

Public Private Partnership (PPP) and Social Service Reform in Nigeria: 1999-2007

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Abstract

Public Private Partnership is a policy strategy of Yar'adua/Jonathan's administration to provide, rehabilitate and manage infrastructures in Nigeria. 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 capacity of Nigeria on exclusive funding of infrastructures was seriously challenged in the early 80s, but when the economy hit the crisis culminating on the adoption of International Monetary Fund (IMF) and Structural Adjustment Program (SAP) requirements were disengaged from social service delivery and infrastructural provision. The global economic recession declined revenue base of Nigeria and sources of revenue as an alternative means of funding infrastructure. Public Private Partnership overcome the challenges posed by the global financial crises, the premise in Nigeria contends that the initiative has prospects in attaining the availability of revenue, improved business environment and regulatory framework management. The paper links the imperative for sustaining the initiative of infrastructural management in Nigeria. The economic downturn remains worst since the depression of 1929, and this constitutes a serious threat to the state as its revenue base adversely affect oil price. Conclusively, the priority of Public Private Partnership cushions harsh effects of revenue shortfall on infrastructural provisions in Nigeria.

Keywords: Service, Revenue, Policy, Infrastructure, Economic, Reforms.

1. Introduction

Actually, inadequate infrastructure experience slow economic growth and in some cases social unrest with frequent human and material casualty. 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 on adequate infrastructural services in terms of their quantity and quality (Esfahani, 2005). The economy cannot build human capital or attract skilled manpower, any country that is desirous of competing for investment capital and aspire to upgrade their infrastructure to the present global business milieu driven by globalization. The Nigeria's infrastructure is in dire state, for the fact that it does not meet the needs of the investor; it inhibits investment and scales up the cost of transacting business in the country (FGN, 2004). In the global competitive report 2009-2010, released by the Geneva-based World Economic Forum in August 2009, Nigeria was ranked 99th out of the 133 economies that were surveyed by the global body. The country requires infrastructural investment at the cost of 6 and 9 billion, which can only mobilize the business community; the best place to mobilize, expand, improve and maintain public infrastructure has overstretched public resources, making efforts for alternative funding sources.

Inevitably, the global economic meltdown ravaging world economy has the resultant negative effect on the revenue accruing to countries of the world. Nigeria's former Minister of State for Finance, Mr. Remi Babalola gave insight on the negative impact of global financial downturn on the country's revenue base at a conference in London, the minister disclosed that the country's excess crude account savings that become a significant source of infrastructure finance for the oil-rich nation decreased from 20.4 billion dollars in January 2009 to 11.2 billion dollars on June 2009. The minister states that the Nigerian state needs annual investment of 10 billion dollars to address the infrastructure deficit. The paper examines the imperative strategy and factors crucial to achieve the goals of Public Private Partnership initiative on the mainstream of the country's development quest.

2. Conceptual Perspectives

Social Service: is a set of program aimed at achieving some objectives and it relates to the social system in the goals of social policies. All social policies are directed towards change not only in the structure of society but for the living conditions of the people in the society. Social service programs are services provided by a governmental agency for welfare of persons or the community at large such as housing, child protection, free education and health care delivery. Social service programs; and their delivery help the people with necessities to attain self actualization and happiness (Ayo 1988).

Again, Social service is a wide concept which encompasses improvement in the social status of the people and society in general. It necessitates in reality and not in doubt; the provision of such services as health, education, housing, roads, portable water and electricity. It also encompasses "reduction of poverty, improvement of women and workers" (Olewe and Anga, 1994:165). Geol (1981) states that social service is a process of bringing community welfare through social change and the implementation of social policy decisions for the total welfare of the community. It encompasses every act, technique and consideration in the process necessary to transforming social policy. Donnison (1968) also states that during social services delivery, social legislation aimed at private philanthropy and religious charities into the dynamics of services and benefits for humanity are implemented. Currently, Nigeria has weak state supported social welfare system; hence, most people rely on the extended families in their old age. Health Insurance Scheme/Medications are only provided for government employees and few company workers in commercial enterprises while the rest of the population do not benefit from this scheme. Unlike other countries, Nigeria lack state supported social services system to support her citizens on emergency. Arguably, Nigeria's fiscal arrangement by the three levels of government has problem of coordination in service delivery.

