

PUBLIC PRIVATE PARTNERSHIP FOR SUSTAINABLE INFRASTRUCTURAL DEVELOPMENT IN LAGOS METROPOLIS: PROSPECTS AND CHALLENGES

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ABSTRACT

THIS REVIEW EXAMINES THE PROSPECTS ALONGSIDE THE CHALLENGES ENCOUNTERED BY PUBLIC PRIVATE PARTNERSHIP (PPP) IN ENSURING SUSTAINABLE INFRASTRUCTURAL DEVELOPMENT IN LAGOS, NIGERIA. IT SHOWS THAT IN SPITE OF THE CHALLENGES FACED BY PPP, IF EMBRACED WITH SINCERITY AND TRANSPARENCY CAN IMPROVE SUSTAINABILITY AND INFRASTRUCTURAL DEVELOPMENT THROUGH VALUE FOR-MONEY PROJECT ASSESSMENTS AND IMPROVED DELIVERY PERFORMANCE. THIS PAPER SUGGESTS THAT TO ENSURE SUSTAINABLE INFRASTRUCTURAL DEVELOPMENT, GOVERNMENT SHOULD ESTABLISH THE REQUIRED GUIDING STRUCTURE FOR SUITABLE EXECUTION OF PPP PROJECTS THAT WILL HELP IN CONFLICT RESOLUTION THROUGHOUT THE PERIOD OF PPP CONTRACTS.

KEY WORDS: PUBLIC PRIVATE PARTNERSHIP; SUSTAINABLE DEVELOPMENT; METROPOLIS

INTRODUCTION

Infrastructural growth is key to sustainable development in any nation. No meaningful development can take place in any nation without adequate infrastructures in place. Infrastructural

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development serves as catalyst for growth and sustainable development in many developed countries⁶. Many of the developed nations have succeeded in addressing their infrastructural challenges through different forms of collaboration with the private sector. Among these are the first privately developed and operated toll road in Texas United State done through a PPP arrangement. Similarly, the US Army entered into collaboration with private sectors firms to design and build a special runway use for hot weather vehicle testing through the PPP arrangement⁷. In Nigeria, the need for sustainable development has made the government to embrace various policy options in addressing infrastructural challenges in the country. Notable among these government policies is the privatization policy which entails the transfer of state owned enterprise to private firms. The government relinquished its interest and controlling power in the public firms to the private investors. However, due to perceived exploitation and expensive services rendered by these private firms, the privatization policy was abandoned by the government in search for an alternative⁸. Nigerian government, in search for alternative decided to enter into some sort of collaboration with the private sector in the area of infrastructural development identified as Public Private Partnership (PPP). PPP entails agreement between the government and the private sector, where by the private party is responsible for the provision of public service or infrastructural project and accepts significant financial, practical and functional risk in the task at hand⁹. Unlike privatization policy, the belief here is that instead of outright transfer of controlling power to the private firm, government goes into a mutual collaboration with the private sector. Though PPP had come to stay in the country, Nigeria has not fully explored the gains in PPP as the nation still suffers from gross infrastructural deficiency that had affected sustainable development in the nation¹⁰. Therefore, the focus of this review paper is to examine the prospects and challenges of Public Private Partnership (PPP) in ensuring sustainable infrastructural development in Lagos Metropolis.

Statement of the problem

Sustainable growth and development in any nation is driven by infrastructural development. Many developed nations that had experience improvement in infrastructural development achieve this in collaboration with the private sector.¹¹ in their work titled “Public Private Partnership and Nigeria Economic Growth: Problems and Prospects”, submitted that Public Private Partnership (PPP) is the effective solution to the infrastructural deficit in Nigeria. This was

⁶ Li, B, Akintoye, A, Edwards, P. J, Hardcastle, C. “Critical success factors for PPP/PFI projects in the UK Construction industry”. *Construction Management and Economics*, 23, (2005):459-471.

⁷ Uwem, Abubakar. “Public Private Partnership and Sustainable Development of Infrastructures in Nigeria”. *Advances in Management & Applied Economics*, 3(60), (2013): 113-127

⁸ Oluwasanmi, Ogidi. “Public Private Partnership and Nigeria Economic Growth: Problems and Prospect”. *International Journal of Business and Social Science*, 5(11), (2014): 132- 139.

⁹ Egboh, Chukwuemeka. “Public-Private Partnership in Nigeria: The Challenges of Human Relations Management”. *Kuwait Chapter of Arabian Journal of Business and Management Review*. 1(5), (2012): 99-113.

¹⁰ Oluwasanmi, Ogidi. “Public Private Partnership and Nigeria Economic Growth: Problems and Prospect”. *International Journal of Business and Social Science*, 5(11), (2014): 132- 139.

