Public Private Partnership in Nigeria: Evidence from Edo State

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Abstract:
Public Private Partnership (PPP) has been adopted in Nigeria to meet the increasing demand for infrastructural provision and maintenance. This study examined PPP operations in Nigeria focusing on Edo state. The study utilized secondary method of data collection. The study found that there are several PPP projects (completed and ongoing) in Edo state. The study concluded that PPP operations in Nigeria have greatly improved infrastructural development, service delivery, the welfare of citizens and confidence in the administrators of the country. But that despite these achievements, there are still problems being experienced by the implementation of the PPP model in Nigeria. Thus the study recommended that government should enhance laws, regulations and institutions and improve the environment to achieve better participation and encouragement of the private sector in the provision of better infrastructures to the community. There should be continuity of viable policies, whenever there are changes in administrations. Public opinion should be properly managed to enlighten and educate the public as an important stakeholder by constantly disseminating information to the public. Finally, political, regulatory and economic stability should be ensured.

Keywords: Public private partnership, Edo State

1. Introduction
Public Private Partnership (PPP) has been adopted in Nigeria and in most countries of the world in order to meet the increasing demand for infrastructural provision and maintenance. Public private partnership is the cooperation or agreement between public sector entity(ies) or authority(ies) and the private sector to finance, design, construct, renovate, manage, operate or maintain an infrastructure or service. Many projects have been completed in Nigeria through the PPP model, and many more are on-going with more to come.
Nigeria, over the years is bedeviled with lack of infrastructures, abandoned or uncompleted government projects scattered all over the country, even where these projects are completed, they are mostly substandard. Due to the increase in population size, there have been increasing demands on the part of the citizens for more infrastructural provision and maintenance of existing ones. These demands have not been met by the Nigeria government due to the inadequacy of public funds.

The insufficiency of funds and the failure of public sector to provide the most basic of public services led Nigeria government to turn to Public Private Partnership (PPP) to finance, develop and improve its infrastructure. A number of projects in different sectors of the Nigerian economy have been completed using the PPP model.

The public sector alone even at the best of times cannot afford to provide infrastructural requirements which is needed for the economic development of the country, thus there is the call for the intervention of the private sector. Public Private Partnership is therefore a necessary and important instrument for the attainment of sustainable economic development. It is in the light of the above scenario that this study takes a look at Public Private Partnership in Nigeria; with evidence from Edo state.

The main objective of this study is to appraise Public Private Partnership in Nigeria; focusing on Edo state and also to enable readers understand the concept of PPP, the reason of its adoption in Nigeria, identify achievements and challenges of PPP in Nigeria and make recommendations as solutions to the identified challenges. In meeting the objectives of this study, the following questions will be asked;
- What is Public private partnership (PPP)?
- Why adopting PPP in Nigeria?
- What are the achievements and challenges of PPP in Nigeria?
- What are the solutions to the challenges of PPP in Nigeria?

The study heavily relied on secondary data (existing literatures) as source of data. Books, journals, articles, newspapers, internet and government publications on the subject matter were consulted.
2. Literature Review

2.1. What is Public Private Partnership?

Public Private Partnership has been defined in various ways; the variations in definitions can be traced to the political and economic consequences of PPPs, which makes their meaning and their desirability susceptible to different interpretations. Some of these definitions are as follows:

According to the International Monetary Fund (IMF), ‘Public Private Partnerships involve private sector supply of infrastructure assets and services that have traditionally been provided by the government’. (International Monetary Fund, 2018).

The Parliament of Australia sees PPPs as ‘partnerships between the public sector and the private sector for the purposes of designing, planning, financing, constructing and/or operating projects which would be regarded traditionally as falling within the remit of the public sector. Infrastructural projects such as roads and bridges are prime examples’. (Parliament of Australia, 2002)

The Canadian Council for Public Private Partnerships defines PPP as ‘a cooperative venture between the public and private sectors built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards’. (The Canadian Council for Public Private Partnerships, 2006).

The Organisation for Economic Cooperation and Development defines a Public-Private Partnerships as: long term agreements between the government and a private partner whereby the private partner delivers and funds public services using a capital asset and sharing the associated risks. (The Organisation for Economic Cooperation and Development, 2019).

