Initiative for Public Policy Analysis

2011

Public –Private Partnership: Will it Fix Infrastructure In Nigeria?

Initiative for Public Policy Analysis

Policy Paper

November 2011

By Olusegun Sotola & Thompson Ayodele

11/1/2011

Executive Summary

The decrepit infrastructure in Nigeria and the failure of government to adequately address the challenge has fueled the adoption of Public-Private Partnership (PPP). This is reinforced by the successes of private participation in telecom sector where private provisions have led to accessible, available and affordable services. This raises some questions in the light of known traditional roles of government. While some believe that it is fundamentally antithetical to the idea and philosophy that underpins public governance, proponents of this framework argue that this is the only means through which infrastructural challenge in Nigeria can be mitigated.

The prevailing regulatory framework and the nature of emerging trend in PPP projects diminish the expectations that it might be the ultimate solution to the infrastructure challenges. Controversies, projects failure and abandonment, protests from the public and allegation of corruption have become the hallmark of many of the projects. The nature of PPP in Nigeria has shown that the politics of introducing PPP projects has clouded the practice of the framework. The PPP arrangement at present is skewed against private sector. It is evident to see public authorities wielding more power and becoming a dominant partner. The snag in this 'master-servant' relationship is most PPP arrangements cannot outlive the administration that initiated them.

While PPP can address infrastructure challenges, this is achievable when parties involved have equally shared responsibilities and risks. However, there is a lacuna in the regulatory framework governing PPP at present. This threatens projects executed under the model. Given the sophistication of issues involved, many state governments have limited expertise to effectively regulate. Relying on firms under PPP for expertise may lead to regulatory capture.

Competition is the best form of regulation. Competition can help to reduce prices and expand access. Access can increase when incomes rise and economic reforms that increase incomes can be expected to increase access irrespective of the nature of PPP. PPP activities should be open and transparent. This must go pari-pasu with mass public education to correct the widely held notion that only government should provide infrastructure. Globally, government is the driven force for infrastructure projects. This is

why private participation is government induced and private sector only participates when there are enabling conditions.

Introduction

There is a widespread move towards a shift to public private provision of infrastructure. This is driven by successful private participations in telecoms and waste management services where private provisions have increased access and led to quality services. Beginning with the privatization programme in Nigeria in the 80s and momentum gained since 1999 when the present democratic phase commenced, the trend is to allow private sector to provide infrastructure. This move is not peculiar to the federal government alone but other tiers of governments as well. Most state governments have established Public-Private Partnership (PPP) units in their states.

While this trend is laudable, it has raised some problems in the light of what government ought to provide. Many have argued that this framework is the only means through which Nigeria's infrastructural challenge can be better addressed.

This paper looks at the merit in this argument in the light of the emerging trends in Nigeria. Moreover, giving the rate of policy failures and inconsistencies in Nigeria, are there any indications that the PPP framework will solve the infrastructural challenge in Nigeria? Under what conditions can PPP work in Nigeria? How can we ensure that private participation do not hinder access? What regulatory framework exists to ensure that the private firms did not exploit Nigerians?

This paper is structured into four parts. The first part examines the emerging nature of public private partnership. The second part looks into whether there is/are indication(s) that citizens suffer under this framework. The third part examines the regulatory framework with a view to establishing its adequacy. The fourth part examines the issue of private participation and access to social service.

The Emerging Nature of Public-Private Partnership in Nigeria

In global terms, the involvement of private sector in the provision of infrastructure has shown some definite pattern against which the practice in Nigeria could be evaluated. While there are many models of public-private partnership framework, the best practice in public-private partnership ensures that services rendered are best provided by the private sector both in terms of quality and cost. The arrangement must also ensure an effective balance between risk and reward among partners. Moreover anecdotal and hard fact must show that the involvement of the private firm increase access to a large number of people.

Primarily, the key term 'partnership' as used in the framework suggests the nature of relationship that should exist between the public and private authorities. In most PPP projects in Nigeria, it is observable that public authorities are the leaders and dominant partners. They award contract and could also cancel contract. The danger in this leader-follower relationship is that most PPP agreements would not outlive the government that initiated it. For example, the Ogun State government recently cancelled the concession of Ikenne Rubber factory concessioned to a private firm[i]. It has consequently set up investigative panel to probe all concessioning agreements entered into by the previous administration.

Given this arrangement, governments are also in the position to frustrate PPP's implementation or call for the review of the partnership. This is common when there is a change in government. This has been the experience in various concessions at the Nigerian Port Authority (NPA), the Ajaokuta Steel Rolling Mill and the Nigerian Telecommunications (NITEL) among many other examples. The dominant position of the government could be advantageous as well as detrimental to the effectiveness of the private sector in service provision depending on the overall aims and politics that surrounds each case. Generally any form of policy inconsistency often scares private investors.

