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Managing Public Private Partnership For Africa's Prosperity

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CHAPTER 32

PUBLIC-PRIVATE PARTNERSHIP AND SERVICE DELIVERY SYSTEM IN NIGERIA

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ABSTRACT

Over the last few years Public-Private Partnerships have become an increasingly important topic. It is expanding rapidly as an alternative for the provision of goods and services by governments and it has become an important instrument in sub-national government's development assistance. PPP also adds a new variant to cooperation between governments and the economy of their countries. It concerns the establishment of purposeful joint business ventures at programme level, which aims at providing a more efficient and effective service delivery. This paper analyzes PPP phenomenon and focuses on relevance as regards social services. The paper argues that Nigeria is still in search of solutions to her public sector challenges and Public Private Partnership (PPP) has been advocated because it has succeeded in some other countries with similar challenges. This paper examines the existing public-private partnerships in Nigeria's development. It reveals general weaknesses in such relationships. The paper strongly advocates for a strategic public-private partnership relationship at ensuring a sustainable development in Nigeria. The paper suggests that with strong political commitment and clear objectives and priorities; the appropriate mix desired for attaining efficient mobility in Nigeria's development would be ensured. It concludes that Public private partnerships are a key part of Nigeria's strategy to provide affordable infrastructure that meets public needs.

INTRODUCTION

The public sector has been the main actor in service delivery and development activities in most countries in Africa until the mid 1980s. The public sector was the main actor in the provision of basic services such as primary education, health care, clean water supply and distribution, solid waste collection and removal and energy supply which is vital to poverty reduction. Adequate and effective delivery of public services is central to achieving the Millennium Development Goals (MDGs). Thus, to ensure sustainable development and guarantee a progressive stride towards achieving many of the goals, in particular, improved health and environmental sustainability, widespread access to water, sanitation and other basic public services are proving to be fundamental preconditions (OECD, 2004). Under this context, governments have been actively exploring various partnerships with other stakeholders to better address the service delivery challenges.

African governments, like most countries in the developing world, face a daunting task in their attempts to provide effective and equitable public services. When looking at the various surveys available, it becomes quite apparent that basic infrastructure in Sub-Saharan Africa (SSA) lags well behind the rest of the world. Poor quality and lack of widespread availability of services like electricity, water and sanitation, and roads are quite common in some SSA countries, and the average for the region is well below others (ECA, 2005).

From the mid 1980s, following the winds of change in the form of far-reaching social, political and economic reforms the role of the public sector in the development process has changed in many African countries. The main role of the public sector is to act as facilitator for the private-led economic development and growth. In this regard the private sector has played a major role in bringing about sustainable development in most economies (Charles, 2009).

Public Private Partnerships (PPP) have become an important instrument in sub-national government's development assistance. PPP also adds a new variant to cooperation between governments and the economy of their countries. It concerns the establishment of purposeful joint business ventures at programme level, which aims at providing a more efficient and effective service delivery.

There is a broad range of options for involving the private sector in the financing, physical development, and operations of projects traditionally are the domain of the public sector. Public-Private Partnership (PPP) approaches are arrayed across a spectrum. At one end, the public sector retains all responsibility for financing, constructing, operating and maintaining assets, together with the responsibility for assuming all associated risks. At the other end, the private sector assumes all of these responsibilities. The vast majority of PPP approaches fall in the middle of the spectrum, with risks and responsibilities shared between the public sector and its private partners according to their strengths and weaknesses (European Commission, 2003).

Private-sector-led economic growth and development is considered to be more effective and efficient when it comes to service delivery. The private sector is being seen as more dynamic, resistant, creative, innovative and vibrant than the public sector. The main aim of the private sector is to make a profit as it embraces the concept of free interplay of the market forces of supply and demand in the production and distribution of goods and services. Due to this interplay there might be market failures in the production and distribution of goods and services. Furthermore, due to the profit-oriented approach used by the private sector, goods and services might not be available or affordable to the poor and only benefit the rich who can pay for them (Charles, 2009).

Apart from the introductory aspect of the paper, the paper is divided into six sections. The first section examines the concept of Public-Private Partnership. The second section of the paper examines recent trends in PPP in developing countries. The third segment deals with Nigerian experience of PPP. In the fourth section, the paper examines the benefits and challenges of PPP relationship in Nigeria. In the fifth section, the future prospects of PPP in Nigeria were examined, while the last segment is the concluding aspect of the paper.

THE CONCEPT OF PUBLIC PRIVATE PARTNERSHIPS (PPP)

The concept Public-Private-Partnership originates from USA, initially relating to joint public and private sector funding for educational programme, and then in the 1950s it referred to similar funding for utilities, but has come into wider use since the 1960s as it is referred to as public-private joint ventures for urban renewal. It is also referred to as publicly-funded provision of social services by non-public sector bodies, often from the voluntary (not-for-profit) sector, as well as public funding of private sector research and development in the fields such as technology (Buse and Watt, 2002).

It is instructive to note that there is currently no clear definition of what constitutes Public-Private Partnership. The literature offers several possibilities. Public-Private Partnership is, conceptually, collaboration between public and private sector organizations in public service delivery (Commonwealth, 2003; Nkya, 2000).