According to the UK Her Majesty’s Treasury, ‘Public Private Partnerships (PPPs) are arrangements typified by joint working between the public and private sector. In the broadest sense, PPPs can cover all types of collaboration across the interface between the public and private sectors to deliver policies, services and infrastructure, where delivery of public services involves private sector investment in infrastructure’. (H.M. Treasury, 2013).

The Asian Development Bank (ADB) defines it as: ‘a range of possible relationships among public and private entities in the context of infrastructure and other services. PPPs present a framework that—while engaging the private sector—acknowledge and structure the role for government in ensuring that social obligations are met and successful sector reforms and public investments achieved. A strong PPP allocates the tasks, obligations, and risks among the public and private partners in an optimal way. The public partners in a PPP are government entities, including ministries, departments, municipalities, or state-owned enterprises. The private partners can be local or international and may include businesses or investors with technical or financial expertise relevant to the project. Increasingly, PPPs may also include non-government organizations (NGOs) and/or community-based organizations (CBOs) who represent stakeholders directly affected by the project. Effective PPPs recognize that the public and the private sectors each have certain advantages, relative to the other, in performing specific tasks. The government’s contribution to a PPP may take the form of capital for investment (available through tax revenue), a transfer of assets, or other commitments or in-kind contributions that support the partnership. The government also provides social responsibility, environmental awareness, local knowledge, and an ability to mobilize political support. The private sector’s role in the partnership is to make use of its expertise in commerce, management, operations, and innovation to run the business efficiently. The private partner may also contribute investment capital depending on the form of contract’. (Asian Development Bank, 2008).

From the different definitions above, PPP is constantly evolving in different ways. However, below are summarized certain basic characteristics that bind these different definitions together.

- PPPs are based on long-term partnerships between public sector entities and the private sector.
- Different components of an infrastructure are bundled together in a PPP. The public sector specifies certain verifiable and determinable outputs it desires from the private sector, while the private sector is more or less given a broad discretion to determine the optimal method for delivering the outputs, this enables the attainment of value for money in projects.
- Risks and rewards are allocated in an efficient and optimal manner that ensures that risks are allocated to the party most able to manage them. (Malaysian Public Private Guidelines, 2008).

From the above discussions, PPPs can thus be defined as a long-term relationship between public sector and private sector under which the responsibility for designing, financing, construction, management and/or operation of public infrastructure and services that were traditionally undertaken by the public sector are contractually shared and jointly undertaken by both the public and private sectors, usually in proportion to the type and quantity of risks each party can best carry.

2.2. Why is Public Private Partnership Adopted in Nigeria

The main reason for the widespread use of the PPP model for the provision of infrastructure across the less developed countries, of which Nigeria is a part, is the inadequacy of public funds to meet the increasing demand for infrastructure. However below are a few reasons in brief, why Nigeria governments embraced Public Private Partnership model for provision of infrastructure and service delivery.

- To allow private sector to influence the delivery of public services: The private sector has over the years been able to maintain an enviable standard in management and delivery, the reverse is usually the case in most public sector due to debt, mismanagement and lack of effective control. The adoption of PPP models in Nigeria is an effective way of curbing this anomaly.
2.3. Evidence of Public Private Partnership in Edo State

Edo State is one of the 36 states in Nigeria. It is located at the south-south of Nigeria with its capital city being Benin City. The 2014 estimated population of Edo state is 5 million people. Edo State was formed on August 27, 1991 when Bendel State was split into Edo and Delta States by the Babangida Military administration. (Wikipedia, 2020).

Over the years, the state government have embarked on various partnership ventures with companies from the private sector to improve infrastructures and efficiency of services at reduced cost and risk; which are the main functions of PPP in order to improve the well-being of the citizens. Some of these partnership ventures are as follows:

2.4. Azura Power Plant

The project included the construction, operation and maintenance of a 459 MW gas-fired open-cycle power plant near Benin City, Edo State, Nigeria. It also included the construction of a short 330kV transmission line connecting the power plant to the Benin North substation, and a short underground gas pipeline spur connecting the power plant to the country’s main gas trunk line, the Escravos Lagos Pipeline System. The project was necessary to add much-needed power to the national grid. The Azura-Edo IPP is considered a priority project for the Federal Government of Nigeria, and is expected to be the first greenfield IPP post sector reform to come online. Azura-Edo is the first wholly project-financed IPP in Nigeria. As such, it is regarded as a ground-breaking project set to pave the way and set important benchmarks for future private sector driven, project financed IPPs in Nigeria.

