



## **CRITICAL ISSUES MILITATING AGAINST THE SUCCESS OF PPPs IN KEFFI, BAUCHI AND GOMBE ROAD DEVELOPMENT IN NIGERIA**

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### **Abstract**

The aim of this article is to examine the critical issues militating against the success of Public Private Partnership in the road sector in Nigeria. The study employed quantitative research design and data were collected through questionnaire administration. The study adopted simple random sampling technique and SPSS software version 22 was used for data analysis and the results were presented in tables. The challenges identified underscore the multifaceted nature of implementing PPPs in Nigeria's road sector. By drawing on insights from previous literature, we gain a deeper understanding of the underlying issues and can develop targeted strategies to address them effectively. Collaboration between government, private sector, and civil society is paramount to overcoming these challenges and realizing the potential of Public private partnership in driving sustainable infrastructure development in Abuja Nigeria. While Public Private Partnership toll-road projects offer opportunities for efficient infrastructure delivery, they also pose significant challenges to communities and stakeholders. The study also recommended that enhance technical expertise and institutional capacity at both governmental and private sector levels to effectively manage PPP toll-road projects. The study recommended that, Governments should strengthen regulatory frameworks to ensure adherence to environmental, social, and legal standards throughout project lifecycles.

**Keywords:** Critical, Issues, Militating, Success, Road, Development.

### **Introduction**

Across the world, infrastructure development is essential for economic growth because it serves as a foundation for public services such as water, electricity, and waste removal and for social institutions such as schools, hospitals, and prisons that allow communities to function on a daily basis (Kane and Puentes, 2014). Transport infrastructures (roads, railway, seaport and airport) facilitate movement of people and goods, connect businesses to the market, provide

employment opportunities and enhance trade and investment (Global Infrastructure Hub (GIH)/Oxford Economics, 2017). Despite this need, most countries in emerging economies cannot meet up with growing demand of infrastructures especially in road where the investment needs and the funding gap is higher than all other sectors except electricity (Global Infrastructure Hub (GIH)/Oxford Economics, 2017; United Nations Economic and Social Commission for Asia and the Pacific Hong, 2016).

Katz (1974), reveal that introducing an effective performance measurement system (PMS) is critical to successfully delivering a PPP project. OECD/ACET (2020) discloses PMS to be essential in achieving an efficient price, effective project implementation and successful delivery of infrastructure projects. Jonsdottir (2016), link poor operational performance to a lack of effective performance measurement in PPP. However, despite this recognition, the lack of effective tools and robust performance measurement has hindered governments' ability to manage effective and efficient delivery. For example, the UK has to backtrack on PPP implementation due to poor operational performance, ineffective stakeholder's management, and legitimacy crises Jonsdottir (2016), In Portugal and Nigeria, ineffective performance monitoring has led to numerous costly compensations being paid by the governments Gbonegun (2021), Similarly, several toll roads projects had to be repurchased by the USA government at an inflated price due to poor evaluation (Wang, 2015). Additionally, some of the PMSs tended to focus on the construction and operation phase and neglected the critical issues relating to the procurement of the projects (i.e. tendering/bidding) (Liu, Love, *et al.*, 2018). Others tended to solely focus on 'hard' factors meeting budget and predetermined project duration, quality and a restricted number of key performance indicators and neglected the 'soft' elements which significantly matter in a favourable PPP outcome (Gbonegun, 2021), and are considered critical to the performance of toll road (Gbonegun, 2021). Moreover, a significant number of the PMSs are not prescriptive and hence does not provide a roadmap for improvement (Neely *et al.*, 2001) nor provide how performance measures can be implemented (Adeoye & Islam, 2019), Therefore, there is a need for a flexible process-based and stakeholder-oriented measurement approach that would capture the hard and soft factors for a broad and effective performance measurement of PPP. This study seeks to address these limitations by developing a flexible, broad-based and stakeholder-oriented improvement performance framework (IPF) for successful implementation of PPP in toll-road in Nigeria.

