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Abstract

This paper examines the role of Public-Private Partnerships (PPP) in developing infrastructure in Ondo State from 2017 to 2023. It analyzes the potentials and challenges of implementing PPP projects during this period. Utilizing data from primary sources and existing literature, the paper explores policy alternatives for leveraging PPP as a development strategy in Ondo State. It argues that the success of PPP projects depends on the government's readiness and competency in establishing legal and regulatory frameworks that ensure transparency, accountability, and the willingness to implement PPP contracts. The findings reveal that while PPPs have significantly improved service delivery and public infrastructure in the state, especially in affordable housing and employment, there are still challenges to overcome. The paper advocates for a comprehensive PPP policy and regulatory framework to ensure clarity, transparency, and accountability in PPP transactions. It also emphasizes the need for local capacity building for public officials involved in PPP projects. These measures are crucial for fostering collaboration with private sector entities through tailored incentives, strategic partnerships, and a transparent procurement process to attract and retain investment in the state.

Keywords: Infrastructural Financing, Policy, Public-Private Partnership, Development Strategy.

Introduction

Public-Private Partnerships (PPPs) represent a strategic approach where government and private sector partners collaborate in the development, financing, ownership, and operation of public facilities or services. In this arrangement, public and private resources are pooled, with roles and responsibilities divided to complement each other (Taiwo, 2013). Typically, the private sector makes significant investments, while the public sector benefits from enhanced revenue or service delivery capacity. PPPs are crucial for fostering national growth, development, and societal well-being, relying on the collaboration of key players to succeed.

Recently, PPPs have gained popularity among policymakers as an alternative to traditional public infrastructure financing. This shift is recognized as essential for accelerating infrastructure development amid dwindling public resources. Many African countries, including Nigeria, initially adopted socialist policies post-independence, placing the responsibility of providing social amenities and infrastructure solely on the government. However, rising citizen expectations and limited economic resources have made this approach unsustainable (Ibrahim, Price & Dainty, 2007).

The traditional government-dominated development model has faced numerous challenges, including high costs, poor planning and execution, political interference, unclear objectives, limited autonomy, inadequate skills, lack of accountability and transparency, bureaucratic hurdles, insufficient capital, and a failure to appreciate market dynamics (Sanda et al., 2016; Taiwo, 2013). These issues have prompted a search for alternative development methods, leading to the adoption of PPPs in Ondo State and across Nigeria (Adeogun & Taiwo, 2011).

In Ondo State, PPPs have become more attractive, especially after the privatization of major public utilities and declining oil revenue, which affected public infrastructure funding (Shwarka, 2012). Notable PPP projects in Ondo State include the construction of the Sunshine Housing Estate, Shoprite Mall, a multipurpose port, and Aerotropolis in Ilaje, as well as other developments in Akure. Similar PPP initiatives have been implemented in other Nigerian states, contributing to infrastructure development across the country (Adeogun & Taiwo, 2011; Ibem & Aduwo, 2012; Taiwo, 2013; Sanda et al., 2016).

Globally, PPPs are increasingly seen as effective for delivering public infrastructure projects, leveraging private sector capital and efficiency by allocating risks to the best-suited partners. Proponents argue that genuine risk transfer to the private sector supports the principle of value-for-money in PPP projects (Turley & Semple, 2013). The PPP model is driven by the belief that governments should focus on steering rather than rowing (Kwak et al., 2009).

However, the success of PPPs depends on the careful assessment and optimal allocation of risks between public and private partners. Effective PPPs require well-defined and measurable service quality, adequate risk transfer, and competition or incentive-based regulation (Robin et al., 2010). This paper examines the role of PPPs in enhancing infrastructural development in Ondo State from 2017 to 2023. It seeks to answer key questions about the benefits of PPP projects in the state, the challenges hindering their success, and the options for utilizing PPPs as a development strategy. The paper is organized into five sections: introduction, literature review and relevant concepts, methodology, results and findings, and conclusions with recommendations for utilizing PPPs in Ondo State.

Conceptual Explications and Literature Review

Concepts and terms play a crucial role in interpreting social phenomena. They provide clarity, context, and precise definitions to various social characterizations and perspectives. This section aims to elucidate key definitions relevant to this paper, focusing on terms such as public-private partnership, infrastructural financing, development strategy, and models, particularly their significance to the issues under review.

Public-Private Partnership and Infrastructural Financing

The concept of public-private partnerships (PPPs) has been approached from various perspectives in the literature. Brinkerhoff & Brinkerhoff (2011) noted that scholars have different understandings of what constitutes a PPP, and a universally agreed definition has been elusive.