Reform: This connotes "change", "improvement" in a given condition or state of affairs, change toward better conditions, it is synonymous with progress. Olewe (1995:2) states that reform is to bring ideas, plans, programmes into reality. Put differently, reform is for national transformations that aid to produce positive changes. Everett (1989:841) described economic reform as a widely participatory process of directed social and economic change in a society, intended to bring about social change and material advancement like equality, freedom and other valued qualities for the majority of people through their gaining greater control over their environment. Thus, a good economic reform should bring about national renewal and transformation through systematic and faithful implementation in the polity. It seeks to change the status quo that ought to be changed. It requires proper planning and implementation, if desired ends are to be attained. Economic reform is a planned process of bringing about improvement in a socio-economic and political order in a polity. For our purpose socio-economic reform refers to a comprehensive program of government in any polity geared towards transforming the structures and systems of public service for improved service delivery.

3. Theoretical Framework

The theoretical slant adopted for this paper is the theory of dualism. This theory argues that economic laws that are valid in advanced capitalist nations may not work in underdeveloped countries. According to this theory, social service reform in advanced capitalist nations facilitates development in stable environments with appropriate institutions and values system. This theory was developed by Professor J.H. Boeke of Netherlands in 18th century "when the Western style of agricultural plantation was introduced by the Dutch in the territory of Indonesia and it was discovered after few years of Western system that plantation failed woefully" (Skills, 1972; 459). It was in an attempt to discover this problem that Boeke developed dualism theory, which contends that Western strategy of socio-economic development introduced in the third world countries are characterized by:

- Enthusiasm and high expectation,
- Resource are mobilized for its success,
- Government justify through massive propaganda network,
- Little success is achieved in the implementation process,
- The economic condition of the people deteriorates,
- The government is more authoritarian to survive (Ujo 2007:5).

For example, the Marshal Plan led to the reconstruction of Western Europe within a few years after World War II. The similar strategy was adopted for the development of post-colonial African states but they did not succeed. Development strategies like the United Nations Development Decade, the New International Economic Order and the Brandt Report did not achieve their goals in Africa. The structural and attitudinal factors that negate the development process were based on the Western strategy. The factors include lack of basic institutions, appropriate and relevant manpower, prevalence of corruption, poor value system among others. Many scholars confirmed the theory as a result of their empirical research, Riggs (1957; 1974; 1975); and Whitaker, (1970). The theory of dualism explains Nigeria's government socio-economic policies in relation to the democratic process for the following reasons:

- ◆ The policies were based on western development strategy.
- ◆ Massive resources were deployed for its success.
- ◆ Propaganda mechanism of state was mobilized for success.
- ◆ The policy makes few Nigerians rich and majority was poor.
- ◆ There was rise in the poverty level between 1999 and 2009
- ◆ Most industries closed down with the result of unemployment.
- ◆ Social services like power, water and roads have deteriorated.
- ◆ There is a steady rise in anti-social activities.
- ◆ There is a big wave in armed robbery
- ◆ Corruption was on the increase (Ujo, 2007:5-6)

In the contemporary political and economic systems most third World countries adopted and are adopting the Western strategy of socio-economic development with hope that development will occur. The structural institutions and behavioural factors make the realization of the aims of the strategy impossible because the institutions are weak. Often, these two tendencies exist in third world countries and the understanding of the economies and politics of underdeveloped countries must consider the two factors" (Ujo, 2007:4).

4. Public Private Partnership and Economic Development in Nigeria

The basic approach to development indicates that the state is the primary agent for development with little or no role assigned to the Private sector in the development (Mabogunje, 2007). This model endowed the Public sector with a commanding role in the regime of developmentalism dominant to political economy of post-colonial Africa till the early 80s (Olukoshi, 2003). It is tragic

to say that state enterprises thrown by state-led development approach could not make significant contributions to the economy in spite of huge public investment in their operations. Accordingly, successive administrations in Nigeria invested N800 billion in these enterprises while the annual returns was below 10% of the investment capital (BPE, 2000).

The exclusive trend of state as fiancée of infrastructure continued under the Babangida administration on Directorate for Food, Roads and Rural Infrastructure (DFRRI) to improve rural infrastructure. In 1987, DFRRI received a budgetary allocation of N400 million while N500 million was allocated to them in 1988 to impact on the development of agriculture in rural areas. One striking feature to budgetary votes to DFRRI states that the agency received higher allocation than most ministries and parastatals in Nigeria. For instance, the Ministry of Education gets N4 million allocation in 1987 and N3.02 million in 1988. Similarly, Ministry of health got N166.9 million in 1987 and N259.9 million in 1988. It was only in the Ministry of Defence they voted N717.6 million in 1987 and N830 million in 1988 higher than DFRRI (Ake, 2001). The signs of the waning capacity as the sole provider of infrastructure finance began to manifest in 1983, with the economy having a serious crisis. This crisis has been severe on the depth since the creation of Nigerian state as Anglo-colonial project (Bangura, 1982),