Inadequate Legal Framework

Technically, PPP is different from supplier-purchaser contract. Best practices in PPP are that all parties must accept the transaction is not a typical purchaser-supplier contract but a partnership in which there is a sharing of risks and responsibilities[ii]. To achieve its aims, there must be a bidding contract between a public authority and private actor(s) stating in clear and unambiguous terms the duties each of the party. This suggests that private participation requires a special legislative backing. Often,

existing legislations do not have appropriate enabling provisions to support private investment. This is particularly true in Nigeria where the framework is new and there are few laws guiding the implementation.

Since 1999 when PPP began to gain currency in at all levels of government, only few states have passed enabling laws to guide the ceding of state property to private interests. While most states have initiated PPP projects, only few states have established appropriate legal framework.[iii] The Federal Government has passed the Infrastructure Concession Commission Act (ICRC Act 2005). ICRC intends to act as the legal framework guiding private participation in public services. There are also sector specific laws and agencies that regulate different services. Examples of these include Nigerian Electricity Regulatory Commission (NERC) to regulate private activities in the electricity and energy sector and the National Communication Commission (NCC) to regulate telecommunication services.

However, in many of the states, beyond the usual rhetoric and promises by political leaders to adopt public private partnership, nothing more has happened in the implementation of the model. The fact that many states did not have PPP enabling law suggests that a foundational basis for private provision of infrastructure is missing and such pronouncements are without legal basis. The implication is that states are engaging in what could become a nullity if challenged in court. The absence of this law is a red flag to private sector and raises fear of what could become of their investment. This also suggests that government lack the necessary regulatory framework. This is necessary in order to curtail the tendency for private sector to make excessive profit and ensure a given standard is met. Unlike in other countries, where there is definite structure for regulation, regulation appears haphazard in Nigeria with many of the state relying on the private company for capacity and equipment. In other economies, the regulations of private involvement in infrastructure are sector specific while in some a special body is set up to control and manage the involvement of the private sector generally.

Stumbling Block to PPP

Across the federation, controversies and allegation of corruption have been a common thread that runs through most public private partnership and concession projects. In 2010, the Economic and Financial Crime Commission (EFCC) was invited to probe PPP projects in Niger state[iv]. The investigations centred on allegation that state officials spent state revenue on supposed PPP projects without evidence of commensurate benefit to the

public. Likewise in Ogun and Lagos states, PPP projects have been enmeshed in controversies and allegations of corruption. The concessioning of many publicly owned projects to private firms has becoming a major debate in public discourse in Ogun state since the coming on board of a new administration. The new administration has instituted a probe into the various concesioning and public-private partnership exercises carried out in the state[v]. The state also has many failed or dormant PPP projects. An example is the abandoned Airport project in the state.

In 2004, the Ogun state government initiated a cargo Airport project under a PPP framework. The project was located in Iperu/ilishan axis in Ogun East Senatorial district. The design of the project was based on the framework that the state government would kick-start the project with on-site mobilization of contractor and some selected private sector participants will ensure the completion. By 2009, the project has been abandoned. Also the Olokola Gas project was conceived as a PPP model involving Ogun, Ondo and a consortium of private oil and gas companies. Though this project is not officially dead, the commitments from political leadership have waned.

Controversy on concessions is not peculiar to state government. Projects by the Federal government have also been enmeshed in controversies and allegations of corruption. While the case of Ajaokuta Steel Rolling Mill is not new but the recent attempt to use public private partnership has raised some public outcry. Because of the inability of the state to manage it, all the steel mills (Ajaokuta Steel Rolling Mill; the Delta Steel Plant; National Iron Ore Manufacturing Company) are constantly moving between commercialization, privatisation and concessions. Since 1979, every administration has made efforts to revive these projects. In the same vein stories of sleaze continue to plague it. The latest of such allegation is that all three steel mills were concessioned to a controversial consortium called Global Infrastructure Holdings which was alleged to be owned by an ex-leader.[vi]

Transparent Bidding Process and Politics of Introducing PPP

Infrastructure is mostly seen as public goods provided by government. This belief creates a negative start for PPP projects. The fact that most of the bidding processes are not transparent open up PPP projects for corruption allegation in a way that is not easy to denounce. In public-private partnership, it is crucial to ensure that the bidding process is competitive and open, applying proper procurement procedures. It is crucial that the final bid is the best, otherwise the project is retendered[vii]. Accountability to

public values should be considered at all times to avoid loss of confidence in the entire process

The political environment and the politics of introducing PPP actually spark controversy. This in turn could make the PPP projects problematic. In 2006, Lagos state government signed a contract with a private consortium in a Build, Operate and Transfer (BOT) concession model to construct and manage the Lekki-Epe Express Road for 25 years.

