific commitment to undertake activities which will build on each partner’s strengths, overcoming apparent weaknesses that will involve a sharing of expertise, knowledge or experiences by one or more groups amongst the other groups. The parties also share the profits or risks arising from these relationships.

**Discussion of How Risk, Benefit and Cost of PPPs Are Been Bore by Partners**

The different definitions as reviewed by different scholars of PPPs depict some common features, which include cooperation, cooperation and collaborative activities. Public organisations are always involved in partnership with private organisation. This private organisation may include business organisations, non-profit organisations, development organisation and international donors. The PPP is always committed where a partnership is arranged for long term duration and result in specific goods and services.

In the relationship of PPPs, there are common aspects, but vary in nature. The financial relationship, sharing activities and involved private actors are
parts of the relationships. Amongst these, the common and important aspect is the financial relationship, though the financial involvement of each of these partners varies.

Sharing is mostly common in the PPPs through the mode of application may varies. PPP emphasise risk sharing as aspect of its inter-organisational. Another aspect of PPP focuses on resource sharing rather than risk sharing. This sharing includes sharing expertise, knowledge, financial, technical supports and even political supports.

The involvement of the private actor is another aspect in PPPs which is common with variety of nature. In PPPs approach, infrastructure and business organisations are private actors. The development of PPPs may include several types of private actors such as business organisation, non-profit organisation, NGOs, development institutions, International donor agents and even national government.

The sharing formula depends on the mode of the partnership. When the partnership is predicated on either, (BOT, BOOT, and BOO), the understanding in terms of who takes what is spelled out in the terms of the agreement of the partnership. In this case risks and profits, they are part of the terms of the three approaches, therefore, risk are neither shifted nor shirked, but are shared based on either of the approaches adopted by the initial agreement of the partnership. However, government benefits most, as it provides the dividends of its democratic services to her citizenry with ease. All the government needs to do, is to provide the enabling environment for the private partners to invest. These partnerships are not limited to any sector of the economy. A good example of the government that has make good use of this partnership is Lagos State government in the provision of so many services in the state, in the case of Nigeria and also Rivers State.

The major objective of PPPs in most of the approaches is that they are delivering services and/or producing goods. This development is not restricted to any specific area but it could be through the development of roads, health, electricity, and education services or poverty alleviation. This relationship hastens and sustains development in an economy and again provides the required services to the host economy. It is as a result of this relationship that governments at all levels are left with excess cash to redirect into other sectors of the economy. Under this new dispensation, government is relieved of the burden of providing social services to the citizenry;
however, it enables the provision and sustainability of the services because of the parties involve. Government is desirous to provide its citizens with the social services necessary while the private party is desirous to make profits.

Summary, Conclusion, and Policy Recommendations

In conclusion, the research found out that the burden of Public Private Partnership is shared between the partners rather than shift or shirked. Partners contribute to the relationship in various forms; financial contribution, expertise, management, and infrastructures. The research also found out costs, benefits/profits, and lost is shared between the partners in the ratio of their contribution to the partnership. We, therefore, encourage government at all levels to embark on this relationship for a better development and its sustainability, since the relationship wears two faces. It carries the face of the private sector and the public sector economy as a tool for development.

As a matter of fact, government should involve the private sector in the provision of most of its facilities like roads, schools, hospitals, electricity, sanitary, Information Communication Technology (ICT), housing scheme and the host of others. This will go along way to fast track the development of infrastructures and aid in the development of the economy.

Both the State and Federal governments should copy from Lagos state government which has completely handed over most of its developmental engagements to the Public Private Partnership (PPP) and the state has tremendously transformed.

Government should, as matter of urgency, provide the enabling environment to allow for the private sector to put in its fund into the economy, by an enduring democracy, providing adequate security and the strong will of continuity.
References


