

AN ASSESSMENT OF PUBLIC-PRIVATE-PARTNERSHIP ON TRANSPORT INFRASTRUCTURAL DEVELOPMENT IN NIGERIA

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ABSTRACT

The study assesses the impact of the Public-Private Partnership (PPP) initiative on Nigeria's transport sector. It examines the impact of PPP arrangements on economic growth, employment opportunities, and reduced transportation costs in the country. Drawing on recent documentary sources, the study employs a qualitative desk review methodology to synthesise secondary data from international organisations, academic journals, and policy reports. The study found that the emergence of PPP in the transport sector has transformed the system and improved connectivity across the country. Through it, commuters have alternative means and have reduced their burden and suffering. The paper recommends allocating more resources to capacity-building for public officials tasked with implementing PPP projects, while enhancing stakeholder engagement and strengthening regulatory frameworks.

Keywords: Public Private Partnership, Nigeria, impact, Stakeholder, Policy, Connectivity.

Introduction

Public-Private Partnerships (PPPs) have become a fundamental instrument in public procurement. It has attracted much interest worldwide. It has been used in many infrastructure Development projects with diverse purposes, ranging from high-revenue-generating projects to economic projects to the provision of social services (Chowdhury, 2009). It has emerged as a critical machinery for addressing Nigeria's infrastructure deficits in the transport sector. As Africa's most populous nation and largest economy, Nigeria faces substantial challenges in developing and maintaining transportation infrastructure that can support its economic ambitions and growing urban populations.

Therefore, a public-private partnership is a special-purpose vehicle for developing, building, maintaining, and operating, or even reviving, public-sector services. It is a system through which the private sector provides public-sector deliverables under a prearranged arrangement. Under a public-private partnership arrangement, the government leverages the private sector's resources and expertise to deliver services of the highest quality and at the best prices, thereby freeing the government's scarce resources for other projects (Babalakin, 2008). A public-private partnership covers all types of collaboration at the interface between the public and private sectors to deliver goods, services, and infrastructure. The public-private partnership invests in infrastructure procurement and delivery to deliver long-term value and ensures public assets are delivered on time and within budget. It also provides the business community with

opportunities to develop management skills and financial acumen, thereby creating better value for taxpayers. It is the best way to secure improvements in public service delivery. If a privatisation programme is regarded as a takeover of a publicly owned institution, a public-private partnership is more of a merger, with both the public and private sectors sharing risks and producing greater benefits. Therefore, adoption of PPP models in Nigeria's transport sector has increased in recent years due to constrained public finances, growing recognition of private-sector operational efficiencies, and the urgent need for infrastructure modernisation. However, this is not without significant challenges in the sector that span institutional weaknesses like a weak regulatory framework that constituted a barrier in delaying the project execution or a confusing and conflicting web of regulations and policies, there are also inadequate laws and policies containing conflicting provisions, and thus, contribute to uncertainty, thereby inordinately increasing transaction costs. Political interference outside the agreed rules of running the PPP framework undermines the predictability of private investment, perception of Nigeria as high-risk economy deter foreign investment in the transport sector and sustainable finance is a significant constraint as concessionaires battle high-interest rate loan repayment, economic uncertainty, public resistance and low internal generation and lastly, the existence of multiple laws and institutions is doing more harm than good, it is expensive running multiple agencies as this entails duplication of functions, staff and resources. This analysis evaluates the multifaceted impact and challenges of PPP arrangements on Nigeria's transport sector, drawing on specific examples and case studies to illustrate successes and challenges encountered in implementation, as outlined in the research questions below.

Research Questions

The study is guided by the research question below:

- a. What is the impact of PPP on the infrastructural Development of Nigeria's Transport Sector?

Objectives of the Study

The broad objective of this study is to critically assess the impact of PPP in the infrastructural Development of Nigeria's Transport Sector. The specific objective is to:

- a. To examine the impact of PPP on the infrastructural Development of Nigeria's Transport sector.
- b. To evaluate the challenges of implementing Public-Private Partnership in Transport Infrastructure in Nigeria

Public-Private Partnership

Conceptual Clarification

A Public-Private Partnership is a collaboration between the public sector and private actors to provide public goods and services, in which both parties share risks, resources, and rewards.

Public-private partnerships (PPPs) are arrangements between government and private-sector entities to provide public infrastructure, community facilities, and related services. Such partnerships are characterised by the sharing of investment, risk, responsibility, and reward among the partners (Aderibigbe, 2008). The reasons for establishing such partnerships vary,

but generally involve the financing, design, construction, operation, and maintenance of public infrastructure and services (Batley, 1996; Akintoye et al., 2003; Murtala, 2007; and IP3, 2009).