PPP describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. In some types of PPP, the cost of using the service is borne exclusively by the users of the service and not by the taxpayer. In other types, capital investment is made by the private sector on the strength of a contract with government to provide agreed services and the cost of providing the service is borne wholly or in part by the government. Government contributions to a PPP may also be in kind (Abiola and Adebayo, 2011).

According to Rom (1999:155), the term 'Public-Private Partnership' (PPP) was initially used to describe entrepreneurial activities that engaged both public and private sectors typically to fund the redevelopment of public infrastructure, for example, the public financing initiatives. However, the term is now used to embrace those many examples of partnerships between governments at all levels, and the private sector, to operate social welfare functions such as pensions, education, transportation, criminal justice and environmental protection. This shift represents an extension of the partnership concept from state-market models to include state-community arrangements.

The Ministry of Regional and Local Government, Housing and Rural Development in Namibia, has defined the Namibian Governments definition of PPP as follows:

> *Public-Private Partnership describes a range of possible relationships between public and private actors for the cooperative provision of municipal services. It therefore offers alternatives to full privatisation by combining the social responsibility environmental awareness and public accountability of the public sector, with the finance technology, managerial efficiency and entrepreneurial spent of the private sector (MRLGH, 2004:5).*

This concept of partnership between governments and a broad range of non state actors offers a complementary approach to traditional public service delivery methods and also provides an alternative to full privatisation of public service delivery. PPP combines the power, authority, social responsibility, accountability of the public sector, with the finance, technology, managerial efficiency and entrepreneurial abilities of the private sector and the informed voice, energy, drive and oversight responsibilities of Civil Society Organization including the service users.

World Bank (2004) defined PPP as the combination of a public need with private capability and resources to create a market opportunity through which the public need is met and a profit is made. The UNDP Public-Private Partnership for local Service Delivery (PPPSD) Programme uses the term "Public-Private Partnership" to describe a spectrum of possible relationships between local government, business, civil society organisations including non-governmental organisations and local communities, for the co-operative provision of basic services. There is not a single model for PPP because one size does not fit all. The "right" alliance is the one that best meets the needs of the partners based on the local context, the service delivery challenges, and the one that contributes in a sustainable way to poverty reduction efforts and attainment of MDG targets.

International Monetary Fund (2006), conceives public-private partners as the arrangements where the private sector supplies infrastructure assets and services that traditionally have been provided by the government. In addition to private execution and financing of public investment, PPPs have two other important characteristics: there is an emphasis on service provision, as well as investment, by the private sector; and significant risk is transferred from the government to the private sector. PPPs are involved in a wide range of social and economic infrastructure projects, but they are mainly used to build and operate hospitals, schools, prisons, roads, bridges and tunnels, light rail networks, air traffic control systems, and water and sanitation plants.

Public-private partnership is an agreement between the government and one or more private partners (which may include the operators and the financiers) according to which the private partners deliver the service in such a manner that the service delivery objectives of the government are aligned with the profit objectives of the private partners and where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners (OECD, 2008).

The objectives of PPP is to contribute to the economic integration, accelerate economic growth and sustainable development, engender and sustain Private Sector Participation (PSP) in traditionally public sector projects, and expand local access to international markets. In order to achieve a sustainable PPP for ensuring the most effective, productive, compassionate, result-oriented and efficient use of resources, it is imperative that the partners should adopt a single framework of action that provides the basis for co-coordinating the work of all partners; put in place and maximally utilize a single national or community coordinating body with a mandate from various sectors or stakeholders, and agree on a single national monitoring and evaluation mechanism to ascertain and maintain accepted standards (Abiola and Adebayo, 2011). PPP aim to engage the strengths of both sectors, private (more competitive and, in some instances, more efficient) and public (responsibility and accountability). PPP is based on cooperation, not competition, to spread risks rather than reduce input costs through the competition mechanism. Rather than cede public activity to private organisations, PPP works to blur boundaries between state, markets and community (Hodge 2002).

PPP is an arrangement between a public (government) entity and private (non-government) entity by which, services traditionally delivered by the public entity are now provided largely by private entity under a set of terms and conditions well defined at the outset. Hence, under the PPP approach, output based indicators are much more important- level of cleanliness in the city ward, for instance. PPP therefore, implies sharing of management control, and imposes local, as opposed to distant accountability. So far, PPP's main charm seems to be in leveraging private money as a supplement to public funding. It should be realized that service quality and output is much better in PPP, since private sector rewards and incentives efficiencies. Projects get executed faster, and are maintained better, given a good contractual relationship (Pathak, 2007).

Public-private collaboration models present a greater diversity. Sub-contracting and out-sourcing are two common types. In these cases, Government retains responsibility for a service that is totally or partially operated by the private sector. However, public-private partnerships are emerging as the models of collaboration that trigger the most debate. They are distinct in that they focus on a sharing of resources, risks, and benefits across sectors. And while the service is public, as a general rule (usually), the funds are private. In certain models of collaboration, reciprocal support might even include the creation of a corporation, as in the case of mixed ownership corporations or regulated private companies (Lise, et al, 2000). In both cases, government hands over part of its management responsibilities while retaining enough control to ensure the protection of the public interest. This control is ensured by maintaining a controlling interest or through laws and regulations governing the activities of the corporation.