Azura Power West Africa Ltd. (the project company) includes as project sponsors a consortium of private investors (97.5 percent) and the government of Edo State (2.5 percent). The consortium is composed of a joint venture between Amaya Capital Ltd. and Actis GP LLP (51 percent), AllF2 Power Holding Ltd. (29 percent), Aldwych Azura Ltd. (14 percent), and ARM-Harth Infrastrucure (six percent). The plant will have a sole off-taker; the state-owned Nigeria Bulk Electricity Trader (NBET) under a 20-year power purchase agreement (PPA) backstopped by a Put Call Option Agreement (PCOA) with the Federal Government of Nigeria. Seplat Petroleum Development Company, a Nigerian upstream production and development company, will supply gas to fuel the plant under a 15-year contract (World Bank Group, 2017).

The power station is located near Benin City in Edo State, approximately 316 kilometers (196 mi), by road, east of Lagos, Nigeria's commercial capital. This location lies approximately 445 kilometers (277 mi), by road, southwest of Abuja, the country’s capital city.

The project, first conceived under the Goodluck Jonathan administration, has been endorsed by the Muhammadu Buhari government. Work on the project, initially started in 2014, had stalled due to disagreements between the funders and the Nigerian government. Those concerns were resolved and work resumed in 2015.
The construction costs for the power station are budgeted at US$900 million, via loans provided by a consortium of twenty international banks and equity finance institutions drawn from nine different countries. The Phase 1 power station (461MW) came online in May 2018. (Wikipedia, 2020).

The Azura-Edo project will be the first greenfield power plant in Nigeria since the country’s reform of the power sector in 2013 and will provide a much-needed power supply to local communities and businesses. Its first turbine was connected to the grid in late 2017.

Several companies from a wide range of sectors - steel-making, agro-processing, construction, IT and energy - have explored the feasibility of setting up factories in Edo State since the construction of the plant. As well as creating direct and indirect jobs, the project sends a strong signal to other potential investors in the country’s power sector. Azura has built and is operating the plant in line with international environmental and social standards. It is also providing employment opportunities and vocational training to local communities. (Ladiipo D, 2019).

2.5. Edo State-Saro Farms

Edo state government in partnership with Saro Agro Science Limited (private entity) established the farm located in Sobe, Owain West local government area of the state. It is a maize farm joint venture. The Public Private Partnership initiative with Saro Agro sciences limited, a leading company in agribusiness, was conceived by Governor Godwin Obaseki to create jobs for thousands of youths across the state. The maize farm is part of the state government’s accelerated agriculture initiative to boost job creation in the state. The maize cultivation directly empowers several youths in agribusiness. The first phase of the initiative targets job creation for 1,000 farmers through the cultivation of 5,000 hectares of maize farms across five local government areas of the state. The scheme targeted a minimum of four metric tonnes of maize yield per hectare, which are bought directly from the farmers. The company was also collaborating with the state government for the second phase of the initiative, which would feature the use of greenhouse as well as the Cocoa Yield Enhancement programme. (Vanguard Newspaper, 2017).

2.6. Benin Industrial Park

The Benin Industrial Park (BIP), which is located at Sapele road in the state capital was conceived as a Public Private Partnership (PPP) project. The bulk of the funds to go into the development of the park will come from the private sector. Edo state government will provide the land and key access roads linking the park and necessary guarantees to whet the appetite of local and foreign investors. (Vanguard newspaper, 2017).

2.7. Urhohiwe Rubber Plantation

This is a Public private partnership venture between a private investor (Rubber Estate Nigeria Limited) and Edo state government to grow her rubber stock and boost her non-oil receipts with the 2,500 hectare rubber plantation in Urhohiwe, in Orhionmwon local government area and other agricultural initiatives. This partnership has received the support of the federal government. The plantation is operated and managed by the private investor (Rubber Estate Nigeria limited), which have invested about N5.1 billion. This gesture is believed to provide about 350 jobs to youths in the state. (ThisDay, 2019).