It is generally recognised that a public-private partnership offers a long-term, sustainable approach to improving social infrastructure, enhancing the value of public assets, and better utilising taxpayers' money. These initiatives have taken many forms, such as the outright privatisation of previously state-owned industries, contracting out services to private organisations, outsourcing, leasing, sharing services, strategic alliances, and the use of the Private Finance Initiative to provide social infrastructure and services. Public-private partnership (PPP) is thus promoted as a means of providing traditional public services more efficiently by focusing on public service output. They offer a more sophisticated and cost-effective approach to public-sector risk management than is generally achieved through traditional input-based public-sector procurement. (Carr, 1998; Babalakin, 2003). Accordingly, PPPs are veritable tools for developing the nation's infrastructure. They offer the state a unique tool for obtaining substantial capital improvements, which, if properly structured, can yield benefits in performance, reliability, risk reduction, and cost savings. It is a new reform trend of repositioning the public sector to achieve effective performance and align with global economic realities. That is why PPP arrangements are increasingly in use and accepted as an effective alternative for mobilizing additional financial resources and leveraging private-sector efficiencies.

Despite the myriad advantages associated with PPP, it is not a miracle solution and should be used only where appropriate and where it can deliver clear benefits. According to Oyegoke (2010), there is a need for effective management through an appropriate regulatory framework, an appropriate monitoring process, a peer review mechanism, demand for value for money, and appropriate risk allocation. This means that for Nigeria to find faster ways to develop infrastructure, with greater efficiency and at optimal value for money, there is a need to enhance the use of PPP for infrastructure Development.

Public-Private Partnership also covers all types of collaboration across the interface between the public and private sectors to deliver policies, services, and infrastructures (European Investment Bank, 2004). In short, it is a government service or a private business venture that is funded and operated through a partnership between the government and one or more private-sector companies.

Public-Private Partnership (PPP) is, conceptually, defined as collaboration between public and private sector organisations in public service delivery, as provided by the Commonwealth Local Government handbook. Four groups of actors have been provided as being relevant in PPPs. These are: the Government; Non-Governmental Organisations (NGOs); Community-Based Organisations (CBOs); and the private sector (Commonwealth, 2003). According to the World Bank et al (2014), a public-private partnership (PPP) is a long-term contract between a private party and a government entity for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.

A public-private partnership has also been defined by the Canadian Council for PPP as a cooperative venture in which the risks inherent in the provision of public services are allocated between the public and private sectors. A Public-Private Partnership is a long-term commitment to build or renovate non-functioning infrastructure, which the government or its agencies use to deliver essential services to the public. The use of Public-Private Partnerships (PPPs) in the production and distribution of specific goods and services is inevitable for achieving

sustainable Development. There is therefore a need to forge and promote strong, efficient, practical, sustainable, dynamic, and vibrant PPPs so that the private sector can produce and deliver goods and services hitherto produced and delivered by the public sector (Samuel, 2018).

However, some argue that PPP needs no specific definition, since the concept is widely understood and most people agree with the general definition of PPP as a cooperative activity between the public and private sectors.

Two basic assumptions underpin the PPP initiative in Nigeria: more efficient social service delivery by the private sector, imbued with better risk management, and declining government revenue occasioned by the financial crisis currently troubling the global economy (Animashaun, 2010). Moreso, some countries choose PPP with the expectation of gaining innovative technological and management skills and expertise from the private sector (Abu et al., 2010).

Methodology

The research employed a qualitative method, systematically examining secondary sources such as written textbooks, articles, policy documents, and contract files, and carefully analyzing and reporting the data.

History of Public-Private Partnership in Nigeria

The Nigeria's history with Public Private Partnerships (PPPs) began to take shape, at the beginning of the fourth democratic experience in May 1999; the Federal Government of Nigeria has embarked on an extensive liberalisation and privatisation program to inject private sector money and expertise in order to ensure quality infrastructure service delivery to the teeming population; as opined by Yescombe, (2007). The assumption is that private-sector investment in infrastructure is a key priority for moving Nigeria to the top 20 economies in the world, according to Group International PPP and Infrastructure Development in Nigeria (2004). However, over the years, the central government has taken serious steps to pursue its infrastructure targets (Solomon et al., 2019). In 2007, specifically, the Federal Government of Nigeria articulated its Seven-Point Agenda, which outlined seven key drivers of Nigerian Development. At the top of this list of indicative parameters is the adequate provision of critical infrastructure as a catalyst for economic growth, with the transport sector as a high priority for PPP investment (Ahmed, 2019). At the state level, the national infrastructure strategy has been endorsed, and a commitment has been made towards the agenda for nationwide infrastructure Development, as outlined in the National Policy on PPP (2009).