At present the future of the contract looks uncertain. There have been allegations of shady dealings by officials. The ownership of the Lekki Concession Company (LCC), the consortium involved in the project is said to be connected to some government officials. The controversy that now surrounds the concession and the resistance by the people to paying toll has forced the Lagos State Government to suspend the planned collection of toll pending the resolution of the cases in court and await the report of the special committee set up to review the many issues involved.

The problematic nature of PPP projects is primarily caused by lack of openness and transparency in the award and execution of the contract. In the case of Lekki Concession Company (LCC) mentioned above, despite repeated efforts by the management of the LCC denying that the company was owned by any official of the state government, the controversy has refused to ebb away creating conditions that the company and other PPP actors fear could jeopardize the entire project.[viii]

Clearly there will always be some political controversies. By nature, most infrastructural services are monopoly. Monopoly markets are generally contentious and dislike either it is for private or public goods. This also explains why PPP projects are open to crisis and criticism. The potential for profit-making create a ground for suspicion of corruption. Harris[ix] observed in most countries where the model is new that it is always controversial. At the earliest stage of its introduction in Canada, the framework was described as “Problem, Problem, Problem“[x]. The controversy and problem could be less damaging if public authority transferring public utilities to private sector make noted effort at transparency and public education all through the project circle.

PPP as a Cure All

On a large scale, many PPP projects are wrongfully conceived and policy makers seem to think that PPP framework is a cure-all for public service deficiencies. This is why many PPP projects failed PPP projects. A critical look at some of the PPP projects across Nigeria tend to suggests that policy makers did not consider the sustainability and feasibility before

venturing into it. The Ogun state Cargo Airport comes to mind again. An objective view on air travel business in Nigeria will show that airport in Ogun state will not likely be sustainable and its feasibility is severely limited given the proximity of the state to Lagos airport which generates the highest air travel traffic in the country. This fact lessens the possibility of any airport closer to Lagos to be self sustaining in the short to medium term. This probably explains why the project never materialized.

Similarly in Niger state, private participations were sought for projects that have doubtful value. Projects like a five star Hotel in Minna; Niger-America Medical City; the Zuma Rock Tourist Resort Centre; Murtala Muhammed Amusement Park; Gurara Water Fall Tourist Centre etc[xi]. Since the participation of private sector in any project is hinged on the feasibility of making profit, it should be understandable why these projects have stalled.

Threats to PPP

There are signs that PPP in Nigeria in tending towards being oligopolistic. It is becoming obvious that only very few firms are active in public private partnership concessioning. Table 1 (see appendix) shows that few companies feature prominently in the various concessions. This suggests that only very few private firms are getting the concessions. This will lead to an oligopolistic situation in which few companies control major services. If this is allowed to continue, it will signal the failure of public private partnership as a model of infrastructure provisioning.

The Good News

PPP experience in Nigeria is not all gloom and doom. The adoption has seen some successes. The deregulation of telecommunication system (Table 3) and the concessioning of the second terminal at the local wing of Lagos Airport (MM2) have provided positive outcomes. Though there are still issues within the concessioning arrangement, assessment of these projects show an improvement over what was obtainable before private participation.

Lagos state has also seen some measure of success in some of its PPP project particularly in public transportation like the LAMATA/LAGBUS/BRT and in the PSP program on refuse collection. The Bus Rapid Transit (BRT) service has eased the movement of people along its routes and more importantly has made transport cost stable. One fact that shows the effect of BRT on transport cost is that it carries about 4,192,950 passengers per month. These passengers would have been at the mercy of commercial transport drivers who have no fix price and predictable schedule.

Table 1

The Distribution of BRT Passenger (March 2008-Feb 2009)

Month	Passenger
March	800,254
April	2,908,134
May	3,465,276
June	3,545,196
July	4,506,286
August	4,639,876
September	4,701,847
October	4,608,254
November	5,096,426
December	5,186,413
January	5,427,776
February	5,429,663
Total	**50,315,401**
Average per Month	**4,192,950**

Source:
Calculated from BRT Newsletter Vol 1 2010

At federal level, sectoral view of various parastatal within the government show that public private partnership model has been used in form of concession to divest or privatise many units. In the Nigeria Port Authority (NPA), 16 terminals have been concessioned to private firms (see appendix 1).

Will the Citizen be priced out?

The key reason why infrastructure services are provided by public authority is the need to make the service accessible to all. When government is the provider of infrastructure services, in theory all citizens have an equal chance of enjoying the service. In this situation, it is assumed that government and public official will act in the best interest of the state. When the best interest of the state in the utilitarian sense (greatest happiness of the greatest number) is pursue, citizen will not suffer. This is the key reason why private sector participation in whatever format raises suspicion and fear of pricing the poor out of the service.