2.8. Gelegele Seaport Project

Gelegele seaport project is a Public Private Partnership venture between the Edo state government (public partner) and China Harbour Engineering company limited (CHEC) (private partner), for the development and maintenance of the Gelegele seaport and other transport infrastructures in the state. This will serve as the gateway for exporting manufactured goods from the Benin Industrial Park under construction and other manufacturing companies in the region. (Vanguard newspaper, 2018).

2.9. Jara Shopping Mall

This is a Public Private Partnership agreement between a private firm (Jara) and the Edo Development and Property Agency (EDPA) on behalf of Edo state government to expand the retail space in the state. It is an initiative to boost commerce and drive investment to the retail sector of the state. The new supermarket is a product of a memorandum of understanding (MOU) between the state government through the EDPA and JARA (EDLP Nigeria Ltd), for the setting up of a retail chain in Benin City and environs to provide a new shopping experience to eddo people. Jara shopping mall, a newcomer in the retail space in eddo state, is located at the Sokponba road axis of Benin City. The shopping mall is believed to revolutionaries leisure and shopping experience in the bubbling Sokponba axis of Benin City. The construction work involved local labour and youths in the state are employed at the facility. The mall changed the landscape at the Sokponba axis of Benin City and brought a new lease of life to the ever-busy, densely populated area. (Ayodeji, H. 2020).

2.10. Emotan Gardens

Emotan Gardens is an 1800-unit affordable housing estate being developed by the state government through the Edo Development and Property Agency (EDPA) (public partner) and Mixta Africa (private partner). Sitting on a 70-hectare in Upper Sokponba axis of Benin City and providing a range of housing options to subscribers, Emotan Gardens is deemed a revolution in Edo State's housing sector. The Memorandum of Understanding (MoU) for the estate development was signed between the state government and Mixta Africa in May 2018 and work kicked off in June 2018.
Upon completion, the project will include a commercial area with opportunities for a shopping mall, schools and a hospital in addition to the residential component. The project also offers land sale to retail customers of 450 sqm or 900 sqm plots. Moreover, house prices start from N5.7 million for the cluster of 2-bedrooms and increases to N7.0m, N8.0m and N9.0m according to the housing type, providing much needed affordable homes. The Company is in the process of completing the award of contracts for the construction of the first phase of infrastructures for the growing community including power, water and roads. To date the company has completed 59 homes, comprising 38 units of 2-bedroom bungalows and 21 units of the 3-bedroom bungalows. The expected completion date for the project is the end of 2021.

The raw materials used in the construction and finishing of the buildings were sourced within the state to encourage local job creation. The materials which include tiles, doors, glass, and other such materials, are sourced from companies operating in Utesi, an industrial cluster in the state. (Mixta Africa, 2019).

2.11. Achievements of Public Private Partnership in Nigeria

There have been great achievements made in Nigeria as evidence from Edo state through the adoption of the PPP model for infrastructural provision and effective service delivery, these include; increase in speed, efficiency and cost effectiveness (construction work involved local labour) in delivery of projects, as evidenced from the speed, efficiency and cost effectiveness in the construction and operations of Jara Shopping Mall at Sakponba Road, Benin City, because it was designed, constructed and delivered at the proposed time and operations of the facility started almost immediately;

There has been the alleviation of capacity constraints and bottlenecks in the economy through higher productivity of labour and capital resources in the delivery of projects, this is evidenced from the operations at Urhonigbe Plantation in Orhionwon Local Government Area of Edo state; where high productivity is recorded; there has also been value for money for the taxpayer through optimal risk transfer and risk management because the management of Urhonigbe Plantation have been able to manage the risk associated with Rubber plantation over the years;

There is competition and greater construction capacity (including the participation of overseas firms, especially in joint ventures and partnering arrangements) as can be seen from the partnership between Edo state government and the different private investors that have showed knee interest in partnering with the government in the construction, operations and maintenance of the Benin industrial park; Nigerians are now experiencing accountability and transparency in government activities for the provision and delivery of quality public services through performance incentive management/regulatory regime, this is evidenced from the operations of Azura Power Plant when its first turbine was connected to the grid in late 2017.