¹¹ Oluwasanmi, Ogidi. “Public Private Partnership and Nigeria Economic Growth: Problems and Prospect”. *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

supported by ¹² who opined that PPP enhances sustainability of infrastructural development in Nigeria through value for money and improved delivery performance. However, with the growth in population in Nigeria that led to increased demand for more infrastructures by the populace and the frequent changes of government policies coupled with government breach of agreement in past contract with the private sector, the gain of PPP is far from being attained in Nigeria. Emerging countries that had recognized the contributions of PPP in the sustainable development of many developed nations had tapped into it and the result had been very obvious.¹³ adjudged that the development of a country is not achievable by the public authority alone, hence PPP serve as a major contributor to sustainable development of any country. Nigeria however had implemented PPP since the early millennium but the contributions has not been obvious as expected. The quest for sustainable development has made many countries of the world (developed and developing countries) to embrace PPP. But while the developed nations have benefited from this partnership, developing nations like Nigeria are yet to experience much gain. ¹⁴ argued that in Nigeria corruption and lack of transparency by the government is a major setback to PPP. Similar position was put forward by¹⁵ who argued that premature termination of contract and particularly PPP contract is a big drawback to PPP in Nigeria. It is obvious that with this drawback no investor will want to continually stake his resources into partnership with the Nigeria government. Therefore, this paper focuses on identifying the contributions as well as the prospects of PPP and discussing the challenges of PPP in Lagos, Nigeria with the goal of proffering solutions to the numerous challenges so as to realize sustainable development in the nation.

Objectives of the study

The main objective of this study is to examine the challenges and prospects of Public Private Partnership for Sustainable Development in Lagos Metropolis.

The study precisely sought to:

- i. Find out the contributions of Public Private Partnership to Lagos Metropolis.
- ii. Examine the challenges of Public Private Partnership in Lagos Metropolis.
- iii. Determine the prospect of Public Private Partnership in Lagos Metropolis.

LITERATURE REVIEW

The concept of Public-Private-Partnership

Although there is no universal agreed definition for PPP, several scholars had looked at it from various perspectives pointing out various characteristics of what make up a PPP. ¹⁶ described PPP as a general term used to refer to a numerous number of structures that aid the provision of

¹² Uwem, Abubakar. "Public Private Partnership and Sustainable Development of Infrastructures in Nigeria". *Advances in Management & Applied Economics*, 3(60), (2013): 113-127

¹³ Okpara, K. (2012). Public Private Partnership: Catalyst of Economic Development in Africa. Available online at <http://nsacc.org.ng/public-private-partnership-catalyst-of-economicdevelopment-in-africa/>. Accessed on 23/02/2016

¹⁴ Dabak, P. D. "Public-Private Partnership: The Answer to Nigeria's Development Challenges". *Journal of Economics and Sustainable Development*, 5(22), (2014): 143-147.

¹⁵ Afolabi, E. Examining Public Private Partnership in Nigeria: Potentials and Challenges. Available from <http://nairametrics.com/wp-content/uploads/2012/06/Examining-Public-Private-Partnership-in-Nigeria.pdf>. Accessed on 25/04/2016. (2011).

¹⁶ Turley, Semple. Financing Sustainable Public Private Partnerships. Available online at <http://www.iisd.org/markets/procurement>. Retrieved on 23/05/2016. (2013).

public infrastructure as well as public services through the private sector involvement.¹⁷ adds that PPP comprises of contract between the public authority as well as the private investors, where by the private investors provide public service or project and undertakes ample monetary, practical and functional risk in the project. PPP refers to a definite type of plan that involves a durable agreement between the government and private investors in which the private investors' designs, constructs, funds and drives public infrastructure in exchange for payment¹⁸. According¹⁹ PPP project is a project based on franchise agreement, that involve the public authority on one hand and the private sector parties on the other side, with the aim of providing infrastructural amenity with user charges received. Many scholars had contributed immensely in the area of Public Private Partnership. Extensive research conducted by²⁰ revealed that PPP will aid the realization of government goals in the area of infrastructural development as well as the private sector ability to make the desired profit without unduly affecting the citizen in any negative ways by addressing the issue of insecurity in the country which in turn attract investors. This position was further supported by²¹ in his research work "Examining PPP in Nigeria: potential and challenges" and concluded that PPP hold immense benefits to a nations development provided the issue of frequent changes of political office holders is address thus aiding continuity of developmental policies and programs. However,²² viewed this from a different perspective and submitted that though PPP had immense potential, there are no adequate legislations to govern PPP practice in Nigeria and the few available ones are full of flaws giving room to corrupt practices among the PPP relevant parties. However, to achieve these impressive outcomes call for an institutional design, with strong preference for private participation promotion, which handles market development, regulation, facilitation, assessment, and implementation of infrastructure projects in a single hull. He further stressed on the need to create full service central PPP agencies from the merger of a number of related government ministries and agencies, which is expected to be a subsidiary of the Ministry of Finance as obtainable in developed countries, coupled with specialized PPP agencies for strategic infrastructures.²³ advocated in their work on PPP in Nigeria and Improvement in Service Delivery: An appraisal, that Nigeria slow development is a product of its underdeveloped infrastructure, of which government must give high priority to PPP if the issue is to be addressed. They also concluded that to achieve the desired improvement in service delivery certain

¹⁷ Egboh, Chukwumeka. "Public-Private Partnership in Nigeria: The Challenges of Human Relations Management". *Kuwait Chapter of Arabian Journal of Business and Management Review*. 1(5), (2012): 99-113.

¹⁸ Fussell, Beresford, C (2009). Public-Private Partnerships: Understanding the Challenge. http://www.columbiainstitute.ca/sites/default/files/resources/columbiap3_eng_v8-webpdf.pdf. Accessed on 26/04/2016 <http://www.premiumtimesng.com/news/143629-lagos-terminates-concession-agreement-on-lekki-epe-expressway.html>. Accessed on 25/11/2015.