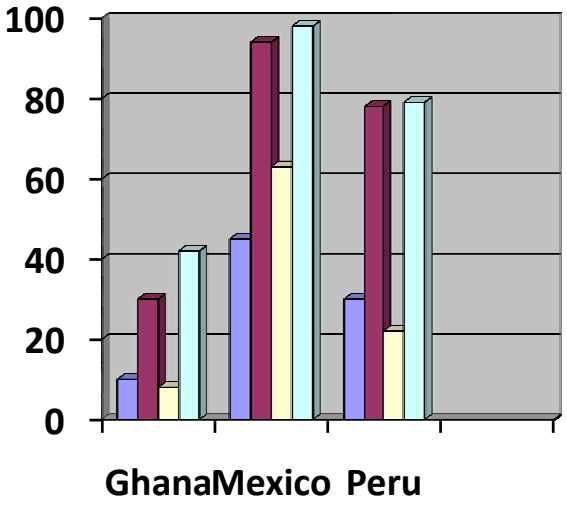
Whether citizen can be priced out under any public private partnership program is best examined through a specific case study. But based on the examples of successful PPP projects review in literature, there is little evidence that the poor will be priced out (Harris 2003; Greeve and Hodge 2007; Palmer 2009;IMF & World Bank Newsletters) . If this is considered in term of higher costs that will be borne by citizen and the fact that private company could cut-off areas that will not be profitable to them, it will be logical to argue that the poor will likely suffer. For instance, at the earliest stage of the deregulation of the telecom market, the prices of services were high and many areas were without services. Tolling of roads could also lead to increase in cost for transport and other associated goods.

In practical terms however, whether the poor will be priced out largely depends on the nature of the service and how effective is the regulatory mechanism adopted by

public authority. In some sector like telecom, electricity and transportation networks where it is possible to make the sector competitive, the level of competitiveness allowed in the sector will be the major determinant of how the poor will fare. In spite of the phenomenal growth in the telephone market, there is no evidence that the poor is being priced out. On the contrary private investment in the telecom sector has brought benefits to the poor that surpassed the costs and burden.

How the poor will fare when electricity is completely privatized is not obvious now. But practical examples elsewhere seem to provide evidence that private provision of power could benefit all. Examples in Chile and Ghana show that private operation provide better access to power and water services and greatly increased the income of the lower echelon.[xii] Harris also shows that private provisions of water in Dakar, Senegal increased low income households coverage by 3.2% per year. In another study, privately managed utility does better at connecting the poor than eight other publicly managed utilities in Africa.[xiii]

Table 4: Population with Access to Water and Electricity By Income Quintile



Source: Harris 2003

When viewed in term of how much the poor will pay for these services compare to what they pay when such service is being provided by government, the example of the telecom confirms that real cost diminishes in the long run. With increase competition in the market, both the cost charge for calls and network access fees become smaller that all those who want to have a phone could afford one.

If all provisions of infrastructure by private sector follow the growth pattern of telecommunication services, one should expect price increase at take off. This should be a little worrisome not only because of the welfare basis and monopolistic nature of many infrastructures, but most importantly because the poor tend to spend a higher proportion of their income on essentials such as power, water and transportation services. Price increase in these

services can have a significant negative impact on them. However, there are general benefits from PPP even in non-essential service like airport and gas projects. They include creation of jobs, better income and improved living standard.

The Regulatory Framework of Public-Private Partnership

A key determinant of how successful a public-private partnership in infrastructure will be is how effective the regulatory framework. This is especially important given the fact that some infrastructure services are monopolistic by nature. As Debande[xiv] point out in the United Kingdom experience public intervention is based on the existence of externalities, natural monopoly and public good nature and imperfection of the capital market. These suggest the need for public authority to set specific constraint of pricing, safety and environmental regulation.

In market economics, competition is seen as the best form of regulation. In this sense however, perfect competition might not bring about lowest cost and efficient and quality service. This is due to the peculiar nature of infrastructure services which make competition inadequate. As put forward by Posner, "competition is not a viable regulatory mechanism under conditions of natural monopoly".[xv] Some controls are necessary to ensure satisfactory performances. The regulatory issues in this stance should focus on putting a lid over excessive profits, rates charge, and quality of service, environmental effect of production and permission to enter the business. This set of control is often established for public utility regulation. The essence is to ensure that large numbers of citizens are not priced out.

Competition could be a form of regulation in consumer and household goods market in which there is more than one producer. In competitive market, some companies do have market power which they use to control the overall market and there is always a tendency toward an oligopolistic market. In the telecom market in Nigeria, high level of competition among telecom firms has resulted in lower prices for consumers.

The less involvement of the regulator in pricing and service operation coupled with ease of entry for new participant have created benefits for the citizen than would have been possible if there is only one player. In essence, liberalizing the market to allow competition is the best regulatory action by regulators in public service. However, the nature of some infrastructure makes it impossible to make some services directly competitive. Road infrastructure for example cannot

be concessioned to two firms. This creates conditions that necessitate public control and regulation when private sectors are involved in the provision of infrastructure.