As Nigeria witnessed a decline in its capacity for social and infrastructure provision (Jega, 2000), it led to increased legitimacy crisis of the state (Amin, 1996). The oil boom enhances legitimacy through massive public expenditure in the critical sectors of the economy like construction, commerce, industry, banking and social service delivery. The collapse of the global oil market in early 80s brought sharp reduction in oil earnings from N10.1 billion in 1979 to N5.161 billion in 1982. This spawned a major industrial crisis with many industries closing down or operating well below installed capacity utilization (Olukoshi, 1993). The fact remains that the economy slides in the crisis over the increase percentage of budget deficit grew to 12 % GDP in 1983. All efforts by the state to stem the tide of the economic crisis and stabilize economic act of 1982 by Shagari administration failed in Nigeria. They adopt World Bank and Structural Adjustment Program on July 1986 (Ake, 2001), the implementation of SAP adjusts countries needed to generate export surplus to pay their debts and restructure their economies along neo-liberal lines (UNRISD, 1995). The reduction of public expenditure is a major component of SAP (Kukah, 1999) and funding of the state infrastructure adversely affects the decline of SAP (Ake, 2001).

Public Private Partnership is new in Nigeria and post-transition phenomenon, the post-1999 reform project initiated by President Obasanjo represents an economic shift from socialist character of the Nigerian economy to a full-blown free market economy with neo-liberal policies like deregulation, privatization, monetization and right-sizing of public bureaucracy featuring the policy agenda of the government. Prior to the institution of these reforms, state utilities were in a state of dysfunction crippled by corruption, inefficiency and indebtedness with many having no audited account for decades. The first anniversary on the restoration of civil rule in Nigeria indicates that federal government alone had about 600 state enterprises in various sectors of the economy. Most of these enterprises were in a parlous state and unimpressive record of long year's under-performance. The state funded enterprises are drain-pipe to national treasury (FRN, 2000). Most public infrastructure suffered state neglect leading to infrastructure decay with dire consequences on social service delivery. The major sources of fund for states and local government are statutory allocation from federation accounts, VAT, stabilization receipts, ecology fund and internally generated revenue from tax and non-tax. Most scholars and practitioners blame poor social service delivery on poor funding.

5. Challenges Undermining Public Private Partnership in Nigeria

The areas of public private partnership initiative can be delineated from the current operation in Nigeria. These are infrastructural development and management, revenue generation in which private sector institutions collect revenue on behalf of the state and local government, waste

management and technical management as attempted by the Obasanjo administration on the management of Federal unity Schools and capacity building on information communication technology (ICT) and tax administration. Mabogunje (2007) stated that variants of Public Private Partnership differ in their allocation of responsibilities and risks between the state and private sector. These includes Build, Own and Operate (BOO), which entails the government authorizing private firms to build, own and operate an asset; while Build, Operate and Transfer (BOT) is similar to BOO, but differs from it to the extent that the asset is transferred to the government after a certain period of time, reasonably enough for the private investor to have recouped its investment; contracting out involves the provision of certain technical services by public sector to an external private company; concession involving a private firm assuming responsibility for operating a service and collecting charges for a period of time. Aftermath, the public sector controls the construction and owns the fixed assets but contracts out to private sector organizations operation, maintenance and collection of service charges; leasing involves that one of the partners use equipment or assets belonging to either of them without purchasing the assets but pay a lease to the other partner. The private sector organization takes over responsibility for the operation and management of an infrastructure using staff and equipment of the public sector.

The variants of Public Private Partnership initiative by Mabogunje, concession appears to be the dominant type in operation. The fact underscored the setting up of Infrastructure Concession Regulatory Commission (ICRC) by late President Umar Yar'adua. Consequently, analysts believe that Yar'adua presidency took a strategic step towards overcoming the conundrum of infrastructural deficiency with the institution of ICRC for Infrastructural Concession Regulatory Act signed into law by former President Olusegun Obasanjo in 2005. The Act provides participation of the private sector in financing, development and maintenance of development projects of the federal government through contractual arrangements.

The investment on critical physical infrastructure and human capital development is the philosophy of 2009 budget (2009 Budget Speech), by Yar'adua administration and this has achieved in this regard, a typical example is the public infrastructure financed through Public Private Partnership initiative on 30 year old Lagos-Ibadan expressway that has been handed over by the Federal Government to a concession, Bi-Courtney highway services limited for effective management of the ever-busy 110 kilometer expressway. The rehabilitation work to be carried out on the Lagos-Ibadan highway covers areas like reconstruction of the existing carriageways, construction of additional lanes to the present four lane carriageway and provision of ancillary facilities like parking areas for heavy duty vehicles with rest areas of convenience and emergency communication equipment for welfare and security of the highway users. The new manager Bi-Courtney Limited is expected to source N89.53 billion to prosecute the turn-around project that will be executed on Build, Operate and Transfer (BOT) arrangement span of 25 year concession period. The investment on the project will be recovered through tolls to be charged on the highway subject to regulatory guidance from the federal government.

