



**Full Length Review Article**

**DEVELOPING INFRASTRUCTURE VIA PUBLIC PRIVATE PARTNERSHIP WITHIN THE CONTEXT OF MILLENNIUM DEVELOPMENT GOALS (MDGS)**

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**ABSTRACT**

The concept of public private partnership is such that the Private Sector is allow a long- term obligation to yield public service delivery particularly public infrastructure. In Nigeria, the state of infrastructure was poor and insufficient due to successive government's failure to develop, expand, and maintain the available infrastructure. This paper therefore evaluates public private partnership as a major factor determinant for the procurement of public infrastructures. The paper further examines the followings; policy objectives of public private partnership and success factors, various models of public private partnership, the eight action points of Millennium Development Goals, and achieving the Millennium Development Goals through public private partnership synergy. Methodology adopted involved the review of related literature. The study revealed that public private partnerships though relatively new in Nigeria procurement system, offers the benefits of synergies among traditionally diverse process in the delivery and operation of public infrastructure (built facilities). The paper concluded that for public private partnership to be successful, government need to undertake thorough feasibility studies that addresses the issue of affordability, proper planning, effective monitoring, regulation and enforcement, value for money and risk transfer.

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**INTRODUCTION**

Public Private Partnership (PPP) is basically viewed as a procurement method even though some view it as either; strategy for achieving greater efficiency, technique for development finance or strategy for human capital development and professional excellence. However the phrase 'Public Private Partnership' (PPP) is basically a generic term used to express contractual arrangements between the public and private sector for providing public infrastructure through various models. Public private partnership has incidentally come to be accepted as major factors determinant in public infrastructure procurement. This phenomenon is relatively very new in Nigeria when compare with United Kingdom and Asian countries where large number of port and road projects have been implemented through Public Private Partnership agreement (Tsema 2008). Infrastructure on the other hand means the fundamental facilities, services and systems serving a country or city i.e. Transportation and communication system, road networks and power lines etc. However it is absolutely clear that provision of basic infrastructure is of

paramount importance to economic growth and development of a country like Nigeria. There has been total collapse of these basic infrastructure and social services in Nigeria as a result of government failure to develop, expand and maintain the available public infrastructure. Therefore to bridge this infrastructure gap, Nigeria needs to make infrastructure investments beyond the means and assets available to government and this is where the private sector can play a leading role of providing some of these infrastructure investments through public private partnership initiative (PPPI).

The government therefore having realized the need to address the infrastructure deficit and improve the quality of public services as well as its commitment to transparency, accountability and ensuring that the transfer of responsibility to the private sector follows best International practice decided to set up the Infrastructure Concession Regulatory Commission (ICRC) with a clear mandate to develop the guidelines, policies and procurement processes for Public Private Partnership. Against this background the Infrastructure Concession Regulatory Commission should therefore create a forum for Nigerians and the international collaborators with interest in the public-private partnerships for the development of the real sector of the economy, relevant human capital

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development and infrastructural provisioning and enhancement, through value optimization of underutilized government owned assets/ facilities and virgin initiatives (Tsema 2008). However to achieve effective Public Private Partnership take off, it means the following success factors are very imperative as with all forms of procurements system: strong political will, transparent policy, institutional frameworks, sound legislative framework and access to capitals (Gadzama 2010).

Government key policy objectives for its infrastructure investment programme and Public Private Partnership in this respect centre on environmental, social, value for money, and creation of enabling environment. The eight united nations millennium development goals (MDG) is a declaration of the United Nation general assembly of April 2000 which ranges from eradicating extreme poverty to halting the spread of HIV/AIDS and providing universal primary education all by the target date of 2015 from a blue print agreed to by all the world's countries and all the world's leading developing institutions. Therefore to attain the Millennium Development Goals even in the developed world will require breaking away from the tradition of business as usual and to achieve will require a sustained set of actions to close the infrastructure gaps that exist within our society due to government neglect to expand, develop and maintain the available infrastructure.

