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PUBLIC PRIVATE PARTNERSHIP FOR ECONOMIC DEVELOPMENT: AN EMPIRICAL ANALYSIS OF THE EFFECTIVENESS AND RELEVANCE OF THE PROGRAMME IN NNEWI, NIGERIA

MBAH, Stella Ifeyinwa
Department of Business Administration,
Anambra State University Igbariam Campus, Anambra State Nigeria

ABSTRACT

A public–private partnership (PPP) occur when a government agency or institution jointly cooperate and contribute towards a business venture, thus, jointly manage and control the business by way of partnership. The essence of PPP is to achieve sustainable economic growth and social efficiency. It is against this background that this paper examines the effectiveness and relevance of the implementation of public private partnership (PPP) for economic development in Nigeria using the evidence from Nnewi, Anambra State. The study anticipated that the PPP should be able to boost economic growth by enhancing the sustainability of the small scale businesses. The research methodology used is based on descriptive survey design comprising of 142 respondents selected through a stratified non-random sampling process. The respondents were mainly the owners of small firms in Nnewi, Anambra State. Data ananlysed and hypotheses were tested using the Chi-square statistic. The found that PPP activities are likely to reduce the cost of private energy generation in the small scale business sectors. Hence, capable of increasing productivity. Some recommendations were put forward to enhance the sustain PPP implementation.

Keywords: Economic Policy, Banking, Enterpreneurship, Nigeria.
JEL: D92, E5, E22, G11.

1. INTRODUCTION

Public-private partnerships (PPP) are business relationships between private-sectors and government agencies with the intention of implementation projects that are designed for public good. Public-private partnerships are often used to fund, construct and manage projects such as public utilities and infrastructure. The core positive externality of PPP is development.

Hammami, et. al., (2006:1) found that PPP “tend to be more common in countries where governments suffer from heavy debt burdens and where aggregate demand and market size are large.” They also suggested that macroeconomic stability is an indispensable aspect of national variable for PPPs to be successful. In essence, at the industry level, PPP determinants vary across industries depending on the nature of public infrastructure, capital intensity, and technology required. Private participation in PPP projects depends on the expected marketability, the technology required, and the degree of adulteration of the goods or services. PPP arrangements authorises the public sectors to consider otherwise high-priced projects. Therefore, it helps to fill the infrastructure gaps between what the government can afford and what people require.

According to the World Bank studies, the global financial crisis of 2008-2011 created shocks in many national economic frameworks and created the enabling environments for PPP arrangements across the world. This is because many governments faced budget deficits which affected the management of public resources and fiscal space. This reason backed by the general acknowledgement of the importance of investment in infrastructure led governments to increase its inevitable interest in the private sectors as an alternative additional source of funding to meet the funding gap.

Development is an all encompassing long term continuous change and transformation of a country's complex social, economic, cultural and political system (Oluwa, 2012). The basic and fundamental objective of any meaningful development strategy should be to transform the economy by ensuring the provision of functional public utilities, infrastructure and basic social amenities that will engender qualitative material improvement in the living conditions, well being and welfare of the citizens while promoting good governance. Animashuan (2012) noted that economies with inadequate and under developed infrastructure are bound to experience slow economic growth and in some cases, social unrest with the attendant human and material casualty. He further stated that any economy faced with the challenge of infrastructural deficiency is generally unattractive to capital, domestic or foreign investment. Such economy can hardly raise the quality of life to the citizenry as the success of any meaningful effort at raising or maintaining the standards of living is heavily contingent on the adequacy of infrastructure services both in terms of their quantity and quality (Esfahani, 2005). Infrastructure deficit not only stunts economic growth and reduces international competitiveness; it also seriously undermines the poverty reduction efforts of African regimes (World Bank, 2006).

Every nation of the world has hopes and aspirations to be great. This probably accounts for the reason the government of Nigeria gas never been in short supply of policies/programmes or reforms aimed at alleviating the failing economy and livelihood insecurity over the past four decades. (Olaseni and Alade, 2012). Vision 20: 2020 is the latest in the history of medium term plans for the country and promises to surmount some of the problems that marred the success of previous plan. (Marcellus, 2009). Meanwhile Nigeria's vision 20: 2020 recognizes infrastructure and in particular a reliable power supply as vital to achieving sustainable growth and development. To reduce similar infrastructural gap, some other developing countries have adopted public private partnership PPP (World Bank, 2006).

Comparatively, power generation in Nigeria is low relative to other countries. Ownership structure has been blamed as a challenge. Other infrastructures like the industries, roads, buildings etc, still need serious attention for businesses to succeed in Nigeria.This situation brings to the fore the need for private sector participation in the financing and periodic reviews of infrastructure both in terms of providing the needed huge capital and injecting greater efficiency into the management of public utilities.