The two terminal of the Murtala Muhammed airport as one of the oldest airports in Lagos Nigeria was under rehabilitation on the same scheme with Messers Bi-Courtney Consortium as the private sector managers. In the same vein, the rehabilitation of two main gateways in Airport Expressway and the Outer Northern Expressway which runs from Zuba through Kubwa to Asokoro in F.C.T, Abuja. The federal government will provide 40%, the contractors will source for 60% costs of the project which when completed will generate 25,000 job opportunities and boost commercial activities within and around the federal capital. Also, the constructions of the 2nd Niger Bridge at Onitsha, Federal Government will provide N4.3 billion counterpart funds and as well the construction of the Guto/Bagana Bridge across River Benue for which the Federal government would mobilize N3.6 billion counterpart funds through PPP arrangement (2009 Budget speech). Consequently, other road projects by PPP initiative are Shagamu-Benin road, Lagos- Badagry road as well as Abuja-Kaduna-Kano roads. Apparently, National Food Reserve Agency (NFRA) an agency in the Federal Ministry of Agriculture and Water Resources adopted the PPP initiative to manage its

silos and reservation facilities. The completion of the projects examined above and others not captured here will go a long way to make Nigeria a preferred investment destination to impact positively on the living conditions of its citizenry thereby enhancing socio-economic stability.

6. The Impact of Public Private Partnership in Nigeria

Public Private Partnership relief Nigerian state from the biting effects of the global financial crisis even as it gives the private sector a stake in the management of the economy basically on the area of infrastructure provision and management. Neo-liberal scholars contend that private sector offers prospects to developing economies for rapid economic growth in a competitive market conditions (Moran, 1986). However, the efficacy of Public Private Partnership strategy of economic growth and infrastructure development in Nigeria context on the availability of certain positive factors without which the gains derivable from the initiative becomes elusive.

A functional institution is the primary factor for any Public Private Partnership arrangement. Significantly, government shapes the implementation of public policies as they stabilize the process of policy making (Bullock et al, 1983).

Regulation represents an important success factor in public private partnership on low-income economies with their weak regulatory mechanisms (World Bank, 2000). The World Bank has document on economies with political stability, process and methods of altering laws, property rights protection and judicial system preferred investment destinations and record higher economic growth than countries where these attributes are lacking. In the context of Public Private Partnership, institutions are conceived as set of formal and informal rules that govern the actions of the actors in the PPP framework. This institutional infrastructure contain unwritten codes of behavior that encourage cooperation and conflict resolution as well as formal enforceable legal rules that guarantee the contractual obligations are enforced. The existence of such institutional framework will encourage private investors to provide financial investment infrastructure required.

Consequently, the concession process led to the handover of public utilities to private sector managers must be inclusive. All the major stakeholders, including workers and users of public assets on concession must be involved in the process to allay fears of jobless and prohibitive user charges. This inclusive process will help prevent avoidable post-concession protests as witnessed at the handing over of Tafawa Balewa Square, Lagos and the old domestic terminal of Murtala Mohammed Airport to new private sector managers. The infrastructure concession regulatory commission held a meeting on Nigeria's Public Private Partnership program to sustain the inputs of stakeholders into the Public Private Partnership process. The Public Private Partnership needs a transparent process necessary to build confidence among the participants in the initiative with regards to risk sharing. The requisite for transparency was injected into the Public Private Partnership process for remarkable improvement on the extant regional practice in which African regimes are not open to the international economic relations and investment agreements (Keet, 2008).

7. Conclusion and Suggestions

Undoubtedly, the current global financial crisis is underscored by the collapse of key corporate bodies particularly large financial institutions that constitute the pillars of global economy (Sampson, 2008). Public Private Partnership (PPP) initiative is the alternative sources of infrastructure financing available for developing economies; it is a coping strategy on the effects of global recession. The consequences of the global economic meltdown are negative economic growth, growing unemployment, rising inflation and crashing stock markets (Oyesiku, 2009). Public Private Partnership is a departure from traditional practice in developing countries of the global South; it is where the state has provided the resources for infrastructure financing. Public Private Partnership re-defines the role of the state in infrastructure provision to transform its status from a

provider to enabler that fit in the neo-liberal ideology of market economy. The height of Public Private Partnership rests on the availability of certain positive factors. The measures like business environment, regulatory framework and efficient public sector are crucial factors towards the achievement on the gains of Public Private Partnership. The potentiality of Nigerian nation as one of the 20 biggest economies in the world offers opportunities for high returns on investment; the challenge for Nigerian state is to transform this potential into concrete reality.

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