¹⁹ Idris, A, Kura, S. M, Bashir, M. U. "Public Private Partnership in Nigeria and Improvement in Service Delivery: An appraisal". *Journal of Humanities and Social Science*. 10(3), (2013): 63-71

²⁰ Dabak, P. D. "Public-Private Partnership: The Answer to Nigeria's Development Challenges". *Journal of Economics and Sustainable Development*, 5(22), (2014): 143-147.

²¹ Afolabi, E. Examining Public Private Partnership in Nigeria: Potentials and Challenges. Available from <http://nairametrics.com/wp-content/uploads/2012/06/Examining-Public-Private-Partnership-in-Nigeria.pdf>. Accessed on 25/04/2016. (2011).

²² Nehemiah, Y. S., Daniel, M. M., Akande, E. M. and Adeagbo, D. O. "A Review of Public-Private Partnership for Building and Infrastructure Procurement in Nigeria". *Developing Country Studies*, 6(2), (2016): 5-13.

²³ Idris, A, Kura, S. M, Bashir, M. U. "Public Private Partnership in Nigeria and Improvement in Service Delivery: An appraisal". *Journal of Humanities and Social Science*. 10(3), (2013): 63-71

institutional factors which include improved business environment, well-functioning regulatory framework and more efficient public sector should be put in place. Credence was also added to this position by ²⁴, in their work ‘PPP and Nigeria Economic Growth: Problems and Prospect’ and reported that enabling laws governing PPP should be domesticated in each state of the federation if PPP is to work while relevant training on PPP should be done for the stakeholders as well as orientation of Nigerians on what PPP entails. ²⁵ looked at PPP with respect to its Challenges in Infrastructural Financing in Nigeria with the goal of achieving sustainable development and concluded that there are various funding options open to PPP for infrastructure financing such as government budgetary allocation, loan financing (institutional financing), equity resources from sponsors of the project, debt capital markets (bonds) and structured finance (securitization, collateralised debt obligations among others). He further pointed that a certain percentage of pension funds should be invested in bankable infrastructure project and that government should do more to attract investment into infrastructure from multinational firms and the use of certain percentage of the excess reserve to establish an Infrastructure Guarantee Fund for credit enhancement for banks long term lending ability for development projects.

Characteristics of PPP

Although various scholars had argued that there is no general consensus definition for PPP, but they all agreed to certain characteristics of PPP. ²⁶ argued that the following features typified a PPP: the full or part funding of the infrastructure financed by the private sector; the partnership is made up of risks distributed between them, while the party that is best position for a particular type of risk gets such allocation. PPP involve huge transaction cost with long term of duration as well as multiple parties and the performance risk in PPP is mostly on the private parties, which get paid only on delivery of the services or completion of projects ²⁷. Oyedele (2013) cited in ²⁸ also identified some important characteristic of PPP as follows: Sound legal framework due to different goals of the parties involved, efficient and effective costing with risk consideration. Sure sources of fund with ease of accessibility covering the project duration. PPP project need be established on its money worth, must be economical, efficient an effective. Parties involved in PPP must have technical knowledge of the infrastructure been developed though at different level of expertise.

Types of Public-Private-Partnership

²⁹ identified two basic types of PPP, which are contractual and Institutional PPP.

²⁴ Oluwasanmi, Ogidi. “Public Private Partnership and Nigeria Economic Growth: Problems and Prospect”. *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

²⁵ Ikpefan, O. A. “Challenges of Public Private Partnership in Infrastructural Financing in Nigeria”. *The Nigeria Accounting Horizon*, University of Jos. 4(1), (2010): 61-76.

²⁶ Oluwasanmi, Ogidi. “Public Private Partnership and Nigeria Economic Growth: Problems and Prospect”. *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

²⁷ Oluwasanmi, Ogidi. “Public Private Partnership and Nigeria Economic Growth: Problems and Prospect”. *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

²⁸ Oluwasanmi, Ogidi. “Public Private Partnership and Nigeria Economic Growth: Problems and Prospect”. *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

²⁹ Idris, A, Kura, S. M, Bashir, M. U. “Public Private Partnership in Nigeria and Improvement in Service Delivery: An appraisal”. *Journal of Humanities and Social Science*. 10(3), (2013): 63-71

- i **Institutional PPP:** refers to the formation of a corporate entity jointly by the public and private partner. The corporate entity jointly formed is saddled with all activities relating to PPP operations with priority of ensuring the provision of services for the benefit of the public partner ³⁰. This formation can either be through a body jointly owned by public and private sectors or through private sector buying and owning stocks in an existing public establishment. Generally the public partner controls the company as a shareholder or either as a special rights it hold in the company while the operation of the company is in the hands of the private partner. Institutional PPP had experience real success mostly in nations with well-developed institutional and regulatory capacities ³¹.
- ii **Contractual PPP:** This is a type of partnership between the public and the private sector based solely on contractual relations. In this partnership, the rights and obligations of the parties are regulated by an administrative contract or series of contracts. ³² argued that contractual PPP also involve the concession model where the private sector under the control of the public sector assumes all the responsibility relative to the construction, operation and maintenance of the infrastructure assets and taking charges from users of the service. The concession model is associated with long contractual periods. Contractual PPP are significantly more common, especially in developing economies ³³.