Pursuant to the above, the Federal Government inaugurated the Infrastructure Concession Regulatory Commission (Commission) in late 2008 to drive the program in Nigeria under the ICRC Act (2005). As a first step towards establishing the proper legal and regulatory environment to attract private sector investors, the Federal Executive Council approved the National Policy on Public Private Partnership, sponsored by the Commission after stakeholder consultations and technical inputs from, inter alia, the World Bank and the United Kingdom Department for International Development (DFID) (World Bank, 2011).

The key PPP principles, driven by the Commission, are value for money; public interest; output requirements; transparency; risk allocation; competition; and the capacity to deliver. This policy sets out ways to leverage private investment to address poor infrastructure stocks and sustainably boost the delivery of public services. This is pursuant to sections 33 and 34 of the

Infrastructure Concession Regulatory Commission Act (ICRCA), which empower the Commission to take directives from the President regarding matters of policy and power to make regulations, respectively. There are economic, social, and environmental objectives for adopting the PPP model as a strategy for infrastructure Development (Theresa, 2019).

The government believes that a private-sector-led initiative for infrastructure Development through PPPs will open up the infrastructure and service delivery landscape in Nigeria to greater efficiency, inclusive access, and sustainable improvements in the quality of public service delivery. In pursuit of this lofty agenda, they proposed a more investor-friendly legal and regulatory environment to enable the private sector to provide infrastructure assets and deliver public services. The Infrastructure Concession Regulatory Commission Act (ICRCA) is the closest legislation in Nigeria that can be easily described as the infrastructure law. The apparent successes in the provision of telephone services and the global system of mobile telecommunications (GSM) have heightened expectations that private sector participation is a sure-footed path to better service delivery and the procurement of high-grade, cost-effective public infrastructure stocks (Theresa, 2019).

In Nigeria, the bad state of infrastructure and the willingness of the government to restore such infrastructure with little or no funds necessitated the drive for PPP, more so the failure and the inefficiency of public authorities in providing and maintaining the desired infrastructure for the Nigerian populace, which bred the influx of private sector investment in Nigeria. The decision to resort to PPP was made easier by the fact that the country had undergone a privatisation program that lasted for over 3 decades (Takin, 2009). This also included a reform program that encompassed the liberalisation and deregulation of the economy. In essence, there was a partially liberalised economic environment; PPP was thus seen as the natural progression from privatisation. Also, unlike the privatisation program, the complete transfer of ownership of assets from the government to the private sector is not an attribute of PPP. So people were naturally more comfortable with it. Nigeria, as a developing country with a moderate capital budget, an underdeveloped capital market, and a not very buoyant private sector, had to rely on foreign private-sector funding to realise its goal of providing infrastructure for its citizens. It is therefore not surprising that most early infrastructure investments under PPP were made through collaborations between foreign investors and Nigerian businesses. The multilateral financial agencies also provided significant support and financing (Solomon, 2019).

Overview of Public-Private Partnership in Nigeria's Transport Sector

The evolution of PPPs in Nigeria's transport sector has followed a distinct trajectory influenced by changing political priorities, economic conditions, and regulatory frameworks. Initial forays into transport PPPs began in the early 2000s as Nigeria returned to democratic rule and sought to address decades of infrastructure neglect under military regimes. The establishment of the Infrastructure Concession Regulatory Commission (ICRC) in 2005 provided the statutory framework for PPP implementation. Ogunsanmi (2014) stated that the FGN has selected three critical sectors of the Nigerian economy as the key areas for the overall Development of the country. The general infrastructure, power, and transport sectors are the three major sectors beckoning for Development.

