Journal of Educational Realities-JERA
pISSN 2536-6661, eISSN 2536-6653 Vol.4, No.1, July/Sept, 2017
Benchmark Journals
A Publication of the Department of Vocational Education, University of Uyo, Nigeria

Economy Development in Nigeria: The Imperatives of Pubilc-Private-Collaboration

Thomas, Bariere
Department of Business Education
Faculty of Technical and Science Education
Rivers State University
erekode@gmail.com
&
Udukeke, O. F.
Department of Vocational Education
Faculty of Education,
Nnamdi Azikiwe University, Awka,
Anambra State, Nigeria
udukeke1@gmail.com

Abstract
This paper looks at Public-Private-Collaboration (PPC) and economic development. Largely, due to chronic fiscal stress since the recent economic recession, there have been calls for alternative ways of financing real infrastructure and industries to enhance economic development. PPC was seen as myriad of structure that facilitates the participation of the private sector in the provision of public infrastructure and services. Similarly, economic development was described in this article as set of actions geared towards improving the well-being of people. The paper posited that PPC if implemented adequately could help ensure economic development through generation of employment, improvement in indigenous technology and technology transfer, improving the standard of living, reduction of inflation and increase in government revenue. It was recommended among other things that government at all levels (Federal, State and Local) should put necessary policies and framework in place that will facilitate effective implementation of public-private collaboration projects that will enhance economic development.

Keywords: Public-private-collaboration and economic development.

Introduction

Energy, road, water, shelter, telecommunication among other infrastructures are essential to the economy development of any nation. When they are well-planned, adequately funded, managed and maintained, infrastructures play a crucial role in developing an economy by creating employment opportunities, conserving foreign exchange, raising standard of living, generating revenues to the government and improving indigenous technology. They also facilitate commerce by extending a nation’s global reach. In a similar view, Botlhale (2016) posited that the role of infrastructure projects is significant in economic development due to their contributions to national competitiveness and social welfare in both developed and developing countries.

Despite the well-documented link between high-calibre infrastructure and economy development, government operating on razor-thin budgets especially in countries experiencing rapid population growth and urbanization like Nigeria, may not be equipped financially to make the necessary investment in critical infrastructures to make life better for the citizenry. Traditionally, infrastructure projects are developed by government using public budgets (Shediac, Abouchaka, Hammami & Najjar, 2008). However, with the declining levels of public resources, geometric population increase in Nigeria and the current economic recession, it becomes a taunting task for government to fulfill social and economy need of the nation. In response, government should resort to collaborating with the private sector in the areas of finance, technology, expertise, development and management of public-sector infrastructure projects.

Public-Private Collaboration (PPC) can become a catalyst for economy development. Schediac, Abouchakra, Hammami and Najjen (2008) asserted that interest in PPCs is growing, notably due to the growth in the demand for infrastructure and limited public government capacity to meet current and future needs. The underlying principle behind PPCs is that although the government sector may need to be responsible for the delivery of a particular service, it does not have to be responsible for actual provision of the service or for undertaking the investment themselves. In this way, all actors of public-private-collaboration can have their ‘hands on deck’ in doing what they know how to do best. PPC mechanism serves for promoting the engagement of private sectors in the process of developing infrastructure projects. It can take many forms from simple commercialization to full privatization. In recent times, observations by the researchers seem to show that the PPC is gaining more recognition in Nigeria. It is against this background that this paper considered economy development in Nigeria: the imperatives of pubilc-private-collaboration.

Concept of Private-Public Collaboration

The literature on public-private collaboration is relatively new, but the concept itself is not new. It has been in use in countries such as France, Britain and United States, since 17th century (Darrin, 2005). The definitions of PPC vary from country to country but are very similar. PPC is an arrangement in which the private sector supplies infrastructure assets and services traditionally provided by governments (Michael, 2008). It can be seen as a contractual agreement between a public agency (Federal, State or Local) and a private sector entity. The private sector entity include individuals, companies, foreign investors, non-governmental organisations. Through this agreement, the skills, knowledge and assets of each sector (public and private) are shared in delivering a service or facility for the use of the public. In addition to the sharing of resources, each party shares in the risk and reward potential in the delivery of the service and/or facility. This is synonymous with Public-Private-Partnership (PPP).