Forms of PPP

According to ³⁴ and Centre for Sustainability in Mining and Industry (CSMI) (2010) cited in ³⁵, the PPP forms commonly adopted are explained in the summarized Table 1 below

Table 1: Public-Private-Partnership Forms

Forms of PPP	Meaning
BOT - Build-Operate-Transfer	The building of the facility is funded by the Private investors who then sell to the government the final output, and transfers it at the end of the contract.
BRT - Build-Rent-Transfer	At the end of the contract the transfer of the facility built by the Private investor is done who must have

³⁰ Idris, A, Kura, S. M, Bashir, M. U. “Public Private Partnership in Nigeria and Improvement in Service Delivery: An appraisal”. *Journal of Humanities and Social Science*. 10(3), (2013): 63-71

³¹ Oluwasanmi, Ogidi. “Public Private Partnership and Nigeria Economic Growth: Problems and Prospect”. *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

³² Oluwasanmi, Ogidi. “Public Private Partnership and Nigeria Economic Growth: Problems and Prospect”. *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

³³ Idris, A, Kura, S. M, Bashir, M. U. “Public Private Partnership in Nigeria and Improvement in Service Delivery: An appraisal”. *Journal of Humanities and Social Science*. 10(3), (2013): 63-71

³⁴ Afolabi, E. Examining Public Private Partnership in Nigeria: Potentials and Challenges. Available from <http://nairametrics.com/wp-content/uploads/2012/06/Examining-Public-Private-Partnership-in-Nigeria.pdf>. Accessed on 25/04/2016. (2011).

³⁵ Uwem, Abubakar. “Public Private Partnership and Sustainable Development of Infrastructures in Nigeria”. *Advances in Management & Applied Economics*, 3(60), (2013): 113-127

	rented the facility out during the tenor of the contract.
BTO - Build-Transfer-Operate	The building and the transfer of the facility to the public is carried out by the private vendor, who receive outright payment or installment from the operation of the facility directly by the government or contracted out by the government.
CONCESSION	Private investor gets involve in the building of the facility or may not, but is allowed to manage the facility and charge users a fee for use of the facility.
DBB - Design-Bid-Build	The public sector come up with the design, puts out tenders and winner builds the facility.
DBMF - Design, Construct, Maintain and Finance	Government designs, private sector construct and maintain while government do the financing.
FRANCHISE	The service provider (franchisee) is allowed to charge a service fee for the use of the infrastructure or service already built or provided by the government. The franchisee pays a lump sum to government.
Lease/Maintain	Rent is paid by private investor for facility and utilizes the resources.
Output specification	Government agency specifies "outputs," and private vendor designs, finances and builds the infrastructure.
RLT - Rehabilitate-Lease-Transfer	The rehabilitation of the facility provided by the government is carried out by the private investors, who signs a lease agreement on the facility with government agency, and transfers at the end of contract.
ROT-Rehabilitate-Operate-Transfer	Private entity rehabilitate facility operates to the extent of complete recovery of cost and transfers.

Sources: Afolabi (2011) and CSMI (2010) cited in Uwem & Abubakar (2013).

PPP Legislation in Nigeria

In Nigeria PPP agreement are at present governed by:

- The Infrastructure Concession Regulatory Commission (ICRC) Act of 2005.
- The public procurement Act 2007
- Rules delivered by ICRC leading the PPP process.
- PPP policies as defined in each state's laws.

According³⁶ a review of the ICRC (2005) Act revealed some short coming of the Act. The Act failed to make clear the funding challenges PPP project may face. The Act neither has a dispute resolution mechanism nor explains how the private investors can be protected in the event of disagreement with the government. There are also no mechanisms for receiving and examining unsolicited PPP proposals from prospective private investors for assessment and sponsorship. Most regrettably, the ICRC is not empowered to package PPP projects, it merely gives approvals and engages in advocacies. Thus, the critical institutional platform for nurturing PPP projects to maturity is lacking in Nigeria, and the entire institutional architecture for capital budget execution is lacking.

Reasons for PPP in Lagos metropolis.

With reference to³⁷, the main reasons that prompted government involvement in PPP agreement are: (i) In order to have the best use of the available limited resources and to guarantee service efficiency. (ii) For fairness as well as transparency in the system of infrastructural delivery. (c) So as to attract more experienced work force that will optimize performance. (d) To sanitize the sector and enhance accountability. ³⁸ adjudged that government went into PPP with the goal of delivering better meaningful public services, via contribution to the enhancement of quality and quantity of infrastructures in the nation. ³⁹ argued that the reasons for PPP in Nigeria include: huge shortage as well as extensive funding gaps seen in the nation's infrastructural domains, high rate of white elephant projects, high level of corruption in project execution and limited public resources to meet the country's rising infrastructure demand. The initial option adopted by the government for infrastructural need was privatization, which was expected to show some form of competitiveness and a way to generate fund needed for capital expenses including infrastructures. However,⁴⁰ posited that since the inception of the privatization process in Nigeria in 1999, it had been marred with lots of abnormalities among which are the partiality in the privatization process, absence of transparency and corruption by the so called privatization officials⁴¹. All these are pointer to the fact that the government good intention in meeting the nation's infrastructural need through privatization had not produce the desire result. Although there is nothing wrong with privatization as its success had been obvious in many nations that had embraced it; it non workability in Nigeria in term of the result delivered not meeting up with the government and the populace expectation led to a stronger developmental synergy referred to as PPP meant to address

³⁶ Uwem, Abubakar. "Public Private Partnership and Sustainable Development of Infrastructures in Nigeria". *Advances in Management & Applied Economics*, 3(60), (2013): 113-127

³⁷ Infrastructure Concession Regulatory Commission (2013). PPP Project Report. Available from www.f.pppn.org. Accessed on 21/04/2016.