Without mincing words physical and social infrastructure which the Millennium Development Goals entails are the bedrock upon which public infrastructural development is anchored. However, given the disadvantages of the traditional procurement strategies world-wide, Public Private Partnership certainly has offered itself as the most credible and sustainable set of action for achieving these ideals irrespective of the length of time Public Private Partnership has being in operation in individual nation state. In conclusion, the writer is of the view that Millennium Development Goals would be effectively achieved through Public Private Partnership synergy if the eight action points of the Millennium Development Goals can be reduced to the critically important areas like ensuring environmental sustainability, provision of effective power and energy, improved health facilities, provision of universal qualitative education and develop effective transportation system.

### **Concept and trend of infrastructure development in Nigeria**

Arowosegbe (2006), observed the concept of infrastructure to means the provision of public service and utilities, environmental restoration, improved transportation system and information technology. It is clear from the foregoing that infrastructure is the aggregate of all facilities that allows a society or community to function effectively. Nubi, (2003) further described "infrastructure as a wide range of economics and social activities crucial to creating an enabling environment for economic growth and enhanced quality of life". The state of infrastructure in Nigeria after independence was very poor and inadequate due to service neglect, widespread misallocation of resources and failure of successive governments to respond to demand for basic infrastructure which has risen rapidly over the years. A

collapse of these basic infrastructure and social services followed this trend since early 1980's. However as a means of bridging this wide infrastructural gap, Nigeria needs to make provision of infrastructure facilities beyond the means and assets available to government and involve private sector who will play a vital role in not only reducing the financing burden of government in maintaining or developing infrastructure, but will also encouraged better risk sharing, accountability, monitoring and management of infrastructure provision.

In the past, government has been the sole financier of infrastructure projects and had the responsibility for implementation, operations and maintenance. This was done through traditional procurement system via budgetary and special allocations which looked very volatile and inadequate to meet crucial infrastructure expenditure requirements in a timely manner. It was the realization of infrastructure deficit and the need to improve the quality of public service that made government to inaugurate the Infrastructure Concession Regulatory Commission (ICRC) within the ambit of international practise and this body was charged with a clear mandate to develop the guidelines, policies and procurement process for Public Private Partnership in Nigeria.

### **Meaning of public private partnership and its models**

The phrase 'Public Private Partnership (PPP) as earlier stated is basically a term used to express long term contractual arrangement between the public and private sectors for the purpose of providing public infrastructure delivery via numerous models to be highlighted later in this writer up. However, in public private partnership arrangement the government retains ultimate responsibility for the public service but will delegate many of the operational tasks to the private sector service providers under contract and such contract will determine the service obligations, public policies and in some cases the private sector contractor will itself set user charges and be remunerated through user payments or the regulator may set user charges and the private sector contractor only for providing the service. Public Private Partnership is not entirely new in Nigeria because it has been in operation in the oil sector where government has been partnering with some private companies under various contractual agreements (Models).

### **Public private partnership models**

There are different Public Private Partnership models which varies from short-term simple management contracts to long-term and more recently very complex Build Operate and Transfer (BOT) arrangement. However, Public Private Partnership models can be classified based on the order of increased involvement and assumption of risk by the private sector thus;

**(i) Management Contract:** This is a form or models of Public private partnership arrangement for the management of a public enterprise by the private sector. Tsema (2008) describe management contract as a contract arrangement that allows private sector skills, focus, drive, doggedness, effective span of control and decision making, infrastructure provisioning and equipment procurement. Against this backdrop the public sector retains the ownership of this public service. The private

sectors is either paid a fee based on an arrangement to manage and operate these facilities or allowed to collect a percentage of the revenue generated to offset his costs or on fulfillment of defined performance targets. This type of model typically span either for a short or long term contract period depending on the complexity of the facilities provided. Management contracts are very common in the transport sector e.g operational management of urban transport sectors as currently being implemented in Lagos state. The ongoing partnership between the federal government of Nigeria and some private Indians over the Nigeria railways and the failed contractual arrangement between the federal government of Nigeria and also some private Indian nationals over the management of Ajaokuta steel plant are typical example of management contracts.