Public-Private Collaboration (PPC) can generally said to include:

- long term contract agreements/relationship
- a private funding component
- provision of services or infrastructure through the private sector
- significant transfer of risk to the private sector such as investment, design, construction, or operational risks
- complex contractual responsibilities and deliverables that vary over the contract period as the project move in its phases as from finance to construction and operation.
- the return of infrastructure/service to the control of the state at the end of the term of contract term or;
- the provision of services by the private sector on behalf of the state following the fulfillment of design and build responsibilities (International Institute for Sustainable Development, 2011).

Public-Private Collaboration (PPC) helps the government to meet financing gap by stimulating private sector investment and finance for infrastructure. It provides a means of improving efficiency and service delivery to users and gain access to new expertise and technology, reducing annual costs of infrastructure to government, and freeing up the fiscal space. Shen, Tam, Gan, Ye and Zhao (2016) posited that PPC helps overcome inadequate infrastructure that constraint economic growth, particularly in developing countries.

Potential Benefits of Public-Private Collaboration

Public-private collaborations have many benefits. Some of the benefits of PPC initiatives according to Colverson (2011) and Colverson (2012), in Dantala (2014) are:

- Value for money: Utilizing private sector skills and technology to deliver projects in a more efficient manner, resulting in either lower costs or a superior product for same investment.
- Optimization of design and operation: Using output based specification allows room for and promotes innovative solutions from the private sector in the design, operation and maintenance aspects of the project, with the intension of improving effectiveness while reducing costs over the whole life cycle of the projects.
- Quicker delivery of project: Private sector capacity and flexibility are seen to be superior to the public sector, and PPCs therefore make projects to be finished more quickly and on schedule than those attributed to public sector. With PPC, the bureaucratic tendencies are reduce thereby making projects to be completed on time.
- Risk transfer: Project risks (e.g. finance, timeframe, planning permits and community consultations) are transferred to the party best equipped to deal with them both in terms of expertise and cost, to the stability and benefit of the project.
- Increased investment: In public infrastructure, governments are able to implement projects more frequently and on a large scale because the private sector finance element reduces its need to raise or budget additional funds, as it is the case of standard procurement.

- Increased budget/financing certainty: The transfer of responsibility (and risk) to the private sector for some of the project elements shield governments from unforeseen financial liability following cost overruns, delays, or operational difficulties that

- would otherwise impact upon the budget bottom line. Project finances are secured for the length of the contract and not subject to cyclical political budget adjustments, allowing for greater investment planning and deficiencies throughout the management operation, and maintenance phases of the project.
- Improved service delivery: PPC allows both sectors to operate within their sphere of expertise, the government in policy and governance, the private sector in the technical aspect of design, construction, operation and management payments are linked to performance targets or requirements provide an incentive to performance that is too often absent in public provision of services.
- Access to additional capital/off balance sheet financing: Because all or large percentage of finance in PPC is provided by the private sector, the government is not responsible for raising funds from within its own coffers or adjusting budgets to allow for large infrastructural spending. This is particularly advantageous during times of physical crises where the government is already short of funds or where the government may have a poor credit rating and is not able to raise the necessary finance.
- Political advantage: There is political leverage to be gained from PPC agreements in terms of public perception and financial management credentials, as projects are delivered on time with less impact on the budget and provide superior quality infrastructure or services.
- Private sector growth and stability: PPCs provide the private sector with access to reduced risk, secure long-term investment opportunities that are underwritten by government contracts. Such agreements ensure private capital inflows, provide investment opportunities and stimulate local industry and job markets.