³⁸ Dabak, P. D. "Public-Private Partnership: The Answer to Nigeria's Development Challenges". *Journal of Economics and Sustainable Development*, 5(22), (2014): 143-147

³⁹ Dominic. M. U, Ezeabasili, A. C. C, Okoro, B. U, Dim, N. U, Chikezie, G. C. A Review of Public Private Partnership on some Development Project in Nigeria. *International Journal of Application Innovation in Engineering & Management*. 4(3), (2015): 64-75.

⁴⁰ Afolabi, E. Examining Public Private Partnership in Nigeria: Potentials and Challenges. Available from <http://nairametrics.com/wp-content/uploads/2012/06/Examining-Public-Private-Partnership-in-Nigeria.pdf>. Accessed on 25/04/2016. (2011).

⁴¹ Dabak, P. D. "Public-Private Partnership: The Answer to Nigeria's Development Challenges". *Journal of Economics and Sustainable Development*, 5(22), (2014): 143-147

the deficiency in privatization process and to meet the funding gaps in the nation's infrastructural development.

Benefits of PPP

According to⁴², some of the following benefits that can be accrued from PPP scheme are:

Value for money: Projects are executed at lower cost with the utilization of private investors' expertise and technology in efficient service delivery, thus having superior product or service at reduce cost⁴³.

- i. Quicker delivery of project: Since bureaucratic tendencies are reduced if not eliminated, with PPPs projects are completed swiftly and on schedule than those purely funded and executed by the public sector⁴⁴.
- ii. Risk transfer: In PPP contract, the party that is better prepared for a type of risk is made to handle it, thus leading to risk transfer from the other party that could be vulnerable⁴⁵.
- iii. Increased investment: The involvement of the private sector had made governments to be able to execute more projects frequently and on a bigger scale without the need for extra budget or additional funds⁴⁶.
- iv. Enhanced budget/certainty of finance: The shift of responsibility (and risk) to the private investor for some of the project elements free governments from unexpected financial burden resulting from cost overruns and other operational difficulties capable of imparting the bottom line of the organization's budget⁴⁷.
- v. Improved service delivery: Since both the government and the private sector concentrate on their areas of expertise, PPP enhances delivery of improved service, thus government on policy and governance, while the private sector focused on the technical aspects of design, construction, operation, and management. PPP bring out the business efficiency and effectiveness to the public sector service delivery and shun the politically unstable factor of full privatization of public utilities.
- vi. Political benefit: Positive public perception about the government as PPP aid swift projects delivery without impacting much on government budget yet superior quality infrastructure or services are provided⁴⁸.

⁴² Fadeyi, O, Adegbuyi, A, Ogbonna, I, Agwu, E. Assessment of Public Private Partnership on Infrastructural Development in Nigeria: Challenges and Prospects. *Covenant University International Conference on African Development Issues Proceedings*, (2016) pp. 222-227. Available at <http://eprints.covenantuniversity.edu.ng/6660/#.WUj4htLyvIU>. Accessed on 19/06/2017

⁴³ Dabak, P. D. "Public-Private Partnership: The Answer to Nigeria's Development Challenges". *Journal of Economics and Sustainable Development*, 5(22), (2014): 143-147.

⁴⁴ Oluwasanmi, Ogidi. "Public Private Partnership and Nigeria Economic Growth: Problems and Prospect". *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

⁴⁵ Okpara, K. (2012). Public Private Partnership: Catalyst of Economic Development in Africa. Available online at <http://nsacc.org.ng/public-private-partnership-catalyst-of-economicdevelopment-in-africa/>. Accessed on 23/02/2016

⁴⁶ Dabak, P. D. "Public-Private Partnership: The Answer to Nigeria's Development Challenges". *Journal of Economics and Sustainable Development*, 5(22), (2014): 143-147

⁴⁷ Oluwasanmi, Ogidi. "Public Private Partnership and Nigeria Economic Growth: Problems and Prospect". *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

⁴⁸ Dabak, P. D. "Public-Private Partnership: The Answer to Nigeria's Development Challenges". *Journal of Economics and Sustainable Development*, 5(22), (2014): 143-147

- vii. Growth and stability of the Private Sector: The growth and stability of the private sector is guaranteed as inherent contract risk are underwritten by the public authority leading to a reduce risk for the private sector. Also with reduce risk cash flow from the private sector is enhanced stimulating other investment opportunities in the country as well job creation⁴⁹.
 - viii. Elimination of corruption: With PPP corruption in awarding of contract and project execution is drastically reduced if not totally eliminated. White elephant project become a thing of the past, as projects awarded are carried out and completed on time⁵⁰.
- ⁵¹ opined that the benefit of PPP to the private partner is seen in the way the private partner is compensated, which could be either: payments based on user (port charges, airport and toll roads), Payment base on availability from the public authority (strong incentives from government that aid the timely delivery of project by the private partner), Power Purchase Agreements (PPA), Water Purchase Agreements (WPAs) or a combination of the above.

Challenges of PPP in Lagos metropolis.