It is plausible to assume that an unregulated monopolist will typically set prices above marginal cost thereby obtains profits that are in economic sense excessive.[xvi] In line with this it is critical that public utility regulator should be able to monitor the overall cost of essential services up to the point that such services become luxurious.[xvii] An age long economic theory is that natural monopoly services seem to some extent income elastic, wealthier people tend to buy more and poor people buy less of these services.[xviii] Wealthier individuals could afford to buy very expensive phone to enjoy other value added services that telecom companies offer and have more cars which could pass through toll gate more than the poor who may not even have one car.

In effect the regulatory duty of government in PPP should ensure to balance its duty to separate at what point public utility service become luxuries in order not to stifle innovation thereby stunting the growth of the sector. It will be in the interest of all to try to design a rate schedule that enables the poorer consumer to purchase at a price closed to the marginal cost of serving him than the wealthier consumer is charged. This could come with its own problems but private sector participant will devise a way round it.

It is not obvious how regulatory activities in PPP have fared in Nigeria. There are specific federal agencies that are set up to regulate activities of private company that renders utility services. National Communication Commission (NCC) regulates activities in the telecom sector.

TABLE 2: FEDERAL REGULATORY AGENCIES IN CONCESSION

NO	AGENCY	SECTOR
1	National Communication Commission (NCC)	Telecommunication
2	National Electricity Regulatory Commission (NERC)	Electricity
3	Infrastructure Concession and Regulatory Commission (ICRC)	Infrastructure Concession
4	Regulatory Affairs Unit in Ministries	For Ports, Airport Concession
5	Energy Commission of Nigeria (ECN)	Power and Energy
6	Bureau of Public Enterprises (BPE)	Privatisation and Concessioning

Similarly, states have set up body and units to oversee various concession and public- private engagement. Lagos state has Lagos Metropolitan Area Transport Authority (LAMATA) for the control

of government aspect of transport business. Most state governments also have special units for public private partnership.

Inadequate Regulatory Capacity

Generally, state governments have limited capacity to properly regulate PPP activity. This is because some infrastructure services require high level of expertise that may be beyond the state. Most road constructions for example are done by private construction firms. Given the sophistications in private firms state may rely on the people they are to regulate for expertise. This can lead to regulatory capture. When regulators lack the requisite knowledge to be able to effectively control the activities of producer, they provide opportunity for producer to negotiate and obtain beneficial regulation and rent-seek.[xix] This was the situation in the telecom sector at the initiation when NCC relied on major industry players for capacity building.

The structure for the regulation of private involvement in infrastructure is at present weak and if not improved could lead to high level exploitation by private firms. One is unsure how the LEKKI-EPE road will be regulated when the road is eventually completed. In a recent interview however, the Managing Director of LCC Mr Opuiyi Oforiokuma[xx] said the company is following international standard in the construction of the road. Since international standard is relative, one could infer that the company is self regulating. This same trend seems present in all other states PPP projects. Of course, the market could force the producer to improve its quality by not patronizing lower quality services. Problem however arises when it comes to public utilities that are natural monopoly.

Private Participation and Access to Infrastructure

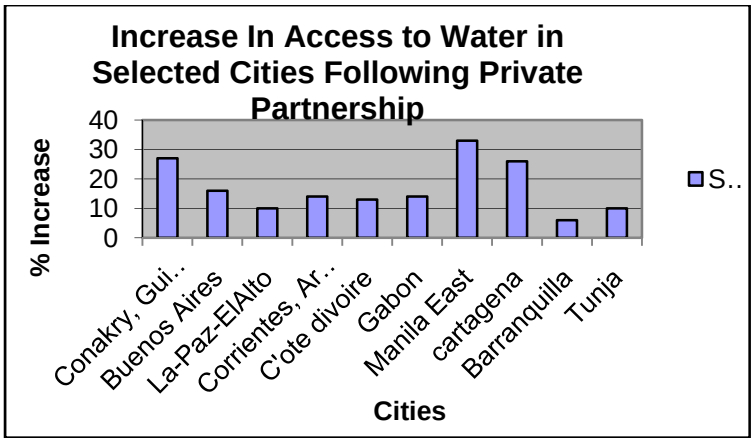
A key issue in privately provided infrastructure is access. This is because when cost or other hindrances prevent a good number of population from having access to infrastructure, they often pay higher prices for alternative. For example buying water from private vendors, use of candles instead of electricity and not able to pay for transport because of higher toll being charged on privatized road. A common explanation for lack of access to infrastructure service is that infrastructure services (public or private) are relatively expensive.[xxi] Considering the level of poverty, there is low capacity for people to pay for this service. It follows that access can be expected to increase as incomes rise and economic reforms that increases income can be expected to increase access to services.

