Public Private Partnership Versus Socio-Economic Development: Panacea to Achieving Economic Growth in Nigeria

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Abstract

Socio-economic development is one of the key ingredients to achieving economic growth in the world. Country where this ingredient is lacking or inadequate experiences decline in the development which affects all facets of such country. Nigeria being the most populous black nation in the world has set a vision geared towards achieving a monumental growth that will launch her to be amongst twentieth (20th) economies in the world by the year 2020.

However, to achieve this success public private partnership also known as private financial initiatives (PPP/PFI) model has been adopted in Nigeria, despite this arrangement, the goal is still doubtful as most of the key ingredients of socio-economic development that are capable of making Nigeria to be amongst the 20 economies of the world are inadequate or not measuring up to standard. It's against this backdrop that this study seeks to examine the role played by the PPP/PFI with respect to achieving growth in Nigeria. However, the study adopts documentary approach to analyze its result, materials were collected from the secondary sources which inter alia include Journal publications, internet, Magazine etc. The study found out that infrastructure, education, industry etc. have not been adequate to put Nigeria in the path of growth due to weak institutions, lack of political will and corruption. The study therefore recommends that government should be realistic in the formulation and execution of its policies by establishing a strong and formidable institution that is capable of assisting the government to consolidate its political will free from internal and external influences and more power should be given to the agencies established to fight corruption.

Keywords: Public Private Partnership, Government, Economic growth, Socio-economic development, Political will, Corruption

1.0 Introduction

Infrastructural facilities deficiency is one the factors that is responsible for slowing down the pace of economic growth which most cases lead to chaos or uproar by the concerned citizenry. Infrastructural facilities such as housing, education, road, hospital etc. are very incumbent to the growth of any economy. In Nigeria where there are infrastructural facilities deficiency, the growth has been affected badly such that the growth in the economy is not felt by the citizenry. For instance during President Jonathan administration, Nigeria economy was adjudged to be the fastest growing economy in Africa but this feat was not felt by the ordinary people. Esfahani (2005) quoted in Iloh and Muktar (2013) the economy is faced with the challenges of infrastructural deficiency resulting to unattractive domestic and foreign capital, such economy can hardly improve the life of the citizenry as the success of any meaningful effort by raising or maintaining the standard of living heavily rest on adequate infrastructural services in terms of their quality and quantity. Sequel to this that the government adopted Public Private Partnership to address infrastructural deficiency so as to achieve economic growth. Rufai (2010) asserts that Public Private Partnership (PPP) has been identified as a potential and problems in the progress of housing development especially in developing countries. Knox and Marson (2007) quoted in Rufai (2010) observe that in areas where the poor cannot find or afford decent accommodation, the continuous formation and growth of slum housing is usually the norm. Throughout the world, deficits in housing supply and rapid urbanization have resulted in slum housing formation usually put up by squatters.

Bamidele et al (2015) assert that it is becoming evident in Nigeria that some state governments are collaborating with private sectors to propel the delivery of infrastructural facilities in their areas of jurisdiction.

1.1 Statement of Problem

Public Private Partnership is a springboard through which many economies of the world developed. This is so because the government alone cannot guarantee provision of infrastructural facilities as a result of growth in the population of people she has to cater for coupled with limited resources she has at her disposal, hence this led to the emergence of Public Private Partnership. This arrangement poses best option to put any economy on the path of economic growth. In advanced countries such as United States of America, Canada, France, Germany etc. this arrangement is adopted, which has helped these countries to achieve rapid growth through the provision of infrastructural facilities.

However, in Nigeria infrastructural facilities deficient such as epileptic power supply, falling standard of education, housing supply deficit, poor road network, unreliable health care service delivery etc. have mitigated against the country in achieving monumental economic growth due to overpopulation, corruption and lack of political will to exercise some power in the provision of infrastructure. Ogunsanmi quoted in Bamidele et al (2015) put that infrastructure deficit has prevented Nigerian’s development and economic growth. Sequel to this that the government of Nigeria adopts this arrangement in other to achieve economic growth through the provision of infrastructural facilities.

1.2 Objective

To examine the contribution of Public Private Partnership (PPP) to infrastructural facilities in Nigeria.