THEORETICAL FRAMEWORK FOR PUBLIC PRIVATE PARTNERSHIPS

There is no unified theoretical basis for PPPs. However, among the various theories one may point out the Principal-Agent framework given the specific nature of risks existing in most PPP projects. PPP is based on the theory of principal-agent developed by Laffont and Tirole (1993). In a nutshell, principal agent theory describes the behaviour of a boss (the principal) who cannot accurately monitor the productivity of his or her employee (the agent). The principal can, however, introduce a set of incentives in order to increase the agent's efficiency. Such incentives are costly; and some are working better than others. The theory formalizes assumptions about the distribution of property rights and information in the writing of contracts that define organisations. In particular, it focuses on the relationship between principals and agents who exercise authority on behalf of organisations.

In compliance with principal-agent theory, the two contract parties in PPP are named principal (the public authority) and agent (the private enterprise). Both actors are intrinsically motivated by self-interest based on rationality. The theory is mainly interested in how the agent can be forced to act in accordance with the principal. A so-called agency problem evolves, that is not only derived from the actors' egoism but from information asymmetries in favour of the agent. Before the PPP contract is signed, the agent can mislead its public partner about its professional skills. Principal- agent theory also broaches the issue of risk-bearing. This is a central topic for PPP because the share of risks is supposed to be one main advantage of the PPP concept for growing efficiency in public service delivery.

The theory argues that principals must solve two basic tasks in choosing and controlling their agents. First, they have to select the best agents, whether employees or contractors, and create inducements for them to behave as desired. Second, they have to monitor the behaviour of their agents to ensure that they are performing as agreed. A problem arises when the parties' goals conflict or when it is difficult or expensive for the principal to verify what the agent is actually doing. Information asymmetry here introduces an adverse selection and a moral hazard problem.

In the view of Gauld (2007), principal-agent theory tries to resolve the problem that arises when the desires and goals of the principal and agent are in conflict, and when it is difficult or expensive for the principal to verify the agent's performance. Such difficulties arise due to incomplete information, incompleteness of the contracts, and the problem of monitoring behaviour. The theory according to Eisenhardt, (1989); and Ting, et al (2007) assumes that the principal and agent are engaged in cooperative behaviour, but have differing attitudes toward risk and provides a guide on how both parties can best structure a relationship to maximize the chances that the goals of the principal are achieved. Central to this assumption is a belief that the agent does not share the principal's goals and thus will not accomplish them adequately if left to its own devices, a behaviour referred to as "shirking". As noted by Huque (2005), it is virtually impossible to eliminate shirking by the agent. Indeed Kettl (1993) suggests that shirking exists irrespective of the degree of monitoring. Thus, the goal is not to completely eliminate shirking, but reduce it to a level, which ensures that the goals of the principal are achieved.

The principal-agent model focuses on determining the contract that is most efficient under varying levels of outcome uncertainty, risk aversion, information, and other variables. It tries to determine whether the optimal contract between the principal and agent is based on behaviour or outcome. It assumes an easily measured outcome, and an agent who is more risk averse than the principal (Brown, et al., 2006; Nyman, 2005). It seems reasonable to assume that when principals and agents engage in a long-term relationship, the principal will learn about the agent more easily, thereby reducing information asymmetry. In such a case, behavior-based contracts are more appropriate. On the other hand, in short-term agency relationships, the information asymmetry between principal and agent is likely to be greater, thus making outcome-based contracts more attractive (DeHoog & Salamon, 2002; Zhao, 2005). Consequently, the length of the agency relationship is positively related to behaviour-based contracts and negatively related to outcome-based contracts (Gauld, 2007).

In the principal agent theory framework, the Agent's effort is not observable. At the same time, the Agent's behaviour is at the root of the performance. In order to assure a certain level of performance, the Principal should give the Agent incentives to perform. The incentive constraint should be tackled. The authors belonging to the PAT concentrate on the imposing of potential cost overruns on partners as an incentive device. The payment the Agent receives from the Principal depends on his performance. There are several general conclusions on principal-agent theory. Firstly, the risk should be allocated to the Agent to the extent he does manage the risk. Secondly, risk should be allocated to the least risk adverse partner in order to minimize the overall risk-bearing cost. In the Principal-Agent literature, the Agent is most of the time supposed to be risk averse whereas the principal is supposed to be risk neutral. Thirdly, the Principal should support risk in order to minimize the overall risk-bearing cost.

The principal agent theory is used in this paper to address the efficient design of the service contracts. The service contracts describe the strategic interactions between the two contract partners, called the principal and agent. The principal agent theory assumes that the actors are motivated by rational self-interest. One leading question is how to get the agent (contracted service provider) to act in the best interest of the principal (contracting public authority), when the agent has an information advantage. The agency problem arises from a conflict of interest and from the agent's privileged access to information. The agent will tend to use the superior knowledge to divert benefits in the agent's direction.

The theory was originally applied in the context of private firms to explore the economic relationship between a manager (a principal) and an employee (an agent). Despite its primal use within the private sector, the agency theory can also be applied in the context of the interfaces between the public sector and the private sector when the public sector (the principal) employs the private sector (the agent) to delegate some of its roles in public service delivery (HM Treasury, 2003). In order to explain the concept of agency theory, we start with its definition. Agency theory according to Jensen (2003), is a kind of relationship that ...