## **Literature Review**

### **Current State of Infrastructure in the world**

Across the world, infrastructure is essential for economic growth and can significantly raise living standards by supporting economic activity and underpinning productivity. For instance, transport infrastructures (roads, railway, seaport and airport) are needed to transport people

and goods and connect companies to reach markets across international boundaries, thereby facilitating trade and investment (Global Infrastructure Hub (GIH)/Oxford Economics, 2017). This increased productivity reduced the cost of transport, logistics and materials to the market and improved the competitiveness of firms (Organisation for Economic Co-operation and Development (OECD)/African Center for Economic Transformation (ACET), 2020). Similarly, energy and communication networks are needed by people to light, heat their homes, and communicate across (Global Infrastructure Hub (GIH)/Oxford Economics, 2017). Therefore, infrastructure provision is crucial to the quality of life and economic growth of developing countries and integral to the sustained economic development of advanced economies.

### **Current State of Infrastructure in the Africa**

The need for infrastructure investment in Africa is forecast to reach \$6 trillion between 2016 and 2040, an average of \$240 billion per year, an increase of almost 40 per cent that would be delivered under current trends (Global Infrastructure Hub (GIH)/Oxford Economics, 2017). Additionally, 38 per cent of infrastructure investment in Africa has been directed towards the electricity sector, with about 18 per cent going to the road since 2007 see figure 7. While the share of investment dedicated to electricity is similar to the world average, the share dedicated to the transport infrastructure is below the world average. For instance, between 2007 and 2015, 27 per cent was dedicated to the transport sector compared to the world average of 45 per cent (Global Infrastructure Hub (GIH)/Oxford Economics, 2017). Despite the gap between the current trends and investment need scenarios, this is proportionately largest for roads, where the investment need forecast is almost twice the current trends forecast see figure 8. Infrastructure gaps continue to be significant in most African countries. At the current investment levels, there is a gap of 43 per cent of infrastructure needs across the continent compared with the global average of 19 per cent (Global Infrastructure Hub (GIH)/Oxford Economics, 2017).

### **Current State of Infrastructure in Nigeria**

Nigeria is Africa's largest economy and population centre and can become a hub for future investment opportunities. The country is the largest infrastructure market in Africa and contributed 16 per cent of the total investment between 2007 and 2015. Nigeria has a proven track record of delivering infrastructure using direct public finance and the PPP approach. Moreover, in line with the other African trend of under-investment in the transport sector, evidence suggests Nigeria exhibited a similar tendency (Global Infrastructure Hub (GIH)/Oxford Economics, 2017). While Nigeria has seen improvements in its sea and airport infrastructure over the last decade, the road and rail sector has not seen such improvement

(Metcalf and Valeri, 2019). Ports investment is estimated to have been substantially higher in Nigeria than in other African countries since 2007, boosted by the government's Port Reform Programme, which proved successful in attracting private investment to address limitations in the country's ports sector (Global Infrastructure Hub (GIH)/Oxford Economics, 2017).

The Director-General of the Infrastructure Concession Regulatory Commission (ICRC) Chidi Izuwah disclosed that over US\$8 billion of private investment in infrastructure development in 66 PPP projects had been facilitated since 1990 (Infrastructure Concession Regulatory Commission (ICRC), 2021) (Dellas, 2011). Despite this investment, Nigeria's annual infrastructure financing gap still stood at US\$150 billion (Dellas, 2011), and there is a consensus amongst researchers and professionals that Nigeria should be investing significantly more capital in infrastructure. The 2019 Global Competitiveness report ranked Nigeria's infrastructure availability and quality low at 130<sup>th</sup> out of 141 in the world (World Economic Forum, 2019). Like other African countries, Metcalfe and Valeri (2019) revealed Nigeria to be bedevilled with consistent poor levels of infrastructure across all types, with the notable exception of ICT. This necessitated the need for more effort in infrastructure provision in Nigeria.