1.3 Methodology

This study adopts the documentary approach of research. The method gives the researcher the luxury of exploring documented evidences related to the area of study for inferences. These documents range from reports generated from the World Bank documents, publications, journals, government gazettes, magazines etc. This study was analyzed qualitatively using the available qualitative data.

1.4 Review of Literatures

Bamidele et al (2015) carried out a research on the state of infrastructure procurement in Lagos State, Nigeria: The PPP approach. Their study highlights the infrastructural facilities brought by the Lagos State Government via PPP. Bamidele et al (2015) adopted qualitative method where by information needed for the study was sourced from the Lagos State Government State Public Private Partnership Office equipped with personal observation. The study found out that the Lagos State Government has been thriving to embrace PPP having procure infrastructure like Lekki-IkoyiLink Bridge, Island Power, Akute power project, Lagos State Bus Rapid Transit Scheme (BRT), Gbagada Renal and Cardiac Centre, Odomola water plant, Lagos Urban Rail Mass Transit etc. The study therefore recommended that the office of Public Private Partnership, Lagos State, Nigeria should not relent in developing modalities geared towards encouraging more private investors to partner with the government to continually propel the delivery of infrastructural facilities for the increasing population of the State. But the study failed to point out other areas where PPP has failed.

Iloh and Muktar (2013) conducted a research on the Public Private Partnership (PPP) and Social Service Reform in Nigeria from 1999-2007. The study stressed that the correlation between infrastructures and economic development is acknowledged and the problem of slow development in Nigeria is the consequence of its underdeveloped infrastructure. The study found out that the economic downturn remains worst since the depression of 1929 and this constitutes a serious threat to the state as its revenue base adversely affects oil price. The study therefore concluded that the priority of Public Private Partnership cushions harsh effects of revenue shortfall on infrastructural provisions in Nigeria.

Rufai (2010) conducted a study on the User Satisfaction Study of Selected Public Private Partnership Project in Abuja. The researcher emphasized on the involvement of the private sector that will help to reduce burden on government and accelerate the provision of affordable housing for all. The study adopted quantitative approach. Data was sourced from both primary and secondary through field work and review of literature. The study found out that, there are shortcomings based on planning standards, lack of space and services etc. The study recommended that, there are loopholes that need to be addressed such as mortgage finances and issues of encumbered land (FMHUB,2006) which needs to be addressed to achieve sustainable PPP in housing delivery. This study is restricted to the assessment of the satisfaction of users with the product offered based on certain criteria which are design, space, privacy, and cost.

Ibrahim (2014) an Investigation into Build Operate and Transfer in the Provision of Hostels in Nigerian Federal Universities. The researcher stressed that the government has been trying to involve the private sector in the provision of hostel through Build Operate Transfer Scheme since 2004. A structured questionnaire was designed and administered to Developers, Student Affairs Division and Physical Planning and Works Department of Federal Universities. An interview was conducted with the infrastructure Concession Regulatory Commission. Data was also analyzed using percentages, mean and relative importance index (RII). The study found out that federal Universities in Nigeria are ready to implement this policy with a readiness assessment score of 3.63 out of 5. The study concluded that ensuring fairness, competitiveness and transparency in the procurement process, standard rarely altered academic calendar, acceptable rent charges (flexible and adapted for adjustment) and mutual trust are practices that could enhance BOT adoption in the provision of hostel in Nigerian Universities. The researcher failed to carry out research in Southern Universities, even some Northern Universities were not accessed due to the security challenges. Therefore this work cannot speak for the whole Nigerian Federal Universities.

Enisan and Taiwo (2016) carried out a research on Public Private Partnership on infrastructural Development in Lagos. The study emphasized that the traditional approach to infrastructural development has always been that government invests in these essential infrastructures, while others including the community, individuals and other Private Sector roles were seen in terms of paying taxes or other service charged for services rendered. Questionnaires administered were analyzed using SPSS. Results are presented on tables and bar chart. The study found out that, the three most applied of the PPP agreement which inter alia include design build, build-operate-transfer (BOT) and developer finance. Sales-leaseback has the largest concession time while Design Build has the shortest concession time. Buy-Build-Operate is the most expensive to the end user and this correlate with the disadvantage of Buy-Build-Operate in a PPP handbook published by District of Mapple Ridge (2003). The study therefore recommended Public Private Partnerships should be included in the curricular of higher institution of learning in order to enhance the level of knowledge of future professional about Public Private Partnership.