> *...is a contract in which one or more persons (the principals) engage another person (the agent) to take actions on behalf of the principals that involve the delegation of some decision - making authority to the agent.*

In agency theory, a principal chooses to contract with an agent for reasons of cost and expertise. The principal may decide that its organization lacks the resources and expertise to produce a good or service and that the cost of hiring or developing that expertise in - house exceeds the costs associated with contracting for the expertise. The principal and the agent then agree on the contractual terms including the inputs, processes, outcomes, quality and satisfaction parameters, monitoring, performance requirements, and compensation mechanism. The basic assumption for agency theory is the *asymmetric information* between the principal and the agent, which induces adverse selection during ex ante contracting and moral hazard during ex post contracting period. Roughly speaking here, adverse selection refers to the fact that the principal is unable to access relevant information of the agent before signing the contract. And moral hazard refers to the fact that the efforts made by the agent dedicated to the task cannot be freely observable by the principal and thus causes the monitoring problems. The information asymmetry is not necessarily a problem if the agent's interests were perfectly aligned with the principal's. However, the "asymmetry" has actually affected the level of benefits streaming toward the principal. That is because another assumption, *goal conflict*, exists between the principal and the agent. So when the agent's behaviors are not controlled or restrained, the goals of the principal are unlikely to be attained. The principal thereby will apply new ways of contracting in order to minimize the deviation from its goals (Caers, et al, 2006).

In applying principal agent theory to PPP interventions, the principal is the state (or other "public" actor) and the agent is the private sector company, partnership or consortium that the state contracts with. The state wishes to harness the capacity (human and investment), entrepreneurship and innovation of the private sector "agent" to achieve public policy goals, but has to recognise that private sector "agents" have their own objectives and will only enter into deals if they think that these will in some way be furthered by implementation of the PPP agreement. Specifically, firms will only enter into PPP agreements if their expected "utility" from concluding the deal exceeds what they could obtain from directing the same resources to alternative uses, i.e. the opportunity cost of these resources. (This opportunity cost is known as the agent's reservation position).

RECENT TRENDS IN PUBLIC-PRIVATE PARTNERSHIPS IN DEVELOPING COUNTRIES

Almost all developing countries have undertaken public-private partnerships in infrastructure since 1990. Some countries and sectors, as well as some forms of PPP, have been much more prominent than others, but this should not disguise the quasi-universal nature of the phenomenon. Differences across regions and sectors have nevertheless been significant and provide valuable policy lessons from the PPP experience. Infrastructure projects involving PPPs are now back to the level of a decade earlier, before the real takeoff. Just as the growth of PPPs was universal, so too has been the decline: all regions and sectors have been affected. Investments continued to fall in all sectors in 2003 and in almost all developing regions with the exception of the Middle East and North Africa. Between 1990 and 2003, there were over 2,750 projects with private participation in infrastructure in developing countries, with total public and private investment in these projects amounting to USD786 billion (Sohail, 2004).

A decade of experience with public-private partnerships based on an innovative contract and with financial and technical assistance from international donors shows how PPPs can be used both to improve services and to expand coverage of infrastructure in a low-income country. By reducing employment levels, moving to sustainable pricing policies and driving a wedge into political patronage, private investors have often dramatically improved efficiency. A World Bank (2003) study concludes that "private sector in infrastructure improves efficiency and, often, quality of service. The most detailed studies of private participation have shown substantial welfare gains, and measurable impacts on important social indicators such as child mortality." The fiscal gains to the host government can also be significant, not only from the one-time sale of state assets and the reduced public outlays for infrastructure but also from the tax revenues as the private firm starts to make profits. This compares with a situation prior to privatisation where losses amounted to as much as 5-6 per cent of GDP (Perset, 2004).

The forms public-private partnerships (PPP) in developing countries have taken are legion, ranging from the construction of physical infrastructure, to public administration, to the provision of health and social services. PPP is the global facility that developing countries use to obtain support in their efforts to reduce poverty by increasing the access of the poor to basic services. PPP offers a flexible option of demand driven services built on the basis of a strong partnership network and results at the country level. The PPP approach recognises that both the public and private sectors can by pooling their resources, know-how and expertise to improve the delivery of services to all citizens. PPP offers an alternative to full privatisation by combining the advantages of both sectors (Charles, 2009).

The private sector operators and other non-state providers also have a role to play in order to ensure that the PPP arrangement is successful. Besides employing ethical business practices in fulfilling their contractual obligations and not exploiting the power accorded to them in terms of long-term contracts they need to be more creative and innovative in seeking to expand the service coverage, quality and affordability of the service to the poor. Transferring of skills and knowledge together with empowerment of the poor are crucial contributions to be made by the private sector operators and other non-state providers (Charles, 2009). The role of CBOs, NGOs and FBOs in making PPPs work for the poor can also be significant. They can mobilise community support for and ensure involvement with the related processes, undertake public awareness raising and promotion campaigns for PPPs to succeed, and they can mediate dialogue between public and private partners and the community and users. They can furthermore play an oversight role on behalf of the poor users and the public with regard to the service delivery quality, quantity, coverage affordability of the service and ensure that there is no abuse of users by the private operators and/or misuse of public funds by the partner.