The fact that the poor often pay high prices for services from informal or non standard infrastructure providers (like

buying water from private vendors with higher prices, buy and maintain power-generating) suggests that the rates of access do not correlate with income perfectly. (Harris 2003, Irwin and Brook 2003: Hodge and Greeve 2007, IMF Newsletter 2006)

This is the point in the argument that infrastructure ought to be free or at least cheap. But free and near free services have led to bad and costly service with its attendant problems and costs. The fears mainly are for the monetary costs but there are non monetary costs as well. The costs and stress that people undergo when there is insufficient or unpredictable infrastructure services suggest that the real cost of alternative sources is higher. The real cost of lack of access to stable water service for instance include drinking unsafe water which could cause diseases, time spent fetching water could be used for productive and live enhancing activities and the option of staying in dark.

Table 5

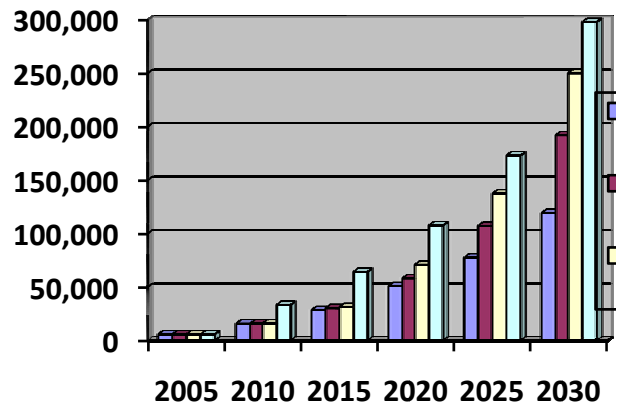


Source: Harris (2003), World Bank 2002

In telecommunication private participant and competition have brought about growth in access and quality. In other sectors, these seem to be evidence though this is just evolving. public power generation as estimated pure generator when fully privatised

Table 6

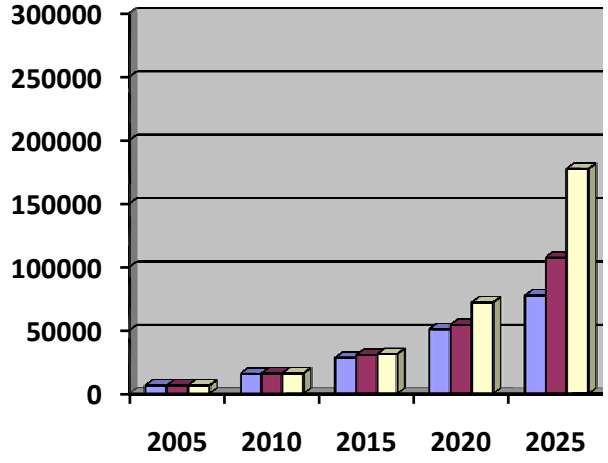
Electricity Demand Projections Per Scenario, MW



Source: Energy Commission of Nigeria, National Energy Master Plan

Table 7

Nigeria's Energy Supply Projection (MW) (2005—2030)



Source: Energy Commission of Nigeria

The projected growth in electricity supply is hinged on private participation. The Power Holding Company of Nigeria (PHCN) has already been unbundled. Six power generating firms and 11 power distribution companies have emerged from the unbundling of PHCN. (see Appendix ii)

In Latin America where PPP has been practiced widely, researches indicate that private provision helps increase access. Estache, Mez-Lob, Leipziger (2000) reported evidence that privatization contributed to increase in electricity corrections in Chile in the 1990's. Plane (1999) noted that access increased after the privatization of Cote d' ivoire electricity company in 1990. In Nigeria, there is no evidence yet that PPP has reduced access to any infrastructure.

Generally, what will determine in the long run whether access will be enhanced is how competitive the sector is allowed to be. Irwin and Brook[xxii] identify some parameters which crucially matters for access to privately provided infrastructure. Some of these parameters are highlighted below:

- *Allowing Entry and Permitting Competitiveness*

The easy way to ensure increase access is to allow as many participants as possible into the service. Primarily, the legal provision to make this possible has

to be provided. The key reason why private participation in telecom is successful was because the government allows head-to-head competition among service providers.

The telecom (GSM) success in Nigeria shows that government needs not necessarily subsidize the poor once it allows competition and competitor are not allowed to form cartel. The benefit of liberal entry policies accelerate the growth of access to services as vividly demonstrated by the case of telecommunication services and public transport scheme in Lagos. It leads to extension of services to areas not covered. This model can also work in electricity, water, transport and education. Viewed broadly, the involvement of private individuals in the education sector has improved access, quality and spread of educational services.

This is particularly true at the primary and secondary levels where individuals have unlimited options. At tertiary level, the existence of private universities has not led to any significant growth in university enrollment. Since 1999 when Nigeria started given license to private university, enrollment statistics from the National University Commission (NUC) confirm that less than 5% of enrolled university students in Nigerian universities were attending private university and many prospective and qualified students could still not get placement.[xxiii] This shows that private provision that comes at high cost will deny access to many.