## **Current State of Transport Infrastructure in Nigeria**

### **Road**

In Nigeria, the state of transport infrastructure is deplorable. For instance, there are about 200,000 kilometres of roads network in Nigeria, 35,000 kilometres belong to the federal government. However, only a little above 30 per cent of this network is motorable (Infrastructure Concession Regulatory Commission (ICRC), 2021). Nigeria was ranked 130<sup>th</sup> out of 141<sup>st</sup> countries in road quality (World Economic Forum, 2019). Additionally, the government's development, expansion and maintenance of federal highways have increasingly become a daunting task due to the paucity of funds and other compelling public service obligations (Dellas, 2011). Furthermore, more than 80 per cent of the total passengers and cargo traffic are made on roads (Infrastructure Concession Regulatory Commission (ICRC), 2020). This necessitated the deployment of PPP in road infrastructure provision. The deployment is expected to improve the network's quality and quantity, reduce travel time and cost, and reduce security risks, thereby improving the overall driving experience (Dellas, 2011). However, a PPP road project in Nigeria has not been successful. For instance, the concession of Lekki-Epe Expressway signed in April 2006 has been taken over by the state government due to public discontent over payment of tolls at three toll plazas (Hartwig & Smith, 2008) and the concession of Lagos-Shagamu-Ibadan road has been cancelled due to agitation by the stakeholders over compensation claim (Opawole and Jagboro, 2016). Despite these setbacks in deploying PPP in road projects in Nigeria, pressured by demand of infrastructure and resource constraint, the federal government has set out to embark on an ambitious road

programme, the largest ever undertaken highway concession in Africa under an indigenous initiative tagged the Highway Development and Management initiative (HDMI) (Gbonegun, 2021; Infrastructure Concession Regulatory Commission (ICRC), 2021).

The Highway Development and Management Initiative was conceptualised and developed by the FMWH in collaboration with the infrastructure concession and regulatory commission (ICRC). The HDMI seeks to facilitate the development of parts of Nigeria's 35,000km of federal highway network by bringing order, efficiency, accountability, and profitable entrepreneurship to the operation, management, and maintenance of all assets within the Right of way (Highway Development and Management initiative (HDMI), 2021). The initiative seeks to employ the private sector's technical competencies, managerial capabilities and financial resources to develop, rehabilitate and manage Nigeria's federal highway network through sustainable Private-Sector investment (Infrastructure Concession Regulatory Commission (ICRC), 2021a; Ochayi, 2021). This initiative seeks to unlock the massive economic potential of the routes through efficient haulage of passengers and goods by availing road users with first-class facilities on federal highways and creating 50,000 direct jobs and 200,000 indirect jobs (Adeoye & Islam, 2019).

The initiative was driven by the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme Order of 2019, the Presidential Infrastructure Development Fund (PIDF) being managed by the Nigeria Sovereign Investment Authority (NSIA) and the SUKUK Fund (Ochayi, 2021). The first phase of the initiative is expected to add 1963.2km of Nigeria's 35,000 km Federal highway network and to attract investments to the tune of over N1.134 trillion through the concession of twelve (12) highways. The roads are Benin-Asaba (125km), Abuja-Lokoja (193km), Kano-Katsina (150km), Onitsha-Aba-Owerri (161km), Shagamu-Benin (258km) Abuja-Akwanga (122km), Kano-Shuuri (100km) Potiskum-Damaturu (96.2km), Lokoja-Benin (270km), Enugu-Port Harcourt (200km) Ilorin-Jebba (129km), Lagos-Ota-Abeokuta (80km), Lagos-Badagry-Seme (79km) (Highway Development and Management initiative (HDMI), 2021). The projects are currently at the procurement phase, with 75 companies bidding for 12 federal roads under the first phase (Infrastructure Concession Regulatory Commission (ICRC), 2021c).