The period between 2010 and 2020 witnessed a significant expansion of transport infrastructure Development in Nigeria through PPPs, particularly in the railway sector, road construction and airport with several high-profile projects awarded to Chinese contractors through bilateral financing arrangements these include; Lekki Deep Sea Port, Abuja-Keffi-Akwanga- Makurdi road, Warri-Itakpe rail line, kano – Maradi Standard gauge rail project which is currently under

construction; the rail line is designed to connect Nigeria (from Kano) to Maradi in the Niger Republic to boost socio-economic relations and ease the transportation of goods and people, linking seamlessly with the Lagos-Kano railway; Lagos – Ibadan Expressway, Second Niger Bridge at Onisha, Federal Capital Territory Airport Expressway which runs from Zuba through Kubwa to Asokoro, Shagamu – Benin road, Lagos-Badegary and Abuja-Kaduna-kano (Animashaun, 2010) and (Okonkwo et al., 2019) Furthermore, Olayemi, (2016) maintained that other PPP schemes includes Lekki-Epe Express Phase II, Bus Rapid Transit System, Lagos Urban Rail transits at the cost of \$1.59bn and also, the Akute Bridge in Ogun State at the cost N3.5bn. However, as critical analysis reveals, some of these projects suffered from institutional mediocrity and apparent corruption, with lapses in the system as it is currently practised. More recently, there has been a shift toward more structured approaches with greater emphasis on viability gap funding, transparent procurement processes, and better risk allocation.

Impact of Public-Private Partnership on the Transport Sector

As we mentioned earlier, PPP has received widespread and positive acceptance from the Nigerian government, given its proven success in other countries around the world in changing the narrative of Development. Below are the benefits of PPPs in revitalising Nigeria's transport sector for its Development.

Infrastructure Development and Modernisation

PPPs have contributed significantly to the expansion and modernisation of Nigeria's transport infrastructure (Commonwealth Secretariat, 2010). Several gigantic projects with long-term effect to the economy, that would have been impossible through traditional public funding have been realised through PPP arrangements, these include but not limited to the Lagos-Ibadan Expressway, the Second Niger Bridge, Abuja Light Rail project, Nigerian Railway Corporation Rail-line modernisation, Locomotive Retrofitting across the country this include Abuja – Kaduna rail line in the Northwest, Lagos – Ibadan rail line in the Southwest, Abuja -Keffi-Akwanga -Markudi road, construction was completed. The government commenced toll operation on the road with a 25-year concession agreement. Similarly, the Calabar – Ebonyi - Benue- Kogi – Nasarawa – Abuja Superhighway, which was recently commenced, is a transformational project designed to stimulate trade and create seamless movement of goods between the Southeast and Northern Nigeria. Moreover, various urban mass transit systems exemplify how private capital and expertise have been mobilised to address critical infrastructure gaps. Animashaun (2010) argues that PPPs have effectively completed large-scale infrastructure projects that have improved connectivity and stimulated the economy. The Lagos-Calabar Coastal Highway, being developed through a partnership between the federal government and Hitech Construction Africa, represents one of the most ambitious recent examples of transport infrastructure PPPs in Nigeria.

Economic Growth and Employment Generation

Transport PPPs have generated substantial economic benefits through job creation during both construction and operational phases, improved connectivity that reduces transaction costs for businesses, and enhanced mobility for workers. According to Mubarak et al. (2010), "PPP projects create jobs in the construction, operation, and associated industries." They could also increase revenue, boost local Development, and promote economic growth. The Lagos bus corridors project, developed through a partnership between the Lagos State Government and the International Finance Corporation (IFC), is expected to benefit more than 150,000 passengers daily, reduce commute times, and create employment opportunities (Karimu, 2021).

Improved transport infrastructure also enhances productivity by reducing time and costs associated with moving goods and people, thereby improving national competitiveness.

Technological Innovation and Knowledge Transfer

PPPs have facilitated the introduction of advanced technologies and operational practices in Nigeria's transport sector (Bwanali, 2017). International partners bring technical expertise and modern management approaches that elevate industry standards beyond what would likely be achieved through public-sector operations alone. The introduction of tollgate or user-charge along Benue–Akwanga-Abuja expressway, the concession of Abuja-Kaduna rail networks, and the introduction of an e-ticketing system in their services at the rail stations. The Abuja Light Rail project, though facing challenges, introduced modern rail technology to Nigeria's capital city. Similarly, the Lagos bus corridors project incorporates modern bus rapid transit system design, electronic ticketing systems, and integrated scheduling software, representing significant technological upgrades over conventional bus services in Nigeria. These technologies not only improve service quality but also build local capacity as Nigerian technicians and managers gain experience with advanced systems.