- ***Allowing Prices to Cover Costs***

A key reason why public provision often failed is because government often keep price below cost. When companies are sure they will recover their costs and possibly make some profits they will not hesitate to make services available where needed. Governments are likely to be pushed or tempted to intervene by forcing company to charge less or not to charge at all, when this is the case investors will be wary of pumping large finances at the level that services can be available to the poor.

Investors in public private partnership projects often fear that the government tendency to appear populist make them unable to resist pressure to make sure services are provided at a price that is above cost. This is a key reason why many PPP licensee in Nigeria have been delaying investing in the project. Private investors often operate through borrowed funds in terms of equity or hedge fund, and given the fact that most investment in PPP are sunk that is once investment is made the investment cannot be reversed or moved to a new market, private investors fear that it might not recover its cost[xxiv].

- ***Setting Appropriate Quality Standard Services***

Quality services are always the major concern whether infrastructure services are publicly or privately provided. There are service disruptions or low quality services even when it is provided by government. Low quality infrastructure services can undermine health and safety. It may even lead to loss of money to the consumer. The key issue is designing appropriate regulation that will ensure that consumer did not lose money.

Conclusion

Though public-private partnership as a framework for infrastructure provision is new in Nigeria. When the global best practice is measured against the practice in Nigeria, the nature of the emerging trend in PPP projects reduces the common hope that it might be the ultimate solution to the infrastructure challenges. Controversies, project failure and abandonment, protests from people and allegation of corruption have become the common byline associated with many of the projects.

The nature of PPP in Nigeria has shown that the politics of introducing PPP projects has clouded the real practice of the framework. Beyond the policy rhetoric often used to whip up political sentiment, when PPP framework in Nigeria is viewed in terms of legal contract, the existence of enabling laws and outcome experiences, there are little prove of success. Public-Private Partnership in Nigeria is not taking any definite shape and it only seems government is putting its hand in all places. The outcomes of this include wasteful spending and investing in project with doubtful value.

Private participations that are well designed and managed can bring real benefits. To ensure that the adoption of PPP in Nigeria brings real benefit and increase access, it is important to allow as many participants as possible into the service. Competition can help to reduce prices and expand access, and should be used to the maximum extent possible. There is a need for mass public education. Citizens need to be made to understand that quality and modern infrastructure cannot be free. Globally, government is the driven force for infrastructure projects. This is why private participation is government induced and private sector only participates when there are enabling conditions.

End Notes

[i] Compass newspaper 18 July 2011

[ii] Hodge Graeme and Greve Carsten (2007): **"Public Private Partnership: An International Review".** Public Administration Review. May/June 2007 Pg 545-558. See also Palmer Gladys (2009): **Public Private Partnership: A Review**. Aid Delivery Method Programme (ADM)

[iii] Available evidence points to the fact that apart from the federal government, only few states have passed specific laws in that regard. There are no motivations to pass the law in some states because of 1) lack of political commitment on the part of political leadership 2) little possibility for private company to break even in some of the state.

[iv] The Nation Newspaper 26th October 2010

[vv] The Nation Newspaper 24 and 26 of June 2011

[vi] Segun Adeniyi. **The Privatisation Pandora box.** Thisday 28 July 2011

[vii] Palmer Gladys (2009): **Public Private Partnership: A Review**. Aid Delivery Method Programme (ADM)

[viii] Punch Thursday 18 February2010

[ix] Clive, Harris (2003). **Private participation in Infrastructure in Developing countries; Trends, Impacts, and Policy Lessons.** The World Bank Washington D.C.

[x] Hodge and Greve Op cit p3

[xi] The Nation Newspaper 26 October 2010

[xii] Harris Clive : Op cit :26

[xiii] Harris Clive Op cit .

[xiv] Debande Olivier (2002): **Private Financing of Transport Infrastructure an Assessment of UK experience.** Journal of Transport Economics and Policy. Vol 36 part 3 Sept 2002. pp 355-387.

[xv] POSNER Richard (1999): **Natural Monopoly and its Regulation** CATO Institute – Washington D.C USA.

[xvi] Posner ibid 1999:18

[xvii] Note that at some point, many essential services provided under conditions of natural monopoly become luxuries (Posner 1999:21). Examples include using a Blackberry or iPod for phone services or electricity consumption for air conditioning.

[xviii] Posner: ibid

[xix] A situation in which producers use public regulation for their benefit . see JOHN COBIN (2009): **A Primer on Modern Themes in Free Market economics and Policy** 2nd edition Universal Publisher Florida USA.