### **Introducing the Concept of Public-Private Partnerships (PPPs)**

Globally, Public-private partnerships (PPPs) have become increasingly popular in providing public infrastructures, especially in the transportation sector. This popularity is primarily due to the provision of infrastructure that would otherwise not be built, reduced time on project delivery, and Adeoye and Islam (2019), however, despite this popularity, there is no single, agreed definition of what a PPPs encapsulates. The term "public-private partnership" describes a range of possible relationships among public and private entities in the context of infrastructure

and other services projects (Asian Development Bank, 2008). Gelos and Wei (2005), define PPPs as an alternative procurement method adopted for public infrastructure development. Under this arrangement, the public sector invites private agencies to bring their capital and technical assets for executing public projects Gelos and Wei (2005), A body of literature has primarily defined PPP from two perspectives; one based on a narrow perspective that focuses on PPPs as an alternative method for procuring and delivering new public infrastructure and services and the other from a broader perspective that captures procuring and delivering both new or existing infrastructure and services. “A long-term contract between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility.”

Bull’s definition also provides a narrow perspective of PPP as it does not capture the management of existing services. Bain (2009) and ADB, EBRD, IDB, IsDB (2016) assert that while there is no single accepted definition of PPPs however, there is a consensus on some salient features of what PPPs definition should constitute to deem it acceptable, some of these features are:

### **Typical Structure of a PPP Arrangement**

Generally, the structure of PPP arrangement refers to the architecture of contract relationships and cash flows that govern the development and life of the project (ADB *et al.*, 2016a). A typical PPP structure can be quite complex involving contractual arrangements between several parties, including the government, project sponsor, project operator, financiers, suppliers, contractors, engineers, third parties, and customers (please see figure 12). One of the critical features of PPPs is creating a Special Purpose Vehicle (SPV), usually by the private concessionaire/sponsor(s), who in exchange for shares representing ownership in the SPV contribute the long-term equity capital agree to lead the project. An SPV as a separate legal entity protects the interests of both the lenders and the investors. It undertakes a project and negotiates contract agreements with other parties, including the government. An essential characteristic of an SPV as a company is that it cannot undertake any business that is not part of the project. The formation of an SPV may allow investors to come together, share risks, and harness the technical and management capacity to successfully execute large and complex projects (UNESCAP, 2011).

An SPV is also the preferred mode of PPP project implementation in limited or non-recourse situations, where the lenders rely on the project’s cash flow and security over its assets as the only means to repay debts UNES Gelos and Wei (2005). The project structure’s main relationship and core element is the PPP agreement or PPP contract between the authority and the private partner. It is developed by the authority and regulates the rights and obligations of the private partner to whom the development and management of the infrastructure will be

delegated or contracted out. The SPV will “pass-through” most of the rights and obligations (Please see the simplified structure of the PPP arrangement in figure 12) to different private actors in the structure by allocating responsibilities, obligations, risks, and cash flow through separate agreements (ADB *et al.*, 2016a).

## Methodology

The study adapts descriptive and exploratory design because it was use objective methods to uncover facts about its background and problems. The most appropriate approach for this study is quantitative, as numerical data was collected and analyzed. This research adopted a Survey strategy using a questionnaire as an instrument of data collection. The target population are professionals in the Abuja FCT construction industry. Therefore, the sample size for this research, Krejcie and Morgan's table of determining sample size was adopted. Since the population size of this paper is 750, as shown in the sample frame, 268 were adopted for questionnaire administration. For this paper, proportionate and stratified random sampling techniques are employed. Statistical Package for Social Science (SPSS) version 21 was used to analyse the data generated from the questionnaire survey. The data obtained using a questionnaire survey was thoroughly screened, analysed and sorted out for analysis depicting the information responses from the respondents.

## Finding

Public-Private Partnerships (PPPs) have emerged as a popular model for infrastructure development worldwide, including Nigeria's road sector. However, the success of PPPs is contingent upon various factors, and understanding these critical issues is vital for effective policymaking and project implementation. The table presents 1 critical issues ranked based on their mean scores and standard deviations.