PPP in Nigeria is faced with various challenges which include:

- i. **Problem of definition:** PPP in Nigeria is faced with the problem of definition as the relevant laws that established it did not properly define how PPP is to be finance in Nigeria; as well as the finance options available to PPP in the country⁵². This problem was one of the main issue between Federal Airports Authority of Nigeria (FAAN) and Bi-Courtney Company in the PPP project of Murtala Muhammed Airport (MMA2) Lagos, which led to the eventual revocation of the contract⁵³.
- ii. **Non Domestication of PPP enabling Laws:** The Nigeria situation is different and peculiar in all its ramifications. The fact that PPP had succeeded in developed Countries and developing nations like Nigeria had embrace it without proper domestication of the enabling laws had made the nation not to fully reap the gain of PPP in the nation⁵⁴.
- iii. **Neglect of Stakeholders:**⁵⁵ opined that PPP involve different stakeholders among whom are the public authority, private investors, and the host communities among others. Failure to properly engage relevant stakeholders in the implementation of PPP project is a major

⁴⁹ Okpara, K. (2012). Public Private Partnership: Catalyst of Economic Development in Africa. Available online at <http://nsacc.org.ng/public-private-partnership-catalyst-of-economicdevelopment-in-africa/>. Accessed on 23/02/2016

⁵⁰ Afolabi, E. Examining Public Private Partnership in Nigeria: Potentials and Challenges. Available from <http://nairametrics.com/wp-content/uploads/2012/06/Examining-Public-Private-Partnership-in-Nigeria.pdf>. Accessed on 25/04/2016. (2011).

⁵¹ Idris, A, Kura, S. M, Bashir, M. U. “Public Private Partnership in Nigeria and Improvement in Service Delivery: An appraisal”. *Journal of Humanities and Social Science*. 10(3), (2013): 63-71

⁵² Uwem, Abubakar. “Public Private Partnership and Sustainable Development of Infrastructures in Nigeria”. *Advances in Management & Applied Economics*, 3(60), (2013): 113-127

⁵³ Afolabi, E. Examining Public Private Partnership in Nigeria: Potentials and Challenges. Available from <http://nairametrics.com/wp-content/uploads/2012/06/Examining-Public-Private-Partnership-in-Nigeria.pdf>. Accessed on 25/04/2016. (2011)

⁵⁴ Oluwasanmi, Ogidi. “Public Private Partnership and Nigeria Economic Growth: Problems and Prospect”. *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

⁵⁵ Afolabi, E. Examining Public Private Partnership in Nigeria: Potentials and Challenges. Available from <http://nairametrics.com/wp-content/uploads/2012/06/Examining-Public-Private-Partnership-in-Nigeria.pdf>. Accessed on 25/04/2016. (2011).

- challenge in Nigeria⁵⁶. For instant the revocation of the PPP contract between Lekki Concessionary Company and Lagos State was mainly due to lack of engagement of the relevant stakeholders, that resulted into legal issue and the eventual contract revocation.
- iv. **Lack of transparency in contract process:** Most contract awarded in Nigeria including PPP contract are not done with transparency⁵⁷. The element of godfather's and favoritism are seen in most contract awarded at the expense of competence making the project contracts dead on arrival⁵⁸.
 - v. **Corruption:** The major challenge faced by many businesses and investment in Nigeria is the problem of corruption⁵⁹. As many government agencies you have to deal with, so is the number of people you have to grease their palm or bribe for you to get the needed approval. Contractors in Nigeria had to settle many stakeholders in the contract before he can get the contract and this result into substandard execution of projects without any body asking question or querying the quality of job done⁶⁰.
 - vi. **Lack of sound legal and institutional framework:** Another problem of PPP in Nigeria is the lack of sound legal and institutional framework⁶¹. Whenever there is a problem with the PPP agreement, the private investors are left to bear the burden alone financially and otherwise due to the absence of sound legal and institutional framework for PPP in the country⁶².
 - vii. **Lack of continuity:** Lack of continuity in government policies and political office holders is a big challenge to PPP in Nigeria. Change in government means change in policies and office holders; and since PPP entails a long duration, continuity become a mirage causing setback for PPP in the country⁶³.
 - viii. **Financial limitations:** With PPP, government projects that had suffered setback due to finance should receive some boost. But in Nigeria, inability to access loan for a longer duration from banks due to the size of the by the private investors is also a setback experienced by PPP in the country⁶⁴.

⁵⁶ Okpara, K. (2012). Public Private Partnership: Catalyst of Economic Development in Africa. Available online at <http://nsacc.org.ng/public-private-partnership-catalyst-of-economicdevelopment-in-africa/>. Accessed on 23/02/2016

⁵⁷ Okpara, K. (2012). Public Private Partnership: Catalyst of Economic Development in Africa. Available online at <http://nsacc.org.ng/public-private-partnership-catalyst-of-economicdevelopment-in-africa/>. Accessed on 23/02/2016

⁵⁸ Oluwasanmi, Ogidi. "Public Private Partnership and Nigeria Economic Growth: Problems and Prospect". *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

⁵⁹ Afolabi, E. Examining Public Private Partnership in Nigeria: Potentials and Challenges. Available from <http://nairametrics.com/wp-content/uploads/2012/06/Examining-Public-Private-Partnership-in-Nigeria.pdf>. Accessed on 25/04/2016. 2011