PUBLIC-PRIVATE PARTNERSHIP AND IMPROVED SERVICE DELIVERY: NIGERIAN PERSPECTIVES

It is becoming increasingly clear that governments cannot meet the growing demand for services by acting alone and that there is indeed a need to look for support from other employers within society to contribute towards service delivery. However, since basic services are public goods and since markets fail to provide such services equitably, the primary responsibility and accountability for their delivery remains with the state (Commonwealth 2003). A Public-Private partnership can be explained conceptually as collaboration between public and private organisations in public service delivery (Sohail, 2003).

Under PPPs, the public sector is publicly accountable and responsible for ensuring that the needs of different sections of the population are treated equitably. The public sector has the responsibility to ensure that any contract awarded is actually the best option to reach optimum value for tax payers' money. They must make sure that they do not create a private monopoly situation. The private sector is responsible to its clients, shareholders, and owners (Honest, 2006). PPPs describe some form of partnership endeavour involving the public and private sectors, but not excluding the involvement of the third sector, namely, civil society (Plummer, 2002). This approach is being echoed by Gildman et al (1995:vii) in Ngowi (2006: 29), which indicate that four groups of actors are relevant in PPPs. These four groups are the government, non-governmental organisations (NGOs), community based organisations (CBOs) and the private sector. Current literature and experiences indicate that faith-based organisations (FBOs) such as churches can also play a major role in PPP arrangements.

PPPs have provided a principal vehicle for foreign direct investment (FDI) into public utilities and infrastructure in developing countries, with OECD-based multinational enterprises participating in most of the largest PPPs in this area. The focus of this paper, however, is on physical infrastructure. In light of this, the paper examines PPP and service delivery in Nigeria in the following areas.

Water and sanitation

Public Private Partnerships have existed in the international water sector for a number of years. For example, private sector concessions for the development and operation of water supply and treatment plants have been common place in France for at least forty years, leading to the growth of the large and diversified French private sector utility companies. The construction of water supply or waste water networks under PPP arrangements is likely to be linked to the level of information available on the extent, composition and performance of existing networks (European Commission, 2003).

According to the UNDP's *Human Development Report*, in 2000, the population's access to safe water in SSA was only 44%, while the average for countries in East Asia and the Pacific (EAP) stood at 67% and in Latin America and the Caribbean was reported to be 65%. Furthermore, it is amply clear that the challenge of providing basic water and sanitation persists as not much improvement has been made since the early 1990s. Even where water supply systems and sanitation facilities have been installed, they are still often inadequate, unsafe and in disrepair. In 2002, at the world summit on sustainable development in Johannesburg, the most significant achievement was that all governments agreed to a target to halve the proportion of people without access to adequate sanitation by 2015. Prior to this meeting, sanitation had never been an issue of its own on the development agenda. According to UNICEF, Nigeria requires more than 120 million dollars (14 billion naira) to provide 62 million citizens access to basic sanitation and hygiene by 2015. (ThisDay Newspapers, March 26, 2008).

According to the UN agency, Nigeria needs to build more than eight million toilets before 2015 to achieve sustainable sanitation and hygiene. In essence, Nigeria requires at least one million toilets annually across the 774 local government areas. Three million dollars is required for hygiene intervention through the practice of hand washing with soap and water. Statistics given by UNICEF state that out of the country's population of 140 million, only 53% of urban and 36% of rural dwellers have access to safe sanitation (Asabia, 2009). With these statistics in mind, one has a clearer picture of some of the sanitary challenges facing Nigeria and the West African region. It is evident that lack of resources is a major contributing factor to the continued existence of poor sanitary and hygiene practices. Research shows that Government resources are targeted more towards the water sector. Sanitation has been labelled as the poor cousin who is often neglected during resource allocation. This paper identifies initiatives using the public-private partnership model as a vehicle to provide the much needed finance in this sector.

Water supply and sanitation requires a participatory approach that aims at strengthening collaboration among the three key stakeholders, namely; governments (national government, local governments and municipalities), private sector (national and transnational businesses, formal and informal enterprises), and CSOs (communities, NGOs, research centres and professional associations). PPPs are seen in this context as an effective means to establish cooperation between public and private actors and to bundle their financial resources, know-how and expertise to meet the challenges facing service provision. While this approach promises several benefits, experience shows that involving private actors in the provision of basic services needs to be carefully planned and monitored if the benefits of such a model are to be fully realized and the numerous potential drawbacks avoided.

More recently, the use of PPPs has been stimulated in sectors where there has been a significant increase in the burden of traditional public sector responsibilities and this is particularly true with regard to the disposal of urban waste. Increasingly, for economic and environmental reasons, public authorities are reducing their reliance on landfill which has been the traditional means of disposing of waste. New methods of waste disposal such as waste to energy schemes and recycling plants require substantial investment and specialised technical know-how.

In promoting successful partnership among all stakeholders for the provision of water and sanitation services, in recent years, most governments in Africa, Nigeria in particular, have undertaken policy reforms that emphasize the need to create an enabling environment in which key roles and responsibilities are clearly defined and allocated among all actors in a stable and predictable regulatory regime.

In the water and sewerage sector, the relative scarcity of projects stems from both host government reticence and a lack of investor interest. Fears of a political backlash against private ownership and the relatively greater role played by sub-national governments have dampened enthusiasm for PPPs.