The Concept of Economy Development

Economic development is the primary objective of the majority of the world's nations, especially developing countries including Nigeria. Economic development is the process by which a nation improves the economic, political, and social well-being of its people. Similarly, the Institute of Economic Development (2004) defined economic development as a set of policies and actions designed to improve the performance of a spatially defined economy for the benefit of all residents. It is the creation of jobs, wealth, and the improvement of the quality of life. Economic development refers to economic growth accompanied by changes in output distribution and economic structure. These changes may include an improvement in the material well-being of the poorer half of the population. Jhingan (2011) opined that economic development is economic growth leading to an improvement in the economic welfare of the poorest segment of the population, a decrease in agriculture's share of output, an increase in the educational level of the labour force, and indigenous technological change. An economy can grow but it may not develop because poverty, unemployment and inequalities may continue to persist due to the absence of technological and structural changes. It involves the re-organization and re-orientation of the economic and social system. Economic development can also been described as a process that influences growth and restructuring of an economy to enhance the economic well-being of a country. In the broadest sense, economic development encompasses three major areas:

- ❖ Policies that government undertakes to meet broad economic objective including inflation control, high employment and sustainable growth.
- ❖ Policies and programmes to provide services including building highways, managing parks and providing medical access to the disadvantaged.
- ❖ Policies and programmes explicitly directed at improving the business climate through specific effort; business finance, marketing, neighbourhood development, business retention and expansion, technology transfer, real estate development and others.

Public-Private Collaboration and Economic Development

The adoption of public-private collaboration can contribute immensely to economic development in the following specific ways:

(1) PPC and Increase Employment Opportunities

Public-private collaboration will help to exploit latent investment opportunities in the areas of agriculture, manufacturing, energy, telecommunication, mining, commerce, tourism among others. Phuyah (2017) asserted that public private collaboration has aided employment in the Indian railway. In a recessed economy such as Nigeria's, where both government establishment and private businesses are retrenching or downsizing workforce daily, the business ventures and projects established by PPC efforts will contribute in no small way in tackling the problem of unemployment, which has now assumed national embarrassment proportions in Nigeria. Apart from the retrenched workers who are thrown into the labour market, the armies of graduates who are churned out of the higher institutions here in Nigeria and in diaspora can be gainfully engaged in executing, managing and maintenance of PPC projects, which will help to reduce unemployment rate.

(2) PPC and Improved Standard of Living

Akpanobong and Charles (2015) posited that public-private collaboration increases investment in public infrastructures. Through collaborative efforts from government, wealthy individuals, companies, non-governmental organizations, international donors and organizations, improved social infrastructures such as pipe borne water, low cost housing units, energy, healthcare facilities and education assistance can be made available for enjoyment of the general public. For example, PPC has brought considerable social amenities to Lagos State such as flyovers, railway, good road networks, bridges and the likes.

Collaboration has also brought enormous investment from international organizations such as World Health Organization, World Bank, United Nations Education and Scientific Organization (UNESCO), African Development Bank among others. Collaborative efforts from these organisations have been used in the provision of social amenities and in fighting illiteracy, pandemics such as HIV/AIDS, Ebola virus, Lassa fever and malaria for the purpose of improving the general well-being of people.

(3) PPC and Development of Indigenous Technology

When public-private collaboration are effectively and consistently deployed, indigenous technology and technology transfer can be enhanced. Government and private investors can collaborate with schools and research institutions for the use of their research findings. From such findings, people's knowledge will be enhance in the know-how involved in the use of local minerals products, chemicals, materials, techniques and processes for the production of goods or rendering of services which were previous not known.

(4) PPC and Facilitation of Technology Transfer

More so, since various countries are endowed differently, it can right be said that the level of technology available to different countries varies to a greater degree. Akpan (2004) asserted that Japan and China are more endowed than Nigeria in terms of technology. But with collaborative effort between China and Nigeria, Nigeria can transfer and adopt some level technology and production procedures from China. With concerted efforts, more can be achieved for the purpose of industrializing and urbanizing the country.

(5) PPC and Reduction in Inflation

Public-private collaboration helps in stabilizing prices by ensuring the availability of goods and services in the locality. Phuyah (2017) stated that public-private collaboration has been use to stabilize price in the Indian railway. When goods and services are provided locally through collaborative efforts, costs that are related to importation could be avoided thereby making the goods and services affordable for the masses. For example, price of Premium Motor Spirit (PMS) in Nigeria can be reduced if the government can collaborate with private investors to build refineries so that the product can be produced locally.

(5) PPC and Increase in Government Revenue

Government often collects tax, excise duties and fees for the registration of businesses. When a collaborative effort brings to birth an industry whose product in consumed locally or exported, more revenue will accrue to government in the form of tax. Such money collected will be used for the construction of roads, railways, flyovers, bridges etc that will benefit the public.