The Canadian Council for PPP (2004) describes a PPP as an arrangement between the public and private sectors with clear agreements on shared objectives for delivering public infrastructure or services, typically provided through traditional public sector procurement. Similarly, the PPP Unit of the Federal Ministry of Finance and Economic Development in Abuja defines it 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” (PPP Guidance Manual, 2006: 57). Kwak, Chih & Ibbs (2009) provide a general definition of PPP as a cooperative arrangement between the public and private sectors involving the sharing of resources, risks, responsibilities, and rewards to achieve joint objectives.

Gerrard (2001) emphasizes that PPPs combine private sector capital (and sometimes public sector capital) to improve public services or manage public sector assets. By focusing on public service outputs, PPPs offer a more sophisticated and cost-effective approach to managing risk than traditional input-based public sector procurement.

There are two main rationales for governments to use PPPs. The macro-economic argument suggests that private finance enables investments that the government could not otherwise afford. The micro-economic argument posits that private sector involvement introduces efficient management practices

and techniques to the often overly bureaucratic public sector, increasing value for money (Demirag, Khadaroo, Stapleton, & Stevenson, 2011). Samusi (2012) adds that one significant reason for introducing PPPs is to overcome government budgetary constraints by leveraging private sector funds to finance public projects.

The focus of PPPs extends beyond attracting private capital for infrastructure and services. It includes harnessing private sector efficiencies and providing affordable and improved service delivery to users (Turley & Semple, 2013). Key factors for successful PPPs include a clear institutional framework, legislation and its enforcement, political will, transparency, and developing the capacity of government staff to effectively prepare and implement projects (Sanusi, 2012).

From these explanations, it is clear that the enduring feature of PPPs is the recognition of the need for expertise and finance in implementing government policies, which were traditionally the exclusive domain of the public sector. New organizational arrangements are emerging, where both the private sector and public organizations collaborate to deliver public services.

PPPs serve as a medium for infrastructure development by enabling adequate infrastructure through public-private collaboration. Unlike traditional project contracting, where the government pays private contractors for project completion, PPPs involve both sectors contributing and collaborating to ensure the successful development of infrastructure. This approach aims to leverage the strengths of both the public and private sectors to achieve better outcomes in infrastructure development.

Harnessing Public-Private Partnership as a Development Strategy

Public-Private Partnerships (PPPs) represent a strategic and contractual relationship in which government services or private business ventures are funded and operated through collaboration between the government and one or more private sector companies. Essentially, PPPs involve a long-term commitment to either establish new or renovate old, non-functioning infrastructure, enabling the government and its agencies to deliver essential services to the public. The use of PPPs in the production and distribution of goods and services is vital for achieving sustainable development. Therefore, there is a pressing need to forge and promote strong, efficient, effective, sustainable, dynamic, and vibrant PPPs, enabling the private sector to produce and deliver goods and services traditionally provided by the public sector.

Historically, the public sector was the primary actor in the development process of most African countries and beyond until the mid-1980s. It played a central role in the production and distribution of goods and services, especially in economies with centrally planned policies. For instance, in countries like Tanzania, the commanding heights of the economy were directly owned and managed by the public sector. However, with the advent of significant social, political, and economic reforms, the role of the public sector in the development process has changed substantially. Today, its primary role is to facilitate private sector-led economic development and growth. The private sector's role in driving sustainable development is increasingly recognized and acknowledged. Given the evolving roles of the public and private sectors, it is no longer sustainable for the public sector to continue owning, managing, and operating the commanding heights of the economy.

Efficient and effective production and distribution of goods and services should increasingly be the domain of the private sector. Private sector-led economic growth and development is generally more efficient (both in terms of productive and allocative efficiency) and effective. The private sector is more dynamic, resilient, creative, innovative, and vibrant than the public sector. However, the private sector is inherently profit-oriented, driven by the free interplay of market forces of supply and demand. Consequently, there is a risk of market failures in the production and distribution of some goods and services, which may only be accessible to those who can afford to pay for them.

In Africa, the provision and availability of community services are generally poor. The services provided are often substandard, and the financing system for infrastructure expansion, maintenance,

and repair is inadequate. These problems are exacerbated by rapid urbanization. Effective and efficient urban infrastructure and service provision are crucial for economic growth, poverty alleviation, environmental sustainability, and overall sustainable development. African countries need to improve basic services such as water, sanitation, waste management, transport infrastructure, and health services to meet the needs of a growing population. Better service delivery is essential for sustainable growth, development, and poverty reduction, as it increases living standards and contributes to sustainable development.

Public sector provision of these services has proven to be inadequate and unsustainable due to the inherent inefficiencies and ineffectiveness of the sector. Factors contributing to this poor performance include political interference, unclear objectives, limited operational autonomy, inadequate managerial skills, lack of accountability and transparency, heavy bureaucracy, poor worker morale, inappropriate economic settings, inadequate capital, and a lack of appreciation for market forces. Given these limitations, the private sector emerges as a more sustainable alternative.