Transportation

The state of transportation in Nigeria can be classified into five major modes – Roads, Rail, Water, Air and Pipelines. The contribution of the transport sector to the economy of Nigeria if considered by the GDP tends to stagnate or decline at about 3% of GDP. Indeed the sector's real contribution to GDP continued to decline from 6% in 1981 to 3.12% in 1991 and 3.10% in 1998. In particular, road declines from 5.17% in 1981 to 2.90% in 1995 and to 2.86% in 1996 and 2.84% in 1997 (Oni, 2010). From the above therefore, there is need to provide and manage transport to help in maintaining the continuous survival of the Nigerian society. Recognizing the complexities in the provision and maintenance of transport, there is further need to evolve effective, reliable and functional management objectives and policies that could yield public-private partnership framework in Nigeria's urban transport system. The transport sector represents only 16 percent of total investment but 27 percent of projects. One half of this investment has gone into toll roads, with the rest in railways, seaports and airports. Unlike in telecommunications and energy, concessions are by far the most important form of PPP in this sector, (for instance, Bus Rapid Transport (BRT) in Lagos State through LAMATA and private partners), owing partly to the political sensitivity of transferring public assets to the private sector.

Some of the most important issues that will influence the selection of a preferred form of PPP for projects in the transport sector are the size and scope of the project, the ability to apply user tolls and the extent of risk transfer required.

Telecommunication

In telecommunications, technological innovations – in particular the advent of cellular networks – have allowed for new entrants thus dramatically transforming the competitive structure in national markets. In Nigeria, telecommunication industry has been privatised. Overall, divestitures of government assets have in the past been slightly more important, and much of the recent decline in investment can be explained by the completion of privatisation programmes. Investment in expansion within this sector has held up better.

Health care

Within health services today, social and physician entrepreneurs are already engaged in laboratory services, medical transport services, walk-in clinic services, long-term residential facilities and personal and occupational therapeutic services. Physician entrepreneurs also deliver surgical services and other elective medical services. Private Service providers are well suited to deliver most chronic care therapeutic services as partners with government hospitals as Consultants. By building these partnerships, the health system is able to better manage cost. Positioning health care services with appropriate client-centred, privately delivered service and support helps to alleviate excessive demand on the publicly operated critical care system. As with all such projects, when PPP are used in the health sector, there are serious concerns about cost and the risks inherent in partnering. Experience from the United Kingdom suggests that the PPP model may have serious effects on the operation of hospitals and the quality of care provided.

In Nigeria and other developing countries, sustainable access to healthcare and other socio-economic services and products can be accomplished through public-private partnerships, where the government delivers the minimum standard of services, products and or care, the private sector brings skills and core competencies, while donors and business bring funding and other resources. Such collaborations will be especially productive in promoting poverty alleviation through micro-finance, enhancing health through partnerships as has been the case with polio eradication and other child immunization efforts.

Several commentators, including the authors, hold a strong view that public and private sectors are complementary, and that effective public-private partnership is only possible through mutually designed, analysed and accepted instruments of cooperation and collaboration. We believe that such instruments are effective in all sectors of human endeavour including health, profit and not-for-profit, education, housing, micro-finance, community-based development projects, etc. For Nigeria in particular, achieving the PPP paradigm in health care delivery would mean deliberate and sincere effort to understand the nature of prevailing efforts in this regard within the country, identify their key challenges and opportunities, and seek to know how they can contribute to stronger national and family-level health, economic and social systems.

Housing

Public–private partnership (PPP) is the most prominent urban housing policy that has emerged in the last decade in Nigeria. Housing reforms in Nigeria, under the flagship of PPP has taken the city into a different league after decades of ineffective housing policy. Public–private partnership (PPP) is the most prominent urban housing policy that has emerged in the last decade in Lagos. The Lagos State of Nigeria has been in the forefront of housing market revival with its own PPP model, regarded nationally as highly successful. With the accent on enabling policies for housing development, PPP has been widely advocated for housing and infrastructure development in Nigeria as part of recent housing reforms. It advocated increased participation by the private sector and emphasized government's role in creating conditions to boost housing supply by eliminating legal and regulatory constraints and supporting appropriate infrastructure investments. This entailed a notable shift in the public sector role from direct housing provision to engaging the private sector in constructing, financing, operating and maintaining housing units.

Housing production under the PPP model to date is impressive in terms of costs and quality, but minuscule in terms of numbers. It is still early to comment on the likely long-term success of such partnerships. However, given the huge housing stock deficiency, high proportion of low-income groups in the city and slow pace of regulatory reforms, it is argued that future success is contingent upon the inclusion of low-income communities, which comprise half of the population of Nigeria.

BENEFITS AND CHALLENGES OF PPP RELATIONSHIPS IN NIGERIA

Public Private Partnerships (PPP) provide a viable alternative for effective, efficient delivery of public services. Although worldwide, there are many successful PPP projects there are also examples of costly failures which have negatively affected development. The key to implementing a successful PPP lies in carefully and thoroughly researching the PPP project to ensure that the appropriate type of PPP has been selected, that the financial, political, social and economic conditions are in place to support the PPP and that the risks have been reduced to a minimum and a risk management strategy is in place.