⁶⁰ Dabak, P. D. "Public-Private Partnership: The Answer to Nigeria's Development Challenges". *Journal of Economics and Sustainable Development*, 5(22), (2014): 143-147

⁶¹ Idris, A, Kura, S. M, Bashir, M. U. "Public Private Partnership in Nigeria and Improvement in Service Delivery: An appraisal". *Journal of Humanities and Social Science*. 10(3), (2013): 63-71

⁶² Okpara, K. (2012). Public Private Partnership: Catalyst of Economic Development in Africa. Available online at <http://nsacc.org.ng/public-private-partnership-catalyst-of-economicdevelopment-in-africa/>. Accessed on 23/02/2016

⁶³ Afolabi, E. Examining Public Private Partnership in Nigeria: Potentials and Challenges. Available from <http://nairametrics.com/wp-content/uploads/2012/06/Examining-Public-Private-Partnership-in-Nigeria.pdf>. Accessed on 25/04/2016. 2011

⁶⁴ Dabak, P. D. "Public-Private Partnership: The Answer to Nigeria's Development Challenges". *Journal of Economics and Sustainable Development*, 5(22), (2014): 143-147

- ix. **Premature termination of PPP contract:** ⁶⁵ affirmed that premature termination of contract is another challenge faced by PPP in Nigeria. For instance, the concession project of Lekki Toll Road Phase 1 was meant to last for thirty years was terminated prematurely by the Lagos State government due to the litigation issue associated with the contract ⁶⁶.
- x. **The complexity of PPP agreement:** ⁶⁷ posited that most PPP agreement are complex and involve a number of parties bringing different things into the partnership. This complex process alone is a challenge that PPP had to contend with in the country⁶⁸.

PPP projects in lagos metropolis.

According to⁶⁹ various concessions have taken place within the past few years in Nigerian and in particular Lagos Metropolitans area. Laudable among these PPP projects are Lekki Toll road project that is been handled by Lekki Concession Company, the domestic terminal project at Murtala Muhammed Airport Lagos by Bi-Courtney Aviation Services, the Bus Rapid Scheme (BRT) meant to address transport challenges in the state, the Eko Atlantic city project, the proposed fourth mainland bridge, among others. All these projects are privately driven and are all contributing to making Lagos state a mega city in the next few years.

Domestic terminal at Murtala Muhammed airport, lagos (MMA2)

This was a concession/BOT to build a new domestic terminal and additional facilities at the Murtala Muhammed Airport (MMA2) in Lagos. MMA2 was the first major BOT infrastructure project to be contracted by a Nigerian company. In 2013, Bi-Courtney was awarded the contract with 12 years tenor initially later extended to 36 years. The contracting parties were the aviation Minister, Federal Airports Authority of Nigeria (FAAN) and Bi-Courtney. About six banks were involved in this syndicated loan and project financing. The project bump into a number of problems, among which are inability to secure long term financing agreement, and reluctance of FAAN to maintenance the project by enforcing use of MMA2 by airlines as required in the PPP agreement, couple with several claims of breach of contractual rights by both parties. A number of things are worthy of note from the appraisal of MMA2 PPP in Nigeria. Firstly, lack of transparent and sustainable long term financing for PPPs. Secondly, lack of effective planning and failure to set dead line that would have help Bi-Courtney's in overcoming its shortcomings. Thirdly, weak framework to regularly observe and assesses PPP projects, thus making conformity to standard difficult. Fourth, is lack of provision to accommodate unanticipated variations in the project. Fifth, is the nonexistence of relevant dispute resolution mechanism for PPP projects

⁶⁵ Afolabi, E. Examining Public Private Partnership in Nigeria: Potentials and Challenges. Available from <http://nairametrics.com/wp-content/uploads/2012/06/Examining-Public-Private-Partnership-in-Nigeria.pdf>. Accessed on 25/04/2016. 2011

⁶⁶ Dabak, P. D. "Public-Private Partnership: The Answer to Nigeria's Development Challenges". *Journal of Economics and Sustainable Development*, 5(22), (2014): 143-147

⁶⁷ Idris, A, Kura, S. M, Bashir, M. U. "Public Private Partnership in Nigeria and Improvement in Service Delivery: An appraisal". *Journal of Humanities and Social Science*. 10(3), (2013): 63-71

⁶⁸ Oluwasanmi, Ogidi. "Public Private Partnership and Nigeria Economic Growth: Problems and Prospect". *International Journal of Business and Social Science*, 5(11), (2014): 132- 139

⁶⁹ Uwem, Abubakar. "Public Private Partnership and Sustainable Development of Infrastructures in Nigeria". *Advances in Management & Applied Economics*, 3(60), (2013): 113-127

leading to escalation of controversies easily and the failure of FAAN's to comply with several court orders, and inability of ICRC to shield PPP projects and private investors.