[xx] The Nation Newspaper Monday September 27, 2010

[xxi] Irwin, Timothy and Penelope Brook (2003:4); **"Private Infrastructure and the Poor; Increasing Access"** in Brook and Irwin (Ed) Infrastructure for the Poor People; Public Policy for Private Provision. The World Bank series 26061 Washington DC

[xxii] Ibid

[xxiii] Akinrinade, Sola: **Locating the Private in Public-Private Partnership in the Development of Education in Nigeria.** Being a text of a public lecture delivered at Chris Ogunbanjo Foundation, Erunwon Ijebu-Ode on 27 August 2010.

[xxiii] Mr Opuiyi Oforiokuma the Managing Director of Lekki Concession Company (LCC), www.nationonlineng.com, punchontheweb.com

Appendix

Table 1

List of PPP projects

S/n	Project	Concessioning Authority	Sector	Company
1	Murtala Muhammed Airport (MM2)	Federal Government	Aviation	Bi-courtney Aviation Services
2	Lekki-Epe Express Road	Lagos State Government	Road	Lekki Concession Company
3	Lagos-Ibadan Express way	Federal Government	Road	Bi-courtney
4	Kano-Abuja Expressway	Federal Government	Road	
5	Apapa Container Terminal	Nigeria Port Authority	Port and Shipping	APM Terminal
6	Apapa Terminal A & B	NPA	Port and Shipping	Apapa Bulk
7	Apapa Terminal C & D	NPA	Port and Shipping	ENL consortium
8	TCIP Terminal A	NPA	Port and Shipping	Josephdam Port Services Ltd
9	TCIP Terminal B	NPA	Port and Shipping	TCI Container Ltd
10	TCIP Roro Terminal	NPA	Port management	Five Star Logistics
11	Lilypond Container Terminal	NPA	Shipping and Vessels	APMT Finance
12	Port Harcourt Terminal A	Federal Government	Port Management	Port and Terminal Operators
13	Port Harcourt Terminal B	Federal Government	Port Management	Bua Ports & Terminal
14	Onne FOT A; FOT B; Calabar New Terminal; Warri Old Terminal A; Warri new Terminal B.	Federal Government	Port Management	Intels Nig. Ltd
15	Calabar New Terminal B	NPA	Port and Shipping	Ecomarine
16	Calabar terminal C	NPA	Port and Shipping	Addax Logistics
17	Warri Old Terminal B	NPA	Port Management	Asso Maritime Services
18	Warri New Terminal A	NPA	Port and Shipping	Global Infrastructure
19	Warri Terminal A	NPA	Port Management	Julius Berger
20	Ajaokuta Steel Rolling Mill	Ministry of Mines and Steel Development	Mines and Steel	Global Infrastructure
21	Delta Steel plant, Aladja	Ministry of Mines and Steels	Mines and Steel	Global Infrastructure
22	National Iron Ore Manufacturing Company	Ministry of Mines and Steel Development	Mines and Steel	Global Infrastructure
23	Koko Terminal	Nigeria port Authority	Port and Shipping	Gulfinger Ltd
24	Onne FOT Jetty	NPA	Port and Shipping	Altas Cement
25	Olokola Gas Project	Ogun And Ondo State	Gas	Consortium of Oil Compay
26	Tinapa and Park	Cross River State Govt	Park and Resort	Jack Rouse Cincinnati Ltd

27	Sagamu-Ore-Asaba Express Road	Federal Ministry of Works	Road	In Bidding process
28	Lagos-Badagry-Seme	Federal Ministry of Work	Road	
29	Port Harcourt-Enugu	Federal Ministry of Work	Road	
30	Lagos-Iseyin-Kwankwaso-Argugun-Sokoto	Federal Ministry of Work	Road	
31	Enugu-Onitsha	Federal Ministry of Work	Road	
32	River Niger Bridge (Nupeko)	Federal Ministry of Work	Road	
32	River Benue Bridge at Ibi	Federal Ministry of Work	Road	
33	2nd Niger Bridge (Onitsha)	Federal Ministry of Work	Road	
34	Ibadan-Ilorin Road	Federal Ministry of Work	Road	

Source: Compiled from various sources (Njida Op cit; Thisday, Punch)

Table 3:

The Unbundling of Power Holding Company of Nigeria (PHCN)

GENERATING COMPANIES	DISTRIBUTING COMPANIES
Egbin Power Plc	Abuja Electricity Distribution Plc
Ugehlli Power Plc	Benin Electricity Distribution Plc
Afam Power Plc	Eko Electricity Distribution Plc
Sapele Power Plc	Enugu Electricity Distribution Plc
Shiroro Hydro Electric Power Plc	Ibadan Electricity Distribution Plc
Kainji Hydro Electric Power Plc	Ikeja Electricity Distribution Plc
	Jos Electricity Distribution Plc
	Kaduna Electricity Distribution Plc
	Kano Electricity Distribution Plc
	Port Hacourt Electricity Distribution Plc
	Yola Electricity Distribution Plc

Source: Chudi Ojukwu (BPE 2010)