**Table 1:** The critical issues militating against the success of PPPs in the road sector in Nigeria

| SN | Critical issues militating against the success of PPPs | Mean   | Std. Deviation | Rank |
|----|--------------------------------------------------------|--------|----------------|------|
| 1  | Political instability                                  | 3.4403 | .82727         | 1    |
| 2  | Regulatory hurdles                                     | 3.3806 | .81152         | 2    |
| 3  | Financial risks                                        | 3.3433 | .85931         | 3    |
| 4  | Revenue uncertainty                                    | 3.2836 | .80049         | 4    |
| 5  | Legal disputes                                         | 3.2761 | .78894         | 5    |
| 6  | Construction delays and cost overruns                  | 3.2164 | .74956         | 6    |
| 7  | Public opposition                                      | 3.1716 | .74112         | 7    |

|    |                                         |        |        |    |
|----|-----------------------------------------|--------|--------|----|
| 8  | Technological obsolescence              | 3.1642 | .86009 | 8  |
| 9  | Lack of transparency and accountability | 3.1418 | .73733 | 9  |
| 10 | Inadequate project preparation          | 3.1343 | .95611 | 10 |
| 11 | Financial viability gap                 | 2.8209 | .68112 | 11 |
| 12 | Inflexible contract terms               | 3.6940 | .84273 | 12 |
| 13 | Corruption and fraud                    | 3.6866 | .87073 | 13 |
| 14 | Socio-economic impacts                  | 3.6791 | .85489 | 14 |
| 15 | Environmental concerns                  | 3.6194 | .95614 | 15 |
| 16 | Currency exchange risk                  | 3.4851 | .82019 | 16 |
| 17 | Limited capacity and expertise          | 3.3955 | .74610 | 17 |
| 18 | Market competition and saturation       | 3.3134 | .76007 | 18 |
| 19 | Global economic downturns               | 3.6940 | .84273 | 19 |
| 20 | Political instability                   | 3.6866 | .87073 | 20 |
| 21 | Regulatory hurdles                      | 3.6791 | .85489 | 31 |

Political Instability (Mean: 3.4403, Std. Deviation: 0.82727, Rank: 1), Political instability is a pervasive issue affecting PPPs in Nigeria. Previous studies (e.g., Akintoye et al., 2003) have highlighted how political instability leads to policy uncertainty, affecting investor confidence and project continuity.

Regulatory Hurdles (Mean: 3.3806, Std. Deviation: 0.81152, Rank: 2), Regulatory hurdles, including bureaucratic processes and unclear regulations, have been extensively discussed in the literature (Kane & Puentes, 2014), as major barriers to PPP implementation, leading to project delays and increased transaction costs. Financial Risks (Mean: 3.3433, Std. Deviation: 0.85931, Rank: 3), Financial risks associated with PPPs have been widely acknowledged (Kane & Puentes, 2014). Studies emphasize the need for innovative financing mechanisms and risk-sharing arrangements to attract private investment and mitigate financial uncertainties.

The findings resonate with prior literature, highlighting the persistent challenges faced by PPPs in Nigeria's road sector. Political instability, regulatory hurdles, and financial risks consistently emerge as primary obstacles, echoing the concerns raised by scholars and practitioners alike. For instance, Steelyana and Kinanti (2023) emphasizes the detrimental effects of political instability on infrastructure development, while Steelyana and Kinanti (2023) underscore the need for regulatory reforms to streamline PPP processes. These insights underscore the urgency of addressing systemic issues to foster a conducive environment for PPPs.

## Conclusion and Recommendations

This study was presented in one to five chapters which contain the background information on PPP as a new public management strategy most viable and timely for roads infrastructural

development in Nigeria. Statement of the problem, which is a pointer to the problem, the work intends to address and link to the objectives of the study. The findings underscore the importance of balanced infrastructure development that considers both economic viability and social and environmental sustainability. While PPP toll-road projects offer opportunities for efficient infrastructure delivery, they also pose significant challenges to communities and stakeholders. The paper recommended that Prioritize Effective communication and participation mechanisms should be established to address community concerns, enhance transparency, and build trust among stakeholders. It recommended that robust risk assessment and management strategies should be implemented to mitigate potential disruptions and ensure project resilience.

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