In this section, it is necessary to give an overview of the strength and weakness of PPP relationships in Nigeria with specific reference to the

various PPP types such as contracting, Built Operate and Transfer (BOT), Design, Built, Finance and Operate (DBFO) and Concessioning.
The main feature of contracting is contract with private party to design and built public facility. Also, the facility is financed and owned by public sector. In addition, the key driver is the transfer of design and construction risk. Contracting is best suited for capital projects with small operating requirements as well as capital projects where the public sector wishes to retain operating responsibility. The transfer of design and construction risk and potential to accelerate construction programme are the major strengths of this approach to PPP. However, the major problems with contracting in Nigeria include; conflict between planning and environmental considerations, increased operational risk, limited incentive for whole life costing approach to design and its ability to attract private finance, among its major weaknesses.

Built, Operate and Transfer (BOT) deals with a private sector contractor to design, build and operate a public facility for a defined period, after which the facility is handed back to the public sector. The facility is financed by the public sector and remains in public ownership throughout the contract, while the key driver is the transfer of operating risk in addition to design and constructions risk. It is important to note that BOT is suited to projects that involve a significant operating content, particularly suited to road construction and other capital projects. For example, some of the road construction in Lagos state is based on BOT. the Advantages of BOT includes; transferring of design, construction and operating risk. It has potential to accelerate construction; risk transfer provides incentive for adoption of whole life costing approach. It promotes private sector innovation and improved value for money, and improved quality of operation and maintenance, and lastly, government will be able to focus on core public sector responsibilities. The major challenges of BOT are possible conflict between planning and environmental considerations, contracts are more complex and tendering process can take longer, contract management and performance monitoring systems required. In Nigeria, the major problem with BOT is that most of the contracts executed take longer than necessary. Some projects which ought to be completed within a year have taken years before completion in order to inflate the contract. The cost of re-entering the business if operator proves unsatisfactory, and lastly, it does not attract private finance and commit public sector to providing long term finance.

In Design, Built, Finance and Operate (DBFO), the operator operates a public facility for a defined period, after which the facility is handed back to the public sector. The facility is financed by the public sector and remains in public ownership throughout the contract. The key driver is the transfer of operating risk in addition to design and construction risk. The main feature is that it is suited to projects that involve a significant operating content, particularly suited to roads, water and waste projects. An example of DBFO in Nigeria is the construction of Epe expressway in Lagos by Lekki Construction Company. The major strength is that it attracts private sector finance; attracts debt finance discipline; delivers more predictable and consistent cost profile; greater potential for accelerated construction programme; and increased risk transfer provides greater incentive for private sector contractor to adopt a whole life costing approach to design. The shortcomings of this approach in Nigeria include possible conflict between planning and environmental considerations, for instance, agitations by Lagosians to remove Toll gates along Epe Expressway. Contracts can be more complex and tendering process can take longer than for BOT; contract management and performance monitoring systems required; and the cost of re-entering the business if operator proves unsatisfactory.

In concessioninng, private party recovers costs from user charges. While the key driver is the *Polluter Pays Principle* and utilising private finance and transferring design, construction and operating risk. In Nigeria, concessioning has been adopted in the administration and management of Nigerian Ports Authority. The main feature is that it is for projects that provide an opportunity for the introduction of user charging, particularly suited to roads, water (nondomestic) and waste projects. Some of its advantages is that it facilitates implementation of the *Polluter Pays Principle*; and increases level of demand risk transfer and encourages generation of third party revenue. The major shortcoming of concessioning in Nigeria is that it is not politically acceptable and that it requires effective management of alternatives /substitutes, eg alternative transport routes.

In general, Fussell and Beresford (2009) argued that there are some benefits of PPP. According to them, price certainty can be greater. The government and contractor agree on the annual unitary payment for the services to be provided. This should usually only change as a result of agreed-upon circumstances. The PPP transfers responsibility for assets to the contractor. The government is not involved in providing services that may not be part of its core business. It brings the scope for innovation in service delivery. The contractor has incentives to introduce innovative ways to meet the department's needs. Often the unitary payment will not start until the contractor meets a specified benchmark, for example, when a building is operational. This gives the contractor an incentive to encourage timely delivery of quality service. The contract provides greater incentives to manage risks over the life of the contract than under traditional procurement. A reduced quality of service would require compensation to be paid to the government. A long-term PPP contract encourages the contractor and the government to consider costs over the whole life of the contract, rather than considering the construction and operational periods separately. This can lead to efficiencies through synergies between design and construction and the project's later operation and maintenance. The contractor takes the risk of getting the design and the construction wrong.

Despite the benefits of PPP, there are some drawbacks hampering its effective functioning for effective service delivery. Through PPP the government is tied into a long-term contract (often around thirty years) which may need change over time, since the contract may become unsuitable for changing needs during the contract life. The government's needs may change; management of these variations may require renegotiation of contract terms and prices. Drawbacks may arise if, for example, innovative methods of service quality lead to a decrease in the level or quality of service. The unitary payment will include charges for the contractor's acceptance of risks, such as for construction and service delivery, which may not materialize. The contractor may not manage transferred risks well, or governments may believe they have transferred core business risks that actually remain with them. The whole-life costs will be paid through the unitary payment, which will be based on the contractor arranging financing at commercial rates that tend to be higher than government borrowing rates.