1.1 Statement of the Problem

The infrastructural report of Nigeria just like any third world country is nothing to write home about. The housing situation is in a sorry state both quantitatively and qualitatively. Most infrastructures are now decayed and need repair, rehabilitation refurbishment or replacement (Onibokun, 1996, Agbola, 1998, Nubi, 2000, Ajanlekoko, 2001, Oyedele, 2006). The costs associated with private energy generation account for close to a third of overall operation costs for most manufacturing enterprises in Nigeria (MAN, 2006). The poor state of these basic infrastructure further imposes high costs of production on domestic manufacturers, such as transportation and distribution networks, government tax and continued investment in capacity building. This paper focuses on revamping business organizations through the implementation of public private partnership.

1.1 Objective of the Study

The main objective of the study is to determine if the implementation of public private partnership will lead to economic development. However the specific objectives of the study are:

- To determine the extent public private partnership can reduce cost of private energy generation in the business sector.
- To ascertain if public private partnership can lead to infrastructural development in Nigeria.

1.2 Research Questions

- To what extent can public private partnership reduce cost of private energy generation in the business sector?
- Can public private partnership lead to infrastructural development in Nigeria?

1.3 Research Hypotheses

- Ho: Public private partnership does not reduce cost of private energy generation in the business sector.
- Ho: Public private partnership does not lead to infrastructural development in Nigeria.

2. LITERATURE REVIEW

As stated earlier, public private partnership (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies (Abiola and Adebayo, 2011). In some types of PPP, the cost of using the service is borne exclusively by the users of the service and not by the tax payers. In other types, capital investment is made by the private sector on the strength of a contract with government to provide agreed services and the cost of providing the service is borne wholly or in part by the government. Government contributions to a PPP may also be in kind. Across developing countries today the traditional method of infrastructure financing is witnessing a fundamental change moving away from a statist model of infrastructure investment and challenging governments to design alternative sources of financing infrastructure needed for economic growth and human development (Adekunle, 2012). This shift in the method of infrastructure funding underscores the realization that the traditional approach is no longer sustainable in the face of the dwindling resources of the state sector. The correlation between infrastructure and economic development is widely acknowledged. There is no denying the fact that Nigeria's slow development is largely a consequence of its underdeveloped infrastructure. Bridging the infrastructure gap should therefore be a top priority of the Nigerian authorities. Public private partnership initiative is one sure way of cushioning the harsh effects of revenue shortfall on infrastructure provisioning and management.

2.1 Public Private Partnership and Its Success Factors

Public private partnership offers the Nigerian government a huge relief from the biting effects of the global financial crises even as it gives the private sector a greater stake in the management of the Nigerian economy, specifically in the area of infrastructure provisioning and management (Animashaun, 2012),. However, as promising as PPP is a strategy for economic growth and infrastructure development, its efficacy in the Nigerian context is contingent on the availability of certain success factors without which the gains derivable from the initiative tend to be elusive. A strong and functional institutional framework is the primary success factor for any PPP arrangement (World Bank, 2006).

Zhang (2005) in his research on PPP projects internationally had discovered five main critical factors in implementing PPP. They include economic viability, appropriate risk allocation via reliable contractual arrangements, sound financial package, reliable concessionaire consortium with strong technical strength and favourable investment environment.

Cuttaree (2008) presents nine critical success factors from the experience of World Bank in conducting PPP projects world wide. The factors include; careful planning of PPP contract, solid revenue and cost estimate, user willingness to pay and communication plan, extensive feasibility study with the use of PPP expertise, compliance with contractual agreements, appropriate legal and regulatory framework, strong institutions with appropriate resources, competitive and transparent procurement, mitigation and flexibility in managing macro risks.

Kee (2002) highlighted three critical success factors of PFI projects delivery. First, government must be able to define, over considerable length of time, the infrastructure facilities that it is purchasing. This will obviously be easier for some services than others. Second, an appropriate understanding and allocation of the various risks, to the public sector and the private sector is essential. Third, the public sector may need to help create a competitive market to produce the service and to manage effectively that market development activity. Koch and Buser (2006) had identified the roles of the Denmark government in managing PPP projects and these include; establishment of a central counseling unit, development of a set of guidelines, tools and standard of contracts, selection of a set of pilot projects, subsidizing feasibility studies and investigating the potential sectors for PPP's approach.

The above literature provides enough illustration on the relevance of the regulatory framework of PPP governance systems for effective project delivery. Most of this research work was done in foreign countries. The gap created now is that Nigerian government can adopt some of these measures in ensuring successful operation of PPP in Nigeria.