**(ii) Design and Build:** This is traditional procurement model commonly adopted by the public sector for provisioning of infrastructure facilities. In this model a private contractor is selected through a tendering process. The private sectors contractor design and build the facility for an agreed fixed contract sum/figure thereby assumes total risks involved in the design and construction process. In these type of arrangement, there is lack of incentive for the private contractor to complete the project early and the scale of investment by the private sector is generally very low.

**(iii) Concessions:** Typical of this form of Public Private Partnership is that the government will fully specifying and grants specific rights to a private entity to build and operate a facility for a fixed period of time ranging between 10 to 50 years. The private sectors usually carries commercial risks. However, when government wants to either make the project commercially viable and/or reduce the level of commercial risks taken by the private sector, it may decide to make payment to the concessionaire for providing the specified or defined services or facilities having met the agreed specified conditions. In concession, contractual arrangement may take the form of any of the followings:

- Build-Operate-Transfer (BOT)
- Build-Transfer-Operate(BTO)
- Build-Rehabilitate-Operate-Transfer(BROT)
- Build-Lease-Transfer(BLT)

**(iv) Private Ownership Initiative of Infrastructure:** under this form of private sector procurement model, all design, construction and operation of an infrastructure remains the exclusive rights of the private contractor. However the public sector may allow the ownership right of the infrastructure to revert to the private sector in some instances. However this form of private sector procurement model can be successfully realized under any of the under-mention form of agreement.

- Build-Own-Operation(BOO)
- Private Financial Initiative

In a Build Own-Operate (BOO) form, the private sector build, owns and operates the infrastructure and sells the product or service to its user. This form of private participations is commonly used in many countries for their Power and Energy sector. In considering the private finance initiative model, the

private sector builds, owns and operates the facility. However the public sector end up buying the services from the private sector through a long term agreement. The government in this type of model bears direct financial obligation and contingent liabilities due to loan guarantees provided to lenders and default of a public or private entity on non guaranteed loans. Under this arrangement, ownership of asset may or may not be transferred to the public sector at the end of the contract period. Public Finance Initiative model has been used to finance national highways in India and has also been used for developing school and hospital building in United Kingdom. Duncan (2006) claimed that these arrangements make use of principal supply chain members.

#### **Policy objectives of public private partnership and success factors**

In line with government commitment to bridge the infrastructure gap, key policy objectives was formulated and this centres on the followings:

- To reduce to the bearest minimum green house gas emission and other pollutants.
- To protect and enhance the natural environment
- To ensure that user charges for new or improved public service are affordable and provide value for money.
- To ensure balanced regional development
- Accelerate investment in new infrastructure and ensure that existing infrastructure is upgraded to a satisfactory standard to meet the needs and aspiration of the society.
- Ensure that infrastructure project is planned, prioritized and managed to maximize economics returns and are delivered in a timely, efficient and cost effective manner.
- Increase the capacity of private sector by providing opportunities for Nigerian and international investors in the provision of public infrastructure thereby encouraging efficiency, innovation and flexibility.
- Manage the fiscal risk created under Public Private Partnership contracts within the government's overall financial and budgetary framework.

Government having recognizes and creating an appropriate enabling environment for Public Private Partnership, will still need to put the under-mentioned success factors into consideration in order to further encourage greater private sector participation in the delivering of public services.

- (1) There must be a sound framework : Government must put in place reliable, effective and predictable legal system where the rule of law prevails and contractual commitments are upheld. In this respect there should be an amendment of the existing legislation or the enactment of new legislation that will adequately provide a strong legal and regulatory framework for Public Private Partnership.
- (2) Empowerment of public authorities to enter agreements for the implementation of privately financed infrastructure projects and delegate their statutory functions to private companies through the appropriate legislation.
- (3) Availability of long term private capital is a factor for a viable PPP. Infrastructure project are generally large and long lasting, as such large amount of money are typically invested for long periods.

## Objectives of millennium development goals

Millennium Development Goals is a declaration of the United National general assembly of April 2000. The declaration focused on eight points of actions to be achieved by the target date of 2015 from a blue print agreed to by all the worlds' countries and the entire world's leading developing institutions. Therefore, the declaration focused on the under-mentioned eight points of actions to be implemented by each country.