There are innovation and diversity in the provision of public services leading to effective utilization of state assets to the benefit of all users of public services, this is noticed in the operations of the Edo state-Saro Farm that would introduce the use of greenhouse as well as the Cocoa Yield Enhancement Programme in the second phase of the initiative. Innovation and diversity are also noticed in Azura Power plant because the project is the first greenfield power plant in Nigeria since the country’s reform of the power sector in 2013 and provides a much-needed power supply to local communities and businesses.

The allocation of design and construction responsibility to the private sector, combined with payments linked to the availability of a service, provides significant incentives for the private sector to deliver capital projects within shorter construction timeframe, this is evidence from the timely construction and operations of the Azura Power plant; there is also better risk allocation which is a core principle of any PPP by allocating risk to the party best able to manage it at least cost. The aim is to optimize rather than maximize risk transfer, to ensure that best value is achieved, this is evidenced from the PPP arrangement that produced Emotan Garden.

Despite the above achievements of PPP in Edo State there are still challenges encountered, which include but not limited to:

Inconsistency in policy: incessant changes in relevant political office holders and the chief executives of regulatory agencies is also a major problem with PPP projects. This is evidenced from the pause in construction and operation of Azura power plant after the Goodluck Jonathan Administration. Maintaining a relationship with the successive political office holders and chief executives can be a very serious challenge because it means that there is the likelihood of an agreement changing almost every time these people are changed.

The issue of funding is a major problem for any concession agreement because raising capital locally is almost impossible especially considering the fact that most banks were skeptical about such project. Funding from the capital market particularly the bond market may also not be adequate due to the up and down usually experienced in the capital market and further is the fact that the Nigerian capital market is still too shallow and underdeveloped. This issue of funding is a major setback in the Urhonigbe Rubber plantation, which has made growth of the project to be slow.

Regulatory Issues: There was clearly a serious knowledge gap on the part of the regulators in dealing with issues. These posed major problems to both sides of the transaction and may have accounted to some of the delays being experienced today in relation to the Benin Industrial Park in Edo state. It is obvious that any investor coming into Nigeria will be wary of the considerable number of regulatory risks which it is likely to face due to the multiplicity of laws and regulatory bodies. This situation has resulted to confusion and, unless these various pieces of legislation are properly synchronized with one another and also with the wider legislations, this will continue to impact negatively on PPP transactions in the country.

Cultural issues in public private partnership projects are resistance from labour, civil service, off-takers, negative perceptions from the general public (this is evidenced from the negative perception of indigenes of Gelegele and rivalry...
among the communities in the locality, leading to the slow pace of work at the Gelegele seaport), failure of parties to honour sanctity of contractual agreement.

3. Conclusion

Based on the findings of the study, there is no doubt that Public Private Partnership operations in Nigeria have greatly improved infrastructural development, service delivery, the welfare of citizens and confidence in the administrators of the country. Despite these achievements, there are still challenges being experienced by the implementation of the PPP model in Edo state in particular and Nigeria in general, in the light of this, this study proffer the following to ameliorate these challenges:

The Nigerian government should enhance laws, regulations and institutions or put in place new ones where needed and multiplicities of regulatory bodies and fusion of jurisdictions should be greatly reduced to avert confusions of foreign and indigenous private investors interested in PPP; in order to achieve better participation and encouragement of the private sector in the provision of better infrastructures to the community. It is expected that with the enactment of specific laws on PPP financed infrastructure projects, there will be greater private participation in infrastructure provision and development thereby bringing about the much needed infrastructural development in a developing economy like Nigeria.

There should be continuity of viable policies, whenever there are changes in administrations. Public opinion should be properly managed and assurance should be made to enlightening and educating the public as an important stakeholder by constantly disseminating information to the public at large. The capital market should be developed and properly managed and assurance should be made to cover 2300 hectares. Retrieved from: https://www.vanguardngr.com/2018/benin-

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