Conclusion

Public-private collaboration is a contractual arrangement in which the private sector assists in delivering a public facility or service by providing funding or operating leadership. It helps in stimulating economic development through the provision of job opportunities, improving standard of living, development of indigenous technology and facilitation of technology transfer, reduction in inflation and increasing government revenue.

Recommendations

Based on the literature and the discourse so far, the following recommendations are made:

1 Government at all levels (Federal State and Local) should put necessary policies in place that will facilitate effective implementation and regulatory framework in public-private collaboration projects that will enhance economic development.

2 Public-Private Collaboration (PPC) should be adopted with utmost sincerity and commitment by all collaborators (government and private). This will ensure that essential services are delivered to the public as planned.

3 The National Orientation Agency (NOA) should carry out sensitization and awareness campaign on the need for private individuals, companies and non-governmental organisations to collaborate with government in its effort to provide infrastructure facilities that will improve economy development.

4 In the execution of PPC projects, risk should only be transferred to the party who has the capacity to manage it to avoid project abandonment.

5 Officials from the Ministry with direct responsibility should ensure effective monitoring, supervision and reporting on the progress or otherwise of PPC projects to appropriate authority regularly. This will ensure that projects are implemented according to specification.

References

Akpanobong, U. E. and Charles, C. I. (2015). Public-private Partnership in Entrepreneurship Education Imperative Consideration for Creating and Maintaining Entrepreneurship Spirit Among Nigerian Youth. *Journal of Education*, 8(1): 195 – 203.

Asian Development Bank (2012). Assessment of Public-private Partnership in Cambodia: Constraints and Opportunities. Available at http://www.abd.org/publications/assessment-publicprivate.partnership-Cambodia-constraintsandopportunities. Retrieved on 17th May, 2017

Botlhale, E. K. (2016). Financing Development through Public-private Partnership in Botswana. Available at http://www.researchgate.net>publication. Retrieved on 17, May 2017.

Dantala, D. P. (2014). Public-private Partnership: The Answer Nigeria's Development Challenges. *Journal of Economics and Sustainable Development*, 5(22): 143-148.

Institute of Economic Development Council (2008). Economic Development Reference Guide. Available at http://www.ledcoline.org/clintuploads/download/iedc-ed-reference-guide. Retrieved on 17th May, 2017

International Institute for Sustainable Development (2011). Sustainable Development: Is there a role for Public-private Partnership. Available at http://www.iisd.org/market/procuremient. Retrieved on 18th May, 2017.

Jhingan, M. L. (2011). *The Economics of Development and Planning.* 40th Edition. New Delhi: Vrinda Publishers Ltd.

Liu, Y. and Yamanoto, H. (2009). Public-private Partnerships in China: Present conditions, Trends, and Future Challenges. *Interdisciplinary Information Science*, 15(2): 223-230.

Macdonald, S. and Cheong, T. (2014). The Role of Public-private Partnership and the Third Sector in Conserving Heritage Buildings, Sites, and Historic Urban Areas. Available at http://www.getty.edu/conservation/publications-resources/ pdf-publication.pdf. Retrieved on 17, May 2017.

National Council for Public-private Partnership (2014). 7 Keys to Success. Available at http://www.ACppp.org/pfp-basics/7-keys. Retrieved on 19th May, 2017.

Phuya, M. (2017). The Role of Public-private Partnership in Development of Indian Railway. Available at http://www.libir. soka.acjp/dspace/bitstream/10911/4648pdf. Retrieved on 18th May, 2017.

Shediac, R., Abouchaka, R., Hammami, M. and Najjar, M. R. (2008). Public-private Partnerships: A New Catalyst for Economic Growth. Available at http://www.strategyand.pwc.com/media/ uploads/public-private-partnership.pdf. Retrieved on 17th May, 2017.

Shen, L., Tom, V. W. Y., Gan, L., Ye, K. and Zhao, R. (2016). Improving Sustainability Performance for Public-private Partnership. Available at http://www.mdpi.com>pdf. Retrieved on May, 11 2017