Lekki toll road concession project, lagos

The concession of Lekki Toll Road Phase 1 was between the Lagos State Government and the company to handle the project - Lekki Concession Company Limited, for a period of 30years which involved the upgrading and maintenance of about 50km express road leading to Lekki-Epe. The foremost investors in the scheme comprised Macquarie Bank and Old Mutual of South Africa via the African Infrastructure Investment Fund. Funds for the project were from the support of Lagos Government plus a mixture of debt and equity finance. The project received a loan of 15years from Standard Bank which served as the first ever local debt financing for such a long time. As the first phase of the project was getting to a close, tolls were built by the company to recover its investment; this met with lots of resistance and litigation from other stakeholders leading to termination of the agreement by the Lagos State Government. Some of the lessons learnt from this project include the importance of stakeholder's consultation as the people living along Lekki-Epe route were the ones that resisted the toll and went to court. Good impact assessment of project done before commencement. There should be better ways of negotiation and management of people's perception during project implementation. Establishment of project performance standard that is supported by operational penalty regime, monitoring framework and a viable long term financing plan.

ppp and the fourth mainland bridge

The proposed fourth mainland bridge is a laudable project of the Lagos state government, meant to open up the state and setting it on the part of realizing its goal of becoming a mega city. Through the Build Own and Transfer (BOT) agreement, this project is meant to be deliver within three years. The project is estimated to worth N84 Billion of the Nigeria currency expected to be raised by big consortium among which are: JP Morgan, Visible Asset Limited, Eldorado Nigeria Limited, Julius Berger Nigeria Limited, Africa Finance Corporation, Nigeria West-Minister Dredging and Marine, Access Bank Plc and Hi-tech Construction Limited⁷⁰. However, as laudable as this project is with all that it promised to deliver, the agreement was cancelled by the Lagos State government owing to the delay in execution and the various consortium not working with the type of speed the state government wanted for the project to take off, forcing the state government to look for new private investors that can deliver with the type of speed expected of a PPP project.

On going ppp projects in lagos metropolis.

From the official website⁷¹, several PPP projects are ongoing in Lagos Metropolitans area which include National Theatre Masterplan Complementary Facilities Rehabilitation, National Stadium Lagos facilities renewal and management, Greenfield High speed Land Railway Lines

⁷⁰ Olufowobi, S. (2016, May 26). Lagos State Government signed MOU for Fourth Mainland Bridge. The Punch Newspaper. pg. 6

⁷¹ Infrastructure Concession Regulatory Commission . (2015). PPP Projects Pipeline 2013 and 2014. Available from www.icrc.gov.ng. Accessed on 25/11/2015

across Nigeria, Eko Atlantic city among others. All these projects if properly implemented and the relevant stakeholders played their part well will not only boost the development of the state but lead to a sustainable development as it will help to solve the state infrastructural challenges and also attracts potential investors to the state.

THEORETICAL UNDERPINNINGS

Collective action theory

This theory was propounded in 1965 by Mancur Olson, Mancur Olson in his book titled “The Logic of Collective Action: Public Goods and The Theory of Groups” argued that the logical and general thing for people in a group to do is to support the achievement of the common goal of the organization or nation for the good of all. But this is not usually the case as individuals in the organization/nation has divergent goals and will want the organizational/national goals to be achieved without them contributing to the goal attainment provided they will share from the benefit of the goal attainment. Few individuals put resources together for the attainment of these goals or making the public goods available for everyone to use, while others refers to as free rider benefits from these public goods without being involved in the process of making them available. Hence Olson suggested that to solve the problem of free riders and for organization to be effective in making these public goods available on continuous basis, organization should be very small as this will help to identify free riders easily or they should provide additional non-collective incentives to their individual members.

In relation to PPP, since government alone cannot provide all the infrastructural need of the citizens, hence the need for a collective action jointly by the public authority as well as the private sector in the provision of these infrastructures. The infrastructures on the other hand, are the public goods which serve the general public either they contribute to it directly or not. The free rider are the citizens that do not contribute to the development of the nation’s infrastructures by way of paying their taxes, hence to curb this problem of free rider, government provide some non-collective incentive to the private sector that invested their funds in the provision of these infrastructures in the form of toll fees for users of these infrastructures among others.

CONCLUSION

For realization of sustainable development in the area of infrastructural development, PPP should be embrace with sincerity of purpose by the government so as to gain the confidence of the private investors as well as the backing of the citizenry. PPP had benefited many developed nations, as it is still doing till date and holds tremendous benefits for developing nations like Nigeria and Lagos metropolitan area in particular if properly harness. PPP can improve sustainability and growth of infrastructure development through value for-money project assessments and improved delivery performance. However, to realize these commendable results call for an institutional design, with robust preference for private investors participation drive, which handles market development, regulation, dispute resolution among other PPP challenges.

Policy recommendations

To maximize the gain of PPP in Nigeria while addressing the challenges faced by this partnership the following recommendations are worthy of note to the various PPP stakeholders:

- ❖ The government should ensure proper definition of PPP as a concept as the current ICRC Act failed in this regard.
- ❖ In order to properly implement PPP projects, government should ensure the establishment of legal structure that will look into issues that has to do with dispute resolution during the period of the PPP agreement.
- ❖ Proper domestication of PPP enabling laws is key to the workability of PPP in Nigeria if the gain of PPP is to be fully realized.
- ❖ The ability of relevant government agency to handle cases of corruption without fear or favour as no meaningful development can take place where corruption holds sway in our contracting process.
- ❖ Private investors with the support of the government should ensure proper engagement of the relevant stakeholders before the implementation of PPP project in the state.
- ❖ Nigeria banks through the CBN should be assisted to cope with PPP financing, so as to guarantee a durable financing for PPP projects.
- ❖ Lastly, sincerity of purpose and transparency on the part of the government in handling PPP contract process is key if the nation is to experience any meaningful sustainable development.

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