The private sector is more effective and efficient, with a better appreciation for market forces, less bureaucracy, more dynamism, and vibrancy. It is motivated by profit and will not engage in producing and distributing goods and services without direct economic or pecuniary profitability. This can result in market failures for essential services and infrastructure that do not promise immediate financial returns.

In many African countries, including Nigeria, the private sector is still in its infancy. Many countries adopted socialist policies after independence, only recently shifting to more market-oriented and private sector-led economies. The private sector in these regions, especially indigenous enterprises, often lacks the experience, skills, knowledge, and capital needed for sustainable expansion of goods and services. Enhancing the collaborative roles of the public and private sectors is a viable option for addressing the infrastructural deficits confronting the African continent. Consequently, PPPs should increasingly be explored as a strategy for providing state functions and municipal goods and services on a cost-effective and sustainable basis.

Under PPP arrangements, the public sector remains accountable and responsible for ensuring equitable treatment of different population segments. The public sector must ensure that any contract awarded represents the best value for taxpayers' money and avoid creating private monopolies. Meanwhile, the private sector is accountable to its clients, shareholders, and owners, ensuring efficient and effective service delivery.

Methods and Methodology

The choice of methods and methodology for this paper was carefully considered, taking into account the demands of the research problem. Methods refer to the techniques used in gathering and processing research data, while methodology encompasses the approach and instruments adopted in selecting the research methods (Kothari, 2004).

Research Approach and Data Collection

In alignment with the interpretative paradigm adopted for this study, data gathering was primarily conducted using qualitative methods. The interpretative perspective views society as a world of meaning where human actions occur due to shared understanding (Walter, 2017, p.17). According to Creswell (2009), this approach provides deep insights into the complexities of social organizations in their specific contexts, offering the potential for generalizable findings and universal concept formation. The qualitative method, therefore, offers significant advantages for obtaining detailed information about the context, strategy, and processes related to the research problem (Salvador and Sancho, 2021, p.8).

Data Sources and Sampling

Although a large proportion of the data used in this study was gathered from secondary sources, primary data was also collected through interviews with key informants. This approach served as a cross-validation mechanism for the information obtained from existing literature. The study employed purposive sampling to select respondents for the interview survey. These respondents included key informants from stakeholders involved in Public-Private Partnerships (PPPs) in Ondo State between 2017 and 2023. Participants consisted of government officials, private sector representatives, and beneficiaries of these projects, particularly from Sunshine Gardens and HOB Estate, both located in Akure, the state capital.

The selected respondents represented a diverse group of professionals with varying occupations, educational backgrounds, and experiences. Their insights and perceptions were integral to understanding the role of PPPs in enhancing infrastructural development in Ondo State.

Data Analysis

The collected data was analyzed using descriptive methods and content analysis. Descriptive analysis helped in summarizing the data, providing a clear understanding of the main features of the data collected. Content analysis allowed for a systematic examination of the data, enabling the identification of patterns, themes, and insights relevant to the study's objectives.

By integrating both secondary and primary data sources, the study ensured a comprehensive and nuanced understanding of PPPs' impact on infrastructural development in Ondo State. This methodological approach provided a robust framework for analyzing the effectiveness, challenges, and potential of PPPs in the region.

Result Presentation and Discussion

The push for the adoption of Public-Private Partnerships (PPP) as a model for development is gaining increasing momentum in developing societies. This push often focuses on reforms aimed at recalibrating regulatory frameworks to prioritize the active involvement of the private sector in providing quality and affordable infrastructure to the citizenry. Effective and efficient infrastructure and service provision are critical for delivering significant benefits in economic growth. The public sector has proven to be incapable of providing essential services at the most efficient rate for society, positioning the private sector as the next best alternative.

Several studies have highlighted the benefits derived from PPP projects in Ondo State. For instance, PPPs have led to improved infrastructure quality, increased investment, and enhanced service delivery. Additionally, PPP projects have stimulated economic growth, created job opportunities, and attracted foreign direct investment (Taiwo, 2013; Sanda et al., 2016; Omoleke, 2017). To validate or invalidate the perspectives already in existence regarding the regime of PPP projects in Ondo State, this study also draws data from primary sources.

Using purposive sampling, 18 respondents were interviewed. These respondents were representatives of key stakeholders directly involved in the execution, delivery, and management of PPP projects and initiatives in the state. The themes of these interactions were informed by the research questions, focusing on the benefits and challenges related to adopting PPP as a development strategy in Ondo State. The key informants were drawn from both public and private sector organizations, and their interactions provided the basis for this section.