The essential aspects of a PPP arrangement, as distinct from the direct delivery of a public service by a government department, are a focus on the services to be provided, and a shift of the risks and responsibilities to a private provider for the activities associated with the provision of services. A simple form of PPP is a service contract. In a service contract a department typically awards a private party the right to perform a specific service, within well-defined specifications for a relatively short period of time (usually one to three years). In a service contract the government retains ownership and control of all facilities and capital assets and properties.

Moreover, to be successful, government departments need to skilfully negotiate and effectively implement PPPs that promise to add value to public service delivery:

> *Our [the government's] overwhelming priority is to meet the socioeconomic needs of all South Africans, and in particular, to alleviate poverty. But we would be wrong to assume that government can meet this challenge alone. The state must complement its budgetary capacity with the wealth of innovative and specialist skills available in the private sector. Furthermore, the availability of state resources for these purposes must be used to leverage much-needed private sector investment in public infrastructure and services... Governments across the world are notoriously shoddy at calculating the risks associated with service delivery. PPPs force us to think differently, and in so*

> *doing, calculate the real costs... In a PPP, the department is no longer the hands and legs of delivery, but rather its strategist, its monitor, its driver and its public accountant.*

PPPs are an integral component of the state's overall strategy for the provision of public services and public infrastructure. This does not imply that PPPs are the preferred option for improving the efficiency of services delivered, but rather that they enjoy equal status among a range of possible service delivery options available to departments in all spheres of government.

THE FUTURE PROSPECTS OF PPP IN NIGERIA

Transparency and accountability are vital aspects of democratic and inclusive form of urban governance. Transparency and accountability requires keeping stakeholders informed and curtailing corruption. Keeping stakeholders informed implies that all stakeholders, consumers, labour organisations, bidders and the local authority have information about potential impacts, policies, partnership objectives and procurement criteria and processes. In this regard anti-corruption measures should be made available to all partners to prevent possible corrupt practices.

A platform should be created for the community to be present when decisions are taken that affect their livelihoods. The platforms can also be used to allow communities to air their views and concerns about the service rendered by the Contractor and to improve the relationship between the partners. In order for the community to participate, it is essential for the community to be well informed. The use of capacity-building workshops is a tool that can be considered to engage the community. External service providers such as academic institutions can be engaged to conduct this training.

In order to achieve a sustainable PPP for ensuring the most effective, productive, compassionate, result-oriented and efficient use of resources, it is imperative that the members or subscribers to the partnership must adopt a single framework of action that provides the basis for co-coordinating the work of all partners; put in place and maximally utilize a single national or community coordinating body with a mandate from various sectors or stakeholders, and agree on a single national monitoring and evaluation mechanism to ascertain and maintain accepted standards. Such an arrangement will enhance the coming together of several stakeholders such as federal, state and local governments; profit-oriented businesses and not-for-profit organisations, community development associations, UN and other transnational agencies, civil society groups and faith-based organizations; to work towards sustainable development and poverty reduction within the communities and the country as a whole.

In undertaking any PPP project, it must be understood that partnerships rarely occur without external impetus. PPPs must, therefore, be facilitated through processes aimed at translating the desires of stakeholders into the form of partnerships so desired. Even after formation, the continued existence of any PPP needs to be deliberately institutionalized, using various mediating processes or programmes deemed necessary for the implementation of partnership agreements. Such processes or programmes need to be rooted in local circumstances and comprehensively understood by representatives of all stakeholders.

CONCLUSION

PPPs continue to seize the attention of policymakers, public administrators, and academic researchers in search of organizational concepts and mechanisms that hold promise for (a) mobilizing resources beyond those available to public sector entities alone, and (b) offering solutions to complex problems (Brinkerhof and Brinkerhof, 2011).

Service delivery is the primary function of a government and in this process the Namibian government has a responsibility to ensure that citizens have access to their fundamental rights as enshrined in the Constitution. Due to limited financial resources, governments especially state governments (e.g, Lagos State) has been compelled to find alternative service delivery mechanisms in order to fulfil its mandate of ensuring that services meet the expectations of the people. In this regard the government has identified PPP arrangements as an instrument in addressing service delivery problems experienced on local government level.

There is a pressing task to reconstruct regulatory and accountability regimes to make them more consistent with contemporary public sector management, and to enable greater congruence between alternative public and private providers. Failure to seek congruence in regulation and accountability between public and private providers will undoubtedly add fuel to the tension felt by supporters of public education that the current government's policies distinctly favour one set of providers over another. This imbalance between public and private providers has been noted in some overseas research. In Australia, for example, which has high subsidies but rather low regulation, private school policies continue to attract controversy, with critics asserting that the provision of aid to private schools, including affluent independent schools, has had a detrimental effect on government school systems, and that the playing field is skewed in favour of the private sector (CEP 1999:16).

Of course, the closer linkage between funding and regulation may not suit some private providers – it then becomes their right to make choices that their private purposes outweigh the collective benefits (and regulation) involved.

In conclusion, in order for government to deliver the minimum standard of services, products and or care required for a PPP to thrive, it must put in place, laws, regulations and institutions or enhance existing ones, as well as improve the enabling environment for private sector participation (PSP) in the provision and development of infrastructure to occur. Stakeholders' commitment to the PPP would be accomplished by focusing on micro, small and medium-sized operations, involve community leaderships like community development associations, town unions, non-governmental organizations, local, state and/or regional governmental authorities including private company operators.

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