Oluwasanmi and Ogidi (2014) conducted a research on Public Private Partnership and Nigerian Economic Growth: Problems and Prospects. The study stressed that Nigeria as the most populous black nation in the world has set a vision for herself to be among the top 20 economies in the world by the year 2020. This comes with a minimum GDP requirement of $900billion with a per capita income of not less than $4000 per annum. However, attaining this feat appears to be an uphill task for successive administrations in Nigeria as infrastructural development which is key in achieving this goal appears to be dragging. The study found out that PPP will help the government to focus and to engage in more capital investment than it would by following conventional procurement methods. The study recommended that sustainable economic growth is a mirage without a corresponding level of infrastructural development. Hence PPP should be adopted with sincerity of purpose by the government and the Private Sector and trust from citizenry.

1.5 Insight into Nigerian Economy

Following the rebasing in year 2013 that catapulted the Nigeria to 28th largest economy in the world, closing Austria and Taiwan. According to Oluwasanmi and Ogidi (2014) Nigeria recorded a milestone in her economic growth on the 6th April 2014 by completing the process of updating the GDP base year from 1990 to 2010. This provided an up to date indicators of the size and composition of its economy.

Misetti (2014) quoted in Oluwasanmi and Ogidi (2014) opine that, Nigeria which is now leading in Africa ahead of South Africa, cannot rejoice yet Vis a Vis South Africa. This implies that even after the Gross Domestic Product (GDP) rebasing Nigeria's GDP per capita is just about one-third the size of South Africa. Therefore, notwithstanding her higher nominal GDP, Abuja is next to Johannesburg in terms of GDP per capita by a wide margin. Also when compared to South Africa's diversified economy, Nigeria reliance on Primary commodities leave much to be desired not to mention lead being enjoyed by South Africa's financial markets.

Nurudeen and Usman (2010) in Oluwasanmi and Ogidi (2014) view that increases in government spending on socio-economic and physical infrastructures promote economic growth. For instance, government expenditure on health and education improve the productivity of labour and increases the growth of national output. Further, expenditure on public infrastructure and utilities such as roads, communications, power, waste management etc. reduce production overhead, encourage private sector investment and increases profitability of firms, thus stimulating economic growth.

1.6 Empirical Studies on Infrastructural Development and Economic Growth

Folster and Henrekson (2001) rejected the view that increase in government expenditure encourages economic growth rather they affirmed that higher government expenditure may reduce overall growth of the economy.They went further by submitting that to finance rising expenditure, government may increase tax. Higher income tax reduces an individual's purchasing power, increases production costs and also reduces profitability and reinvestment.

Easterly and Rebelo (1993) in Kim (2006) verified whether or not changes in the level of various policy variables permanently increased the economic growth rate and clarifiedwhether or not investments related to information and telecommunications raised the economic growth rate. They found out that Public infrastructure investment is a large fraction of both total and public investment and infrastructure in transportation and communication is consistently correlated with economic growth.

Yoshida (2000) opines a positive analysis from various angles of the correlations between economic growth and the infrastructure in Japan, such as the energy, electricity and transportation sectors over the last century in order to derive lessons that can be useful to developing countries. He divided Japan's economic development phase into Five (5) with major characteristics and discussed the patterns of demand and investment in infrastructure over one country. He found out that the growth rate of demand in infrastructure was much higher than that of per capita GNP in the early stage of development and public investment in infrastructure was big. He also found out that infrastructure investment in rural area had a trend to correct the regional income disparities. He insisted that the lessons learned from Japan's development experience are a major intellectual asset for the developing countries and stressed that developing countries expect Japan and Korea, former developing countries to take reasonable leadership in international aid.

1.7 Role of Infrastructure in Promoting Economic Growth in Nigeria

Lopez (2004) asserts that the use of telephone density as the infrastructure indicator in a panel framework and controlling for possible reverse causation, finds out that infrastructure raises growth and bring about reduction in income inequality.

Canning and Pedron (2004) carried out a research on the long run effects of infrastructural provision on per capital income growth in a panel of countries over the period of 1950-1992 and revealed that in many cases infrastructure influences long run growth effects.