Benefits of PPP Projects in Ondo State

During the period under review, PPP projects and service delivery yielded several benefits in Ondo State. PPPs have facilitated the timely completion of various infrastructure projects. The quality of service delivery in some sectors has significantly improved due to PPP initiatives. The partnerships have substantially reduced the financial burden on public finances. In addition, there has been a

notable influx of private investments into the state and this has stimulated economic growth and created employment opportunities, particularly for the youth and artisans. One respondent, an artisan, commended the PPP initiative for providing affordable housing and engaging him and his colleagues on construction sites for nearly three years, thus providing jobs and support for their craft (Personal Interview, 2023).

Despite these benefits, PPP implementation in Ondo State faces numerous challenges. Interactions with respondents revealed challenges that corroborated the extant literature, which include the lack of comprehensive legal and regulatory frameworks hampers PPP projects; corruption and transparency issues were identified as significant obstacles; political interference disrupts the smooth implementation of PPP projects; poor risk allocation between public and private partners was noted; insufficient participation from the private sector; lack of capacity to effectively prepare and implement PPP projects by the public sector (Personal Interview, 2023).

The findings reveal that PPP projects in Ondo State have significantly contributed to infrastructural development, particularly in areas such as employment creation, economic development, housing provision, and solving land acquisition problems. These partnerships have facilitated the efficient delivery of public services and infrastructure, thereby improving the quality of life for residents in the state (Personal Interview, 2023). However, challenges such as an unattractive enabling environment, inadequate local expertise, lack of strong political will, governance issues, and insufficient capacity in negotiating and implementing PPP frameworks remain. Optimizing PPPs as a development strategy in Ondo State is a promising approach to overcoming these barriers and ensuring sustainable development.

Conclusion and Recommendations

Public-Private Partnership (PPP) is a model of New Public Management that advocates for private sector involvement in core government functions, particularly in social service delivery and infrastructural development. Over the years, Ondo State has faced significant infrastructural deficits, leading to unaddressed developmental needs that negatively impact the economic well-being of its people. Essential infrastructure such as electricity, water, roads, transport, and telecommunications are crucial for economic growth and development. These can be more effectively achieved through an enabling environment for PPP in the provision of infrastructure services (Personal Interview, 2023).

The success or failure of a PPP project depends on the government's readiness and competency in establishing legal and regulatory frameworks that facilitate the implementation of PPP contracts. This includes showcasing transparency and accountability and combating vices that could impede successful implementation. This paper has examined the role of PPP in facilitating the development of infrastructure in Ondo State between 2017 and 2023, highlighting its potential benefits, challenges, and available options for utilization. While PPP projects have significantly contributed to improving infrastructure quality and economic growth, substantial hurdles remain.

Recommendations

To ensure the success of PPP projects, it is crucial to establish robust legal and regulatory frameworks. These frameworks should facilitate the willingness to implement PPP contracts, promote transparency, and ensure accountability. This will help create a conducive environment for PPP initiatives, attracting private sector investment. Enhancing transparency and accountability in PPP transactions is vital. Policymakers and stakeholders in Ondo State should consider formulating a comprehensive PPP policy and regulatory framework that provides clarity in PPP dealings. This approach will foster and deepen collaboration with private sector entities through tailored incentives, strategic partnerships, and a transparent procurement process, ultimately attracting and retaining investment in the state.

In addition, there is an urgent need to create a dedicated Public-Private Partnerships Centre or Unit can serve as a focal point for PPP activities. This center would provide expertise, guidance, and

oversight for project development and management. It would be instrumental in maximizing the potential of PPPs in driving infrastructural development in Ondo State. Investing in capacity building and training for public officials involved in PPP negotiations is essential. This will enhance their capacity and understanding of the complexities of PPP arrangements, as this will ensure the successful execution of projects.

Furthermore, improved capacity among public officials can fast-track and deepen constructive engagements and dialogues between public and private sector players. This will lead to the optimum use of feasibility studies and ensure fair allocation of project risks among partners. Strategic partnerships with private sector entities should be encouraged and nurtured. These partnerships can bring in the necessary expertise, innovation, and investment needed for successful PPP projects. Creating a supportive environment for these collaborations will be key to overcoming the challenges identified.

Harnessing Public-Private Partnerships as a development strategy in Ondo State offers immense potential for bridging the infrastructure gap and driving economic growth. By addressing the challenges through the recommended strategies, Ondo State can leverage PPPs to enhance the quality of life for its residents and achieve sustainable development. Establishing strong legal frameworks, promoting transparency, investing in capacity building, and fostering strategic partnerships will create a robust foundation for the successful implementation of PPP projects, ultimately leading to a prosperous and developed state.

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