3. THEORETICAL FRAMEWORK

This research work adopted the agency theory as a framework of analysis. In agency theory, two parties (the principal and the agent) are connected in a relationship, thereby ensuring a contract between them. This contract requires the agent to perform a task or tasks on behalf of the principal for an acceptable reward agreed by both. The principal may request the services of an agent for several reasons. Perhaps the principal lacks the skills, expertise or specialized knowledge required to perform the task. Alternatively, the very nature of task might demand a team effort. Whatever the precise reason, a contract is generally connected to the efficiencies which arise from specialization and division of labour.

4. MATERIALS AND METHOD

Descriptive survey design were used. The population comprised of owners of 142 registered small firms in Nnewi. The choice of this category of people is that they feel directly the challenges of basic infrastructural needs such as stable water supply, functional public transportation system, reliable power supply, efficient security infrastructure etc. The availability of these infrastructure would help to achieve meaningful and enduring development.

The entire population of 142 owners of small firms in Nnewi made up the sample. Complete enumeration method was used to choose the sample size since the number was not large. A total of 10 items were formulated on questionnaire and were administered on 142 respondents. Simple percentage was used to analyze the data while the formulated hypothesis were using Chi-Square statistical tool.

Table 1: Summary of the Survey Samples

	Questions	Yes	%	No	%	Total	%
1	A strong and functional institutional framework is the primary success factor for any public private partnership (PPP) arrangement.	99	69.3	43	30.3	142	100
2	PPP implementation can alleviate cost associated with private energy generation	98	69	44	31.0	142	100
3	Do you agree that PPP will boost economic activities and foster infrastructural development?	132	93	10	7	142	100
4	Is PPP a global indicator of success and achievement?	120	84.5	22	15.5	142	100
5	Does corruption affect PPP activities negatively?	103	72.5	39	27.5	142	100
6	General cost of doing businesses will reduce with PPP implementation	102	71.8	40	28.2	142	100
7	Are there evidences of PPP practice in your business area?	122	85.9	20	14.1	142	100
8	Do you think PPP in Nigeria has a challenge of poor governance?	107	71.1	41	28.9	142	100
9	PPP practice will ensure sustainable development	110	77.5	32	22.5	142	100
10	Will PPP lead to economic development?	128	90.1	14	9.9	142	100

5. RESULTS AND DISCUSSION

The analythical breakdown of the statistical results for hypothesis (I) shows that, the null hypothesis (Ho) that "Public private partnership does not reduce cost of private energy generation in the business sector" is rejected and the alternative hypothesis is accepted. Hence, the study suggests thatt PPP reduces cost of private energy generation in the business sector. In hypothesis (II), the statistical analysis shows that the null hypothesis is rejected and alternative hypothesis accepted. Hence, it is shown that public private partnership leads to infrastructural development in Nigeria.

The results of the findings show that there is a positive relationship between public private partnership and infrastructural development in Nigeria. There is also evidence that PPP reduces cost of private energy generation in the business sector. However corruption was discovered to be the bane of construction project procurement method. Contracts are awarded to compensate loyalists of leaders and in most cases these contracts are not executed. The research also showed that PPP if well implemented indicates global success and achievement.

6. CONCLUSION

It is concluded that a well co-ordinated and monitored PPP adopted on an articulated policy framework by both parties will surely improve business performances in Nigeria. The study also conclude that the public sectors in Nigeria engage in PPP for the following reasons:

- To exploit the private sector's technology and modernism in providing better public services through enhanced effective service delivery.
- To enhance timely delivery of projects within the value of the available budgets.
- To utilise PPPs development of local private sector's potentials through joint ventures with large foreign corporations, also to issue sub-contracts to indigenous firms in the economic sectors of importance.
- To expand and grow the economy by creating competitiveness in terms of fostering the development of infrastructure to improve the efficiency of business and industry associated with infrastructure development such as construction, equipment, support services.

7. RECOMMENDATIONS

Based on the findings and conclusions reach, the research recommend that, the government should encourage public private partnership in their developmental effort as this will reduce the nation's burden of infrastructural development. In adopting public private partnership, a strong and functional institutional framework should be the primary success factor for any arrangement to be made.

In order to reverse the critical infrastructural deficits and ensure a fresh momentum towards efficient and reliable infrastructure in Nigeria, there is the need to complement government's efforts by attracting required private sector involvement and investment. Infrastructural development creates the enabling environment to stimulate business and industrial activities, thereby enhancing productivity, reduced operational cost, job creation, income generation, wealth creation, poverty reduction, new ventures and business opportunities.

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