Kularatne (2006) quoted in Sojoodi et al (2012) found out that investment in economic infrastructure affects South Africa economic growth directly and indirectly via private investment.

Caldern and Servien (2003a) in Sojoodi et al (2012) present empirical analysis with a focus on Latin America, using GMM estimates of a Cobb-Douglas production technology obtained from a large cross-country panel data set, they found positive and significant output contributions of three types of infrastructure assets-telecommunications, transport and power.

1.8 The Need for PPP in the Provision of Infrastructure thatWill Lead to Economic Growth

According to the National Council for Public Private Partnerships (2012) is a contractual agreement between a public agency (Federal, State or Local Government) and private sector entity. Though this agreements skills and asserts of each sector (Public and Private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risk and rewards potentials in the delivery of the service and or facility (quoted in Olusanmi & Ogidi, 2014). Also Public Private Partnership can also be described as an agreement between governments and private sector firms for the provision of public infrastructure, facilities and services. It is a contractual agreement formed between public and private sector partners which requires the private sector to invest in the development, financing , ownership and operation of a public utility or service and responsibilities shared so that the partner's efforts are complemented (Olusanmi & Ogidi, 2014).

Farlam (2015) opines that PPPs engender business efficiency and effectiveness to service delivery and avoid politically volatile factor of full privatization of public utilities. He further stressed that PPPs allows governments to retain ownership while contracting the private sector firm to carry out a specific function such as designing, building, maintain and operating infrastructure like roads, bridges, and ports, or providing basic services like health, water, waste disposal and electricity. Government earns income by leasing public-owned properties or alternatively pays the private firm for improved infrastructure and efficient service delivery. The private sector may also get paid by customers for using such utility (Olusanmi & Ogidi, 2014).

Egbewole (2011) affirms that the allocation of sizeable and at times significant, elements of risk to the private partner is essential in distinguishing the PPP from the more traditional public sector model of public service delivery.

2.5 Contribution of PPP to the Growth of Nigeria

PPP has been argued by many scholars that it is sine qua non to the growth of any country in the world but in some climes, its introduction has caused a lot of noise most especially in the developing countries like Nigeria, Togo, Ghana etc. but it must be stated that despite this problem PPP has contributed to the growth of many developing countries like Nigeria, Ghana etc.

The development of oil industry in Nigeria was made possible through Public Private Partnership when the indigenous Nigerians have no expertise in oil and gas mining, this made government to invite the multinational companies for exploration. Also, the development of Dolphin Estate, Ikoyi Lagos in 1980s was made possible through PPP arrangement by the Lagos State Government and HEP construction limited.

According to Ayodele (2011) in adopting a sectorial view of some parastatals within the government, it was discovered that Public Private Partnership has been employed in form of granting concessions to divest or privatize many units. For instance, in the Nigeria Port Authority (NPA), 16 terminals have been concessioned to private firms.

In Lagos State, PPP arrangement was used to develop transport system so as to reduce delay and traffic grid through the use of Bus Rapid Transits (BRT).

3.0 Findings

It has been found out that PPP has arrangement has contributed to the growth of Nigerian economy most especially in the areas of infrastructure. This view is in line with Ayodele (2011).

It has been revealed that PPP encourages business efficiency which in turns lead to quality service delivery. Corroborating this view is Farlam (2015).

PPP creates source of revenue generation for the government and efficient delivery of services to the users. Supporting this view is Oluwasanmi and Ogidi (2014).

4.0 Conclusion and Recommendations

The adoption of PPP as a solution to the deficit infrastructure so as to have robust economic growth cannot be over emphasized. The distrust in government as result of their insincerity in the provision of infrastructural facilities and rising government expenditure on the welfare of the citizenry led to the emergence of PPP in Nigeria and other developing countries of the world. However, a lot still need to be done by the government, stakeholders to educate Nigerians on the importance of PPPs to the development of infrastructural facilities.

More so, all hands must be on deck if pragmatic development must take place in Nigeria. Government should ensure that corruption is fought to the barest minimal so as to reduce nepotism, favouritism etc. when giving concession through public private partnership.

Also, the parties involved in PPP arrangement should make it a point of responsibility and duty to honour its counterpart funds as this is one of the reasons why PPP arrangement has not succeeded well in Nigeria.

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