Risk Sharing and risk management

Reduce public-sector risk by transferring to the private partner those risks it can better manage. A fundamental advantage of PPPs lies in their ability to allocate risks optimally between public and private partners based on their respective capacities to manage different risk types. The Nigerian government has increasingly recognised that "PPPs ideally enable public and private partners to share risks according to their respective capacities. This risk sharing often results in better project management and more cost-effective outcomes. In the transport sector, this has translated into projects that are more likely to be completed on time and within budget than under traditional procurement. Private partners' revenue dependence on project performance creates inherent incentives to maintain quality and efficient operations throughout the concession period, addressing the chronic maintenance culture problems that have plagued publicly operated transport infrastructure in Nigeria.

PPPs make better use of assets.

Private sector partners are motivated to use facilities fully, and to make the most of commercial opportunities to maximise returns on their investments. This can result in higher service levels, greater accessibility, and lower public-sector occupancy costs. The PPPs approach also encourages a "life cycle" approach to planning and budgeting, through the use of long-term contracts. For example, a company that agrees to operate and maintain an infrastructure facility for 50 years must ensure the asset remains in a particular condition and, therefore, must include maintenance costs in its budget for the life of the agreement. By contrast, public sector maintenance costs can sometimes be deferred in response to budget pressures, thereby reducing an asset's value over time (Oyebode et al., 2015). For instance, this is clearly seen in the way the Concessionaire handling the Abuja-Kaduna rail line is ensuring that the rail track is consistently maintained and that the locomotives are in good condition for passenger transport. Similarly, the contractor for Abuja-Keffi-Akwanga-Makurdi is always seen carrying out routine maintenance on the road to ensure its quality remains intact for users.

Challenges of Public-Private Partnership in Nigeria

The adoption of PPP did not come without its challenges; the practice in Nigeria is plagued by various issues that have affected the scheme's success. As a result, PPP is neither too gloomy nor too doom. This is because while some of the PPP projects were successfully executed, some failed to be actualised. PPP infrastructure project implementation in Nigeria is characterised by controversies, failures, delays, litigation, and revocations, among others (Nehemiah, 2021). Furthermore, Sanusi (2014) maintained that the country's infrastructure deficit challenges stemmed from the outright lack of long-term, low-interest loans from financial institutions to execute public projects. This constitutes a significant setback in public infrastructure financing in Nigeria.

Similarly, the inability of some concessionaires to mobilise the funds required to execute the project. This problem also raises fundamental questions about the availability, suitability, and effectiveness of PPP for financing public infrastructure development relative to other financing options (Olayemi, 2016).

Also, in general, due to diverse political, economic, legal, and social conditions across countries, branding a single blueprint for how to make a public-private partnership policy work is a greater global challenge. Karimu (2021) observed that countries with mature democracies, strong economies, effective regulatory frameworks, and robust judicial systems tend to perform better in public-private partnership practice than countries with deep economic challenges, weak governance, and inadequate or ineffective regulatory frameworks and judicial systems.

Discussion of Findings

This study reveals that the adoption of the PPP initiative in the transport sector has dramatically transformed the country's road networks, with massive projects ongoing.

The study also reveals that the PPP initiative revived the country's comatose railway system, which might not have been done through traditional budgetary provision.

The study further found that there is a need for capacity building in public-private partnerships, encompassing human capital Development, knowledge management and diffusion, training and staffing Development programmes, networking, and management Development programmes, etc.

The study also revealed a need for effective governance of PPPs in the transport sector to help curtail contract cancellations, revocations, or terminations, as was the experience with some PPP projects in the sector, namely, BI-Courtney Limited and Abuja Gateway Limited.

Conclusion and Recommendations

The focus of this study is to assess the impact of Public-Private Partnership in Nigeria's transport sector. The study has examined several positive changes the PPP project has brought to the transport sector, such as modernisation through technology and automation of work processes, increased revenue from alternative sources, and cost savings. The modernisation has also led to employment opportunities. The study has also examined issues militating against the practice of PPP in the sector. It can be concluded that regulatory inconsistencies, corruption, funding constraints, and a lack of expertise constitute barriers to the success of PPP projects in Nigeria. Consequently, the following recommendations are put forward:

1. The Nigerian government should work to improve transparency in PPP arrangements by providing robust evaluation mechanisms to eliminate corruption in the process.
2. The Bureau of Public Procurement (BPP) and the Infrastructure Concession and Regulatory Commission (ICRC) should streamline procurement processes and eliminate all administrative bottlenecks that delay the approval of PPP projects.
3. The Infrastructure Concession and Regulatory Commission (ICRC) should establish a clear, workable, and comprehensive PPP-specific regulatory framework and policies to mitigate regulatory ambiguities.

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