- Achieve universal primary education
- Eradicate extreme poverty and hunger.
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership

Attaining the above Millennium Development Goals objectives will require a sustained set of action to close the infrastructure deficit that exist within our society. It is not an exaggeration, that both the physical and social infrastructure which the Millennium Development Goals entails are known to be the bedrock upon which development of any nation depends on.

### Achieving millennium development goals through public private partnership models

The physical and social infrastructure which Millennium Development Goals entails can be effectively realized if the points of action articulated above are reduced to some critically important areas like provision of Power and energy, improved health facilities, qualitative primary education and develop effective transportation system. Efficient power and energy provisioning have amplifying impact on the provision of relevant infrastructure, for example, our ailing industries will witness increased production and more industries will sprang up with all achieving high capacity utilization that could bring more employment opportunities thus reducing or eradicating poverty and hunger. Similarly efficient power provision would encourage the construction of high rise building structures that has soothing aesthetic impact on the environment to be easily maintained

Power and Energy has a great role to play on the provision of improved health care services as it will assist in reducing drastically the high child mortality rate, improving maternal health care system and further increase ability to combat malaria and other associated diseases. Efficient Power and Energy will enhanced agricultural production (mechanization process) and improved ability to preserve perishable goods thereby reducing massive annual waste that the nation is currently experiencing. Efficient power and energy provision which forms one of the Millennium Development Goals point of actions can only be made possible through the Public Private Partnership instrumentality. Tsema (2008) posits that over one hundred billion dollars (\$100bn) will be required to put essential infrastructures in place in Nigeria. This is about two times Nigeria's current national foreign reserve which may appear impossible but through public private partnership

the nation can have the capability to provide this infrastructure and launch her amongst the twenty most developed economics in the world by year 2020.

## Conclusion

Public Private Partnership is relatively new in Nigeria procurement system, there are growing evidences that Nigeria infrastructure sector has shown an impressive growth over the last few years primarily due to increasing oil revenues. Given the enormous resources demand that the Millennium Development Goals implementation will require within the United Nation set time table against the background of existing infrastructure gap (deficit) in the country, public private partnership has therefore being the sure way to help fuel growth in the Nigerian infrastructure sector. Though the Nigeria construction industry is forecast to be worth #660.96bn (\$6.01bn) by 2012 with overall gross domestic product (GDP) contribution averaging around 2% during the forecast period (BMI 2008).

The Infrastructure Concession Regulatory Commission (ICRC) is a vista created by the government as a result of the dire need to close up the existing infrastructure gap in our society which the old mode of financing public infrastructures can no longer provide. However, the greatest attraction for the usage of public private partnerships is the medium term removal of public borrowing and the much needed certainty to cost and delivery time of public sector projects. Nigeria possesses the potential of becoming one of the largest developed economy in Africa and the world at large in term of infrastructure if more stringent and religious implementation of Millennium Development Goal's points of action is followed.

## Recommendation

It is highly commendable that Infrastructure Concession Regulatory Commission (ICRC) was created by Nigeria government, however this regulatory body's Act of 2005 should be amended to accommodate provision for specific and various types of public private partnership models e.g. concession and its variants. For public private partnership to be successful, Government should make Infrastructure Concession Regulatory Commission (ICRC) independent of itself and Infrastructure Concession Regulatory Commission should establish a track record that will provides some stability and certainty to the private sector. However, countries entering public private partnership must recognize the need to put in place effective legal framework and strong political commitment for public private partnership to offer value for money to the government, good opportunities for investors and increased public infrastructures.

Moreover public private partnership have been found to be more successful in some sectors like port, telecommunications, transport and tourism projects in other parts of the World like United Kingdom, North America, and Asia countries, Nigeria government should start with small public private partnerships such as building, maintenance of government offices and roads just like Botswana. Finally, government should actively pursue all the Millennium Development Goal eight points of

action earlier articulated in this paper with greater vigour so as to enhance the socio – economic well being of our country as well as putting our economy among the twenty most developed economy of the world by year 2020.

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