

## **Public-Private Partnership (PPP) As a Sustainable Platform for the Funding of Road Transport Infrastructure in Nigeria**

Oluwole Matthew Sunday and Ojekunle Joel Adébola

Department of Transport Management Technology, School of Entrepreneurship and Management Technology,  
Federal University of Technology, Minna-Nigeria

Corresponding Author: [talkmat@cw272@gmail.com](mailto:talkmat@cw272@gmail.com)

### **ABSTRACT**

The road transport system constitutes the dominant mode of transportation in Nigeria, in the sense that it is universally available to all and it is used in the transportation of about 90% of the internal movement of goods and passengers. Funding road transport maintenance in Nigeria have for a long time been an issue of great concern since only about 26% of Federal roads are in good condition and it is estimated that about N500 billion Nigerian naira will be required in the next ten years to rehabilitate the existing road transport infrastructure. The implication of this is that road transport infrastructure provision is highly capital intensive and gradually getting out of the affordability of the public sector alone, hence the need for a more sustainable platform for the funding of the road subsector in Nigeria. This paper discusses specific case studies and potential areas the PPP can be adopted in order to bridge the infrastructural gap in the subsector. Specific models of PPP from which Nigeria can learn from, the Key Performance Indicators to monitor its performance of the partnerships, the ICRC contract disclosure portal and the likely draw-backs to the system among other things were discussed. The study concluded by recommending the coming together of stakeholders in order to ensure effective, productive and result-oriented use of resources in road transport subsector by putting in place a single framework of action that will provides the basis for co-coordinating the work of all partners and forming a single national monitoring and evaluation mechanism that will develop and adopt best standards of practice while also engender market-based competition, cost recovery and sound environmental quality.

**KEYWORDS:** Development, Funding, Infrastructure, Partnership, Sustainability and Transport.

### **1 INTRODUCTION**

The deterioration state of road transport infrastructure in Nigeria should be of great concern to all stakeholders, this is because Road Transport and the concomitant influence on movement, provides the engine for growth and development of the economy. Globally, road transport infrastructure is one of the major benchmark for classification of developed and developing countries. A good road transport infrastructure will facilitate national development; provide opportunities for more investments in the critical sector and the general growth of the nation's economy. Road transport infrastructural provision and maintenance is however capital and labour-intensive, with this valid reality, it becomes important for Nigerian government in all tiers to pursue a sustainable funding of the road transport infrastructure through the Public-Private Partnership (PPP) since government funding alone is no longer sufficient to meet the growing demand in the subsector. A PPP is a contract agreement between a public agency (federal state or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public or private) are shared in the delivering of a service or facility for the use of the general public, in addition to the sharing of resources each party share in the risks and reward potential in the delivery of the service and/or facility. This paper therefore examines some aspects of the sustainable funding of road transportation in Nigeria through the option of PPP.

### **1.1 The Nigerian Road Transport Sector in Perspective**

The road transport system constitutes the dominant mode of transportation in Nigeria, in the sense that it is universally available to all and it is used in the transportation of about 90% of the internal movement of goods and passengers (FRSC, 2007). The road transport is also the most complex in the sense that the institutions responsible for the provision of the infrastructure roads/highways (fixed infrastructure) in most cases are not responsible for its operations and regulation. The inventory of road network in Nigeria stood at about 200,000km of both paved and unpaved road networks.

These roads are classified as trunk A-federal roads with over 34,124 km, trunk B-state roads covering about 37,300 km and trunk-C local government roads over 129,571 km- about 70%. Most of these roads are poorly designed, poorly constructed and inadequately maintained. According to FERMA (2012) report, only about 26% of the Federal roads are in good condition. Furthermore, World Bank (2000) estimated that about N500B is required in the next ten years to rehabilitate the existing road transport infrastructure in Nigeria. This poor state of Nigerian road has serious consequences among which are economic loss of net value of over 80 billion naira per annum and additional 35 billion naira per annum as operating cost (World Bank, 2001). Despite the fact that road is the major means of transportation in Nigeria, its current infrastructure is grossly inadequate compared to other developing countries like Nigeria.

### **1.2 The Concept of Public Private Partnership (PPP)**

PPP is a contractual agreement between a public agency (Federal, State or Local) and a private sector entity which allows for the design, building, operation or financing of transport infrastructure, is collaboration between the public and private sector for the purpose of delivering a Road Transport project and services which was traditionally provided by the public sector alone (Ndikom, 2008). The PPP process recognizes that both the public and the private sector have certain advantages relative to the other in the performance of specific task and can enable public services and infrastructure to be provided in the most economic and efficient manner by allowing each sector to do what it does best. In Nigeria and other developing countries, sustainable access to transport, food, healthcare and other socio-economic services and products can be accomplished through public-private partnerships, where the government delivers the minimum standard of services, products and or care, the private sector brings skills and core competencies, while donors and business bring funding and other resources (Ajiboye 2012). Such collaborations will be especially productive in promoting poverty alleviation through micro-finance, enhancing transport through partnerships as has been the case with Bus Rapid Transit of Lagos State.

In the efforts to achieve sustainable PPP, the objectives would be to highlight perspectives on development from leaders in civil society, government, business and the media, share information on development alternatives, provide forums for informed debate on related issues, seek to accomplish better understanding of the nature of relationships between governmental and nongovernmental organizations, and introduce conceptual frameworks for understanding such relationships.

## **2 CASE STUDIES OF PPP IN THE ROAD SUBSECTOR IN NIGERIA**

The Planet Projects Ltd, a leading advisory, engineering, procurement, construction, operations and management firm among others have been at the fore front of road transport infrastructural development in Nigeria through the Public- Private Partnership some of the readily available examples are:

- The Lagos Bus Rapid Transit (BRT) Project
- The Lagos Strategic Transportation Master Plan

- Port Harcourt City Bus Service Project (PHCBS)- which have fleet of Buses under Management in Lagos and Port Harcourt, manage over 100 Taxis in Lagos and 50 in Port Harcourt
- Port Harcourt City Taxi Project (PHCTS)
- Ibadan Bus Mass Transit Services (about to start)
- Makurdi Mass Transit Services (at Infrastructure Planning and Conceptual stage)
- Introduction of Traffic Systems Management (TSM) Measures for the Port Harcourt City Bus Service (PHCBS)

Lagos, Kano, Oyo, Kaduna and Rivers states are some of the Nigeria's most populated state after years of neglect the road infrastructure is in dire need of maintenance and upgrade. The roads need to be constructed and upgraded all over the state and private investors may cash in on some of these opportunities. The nature of investment will be in the form of a public private partnership, in recent time this approach has worked very well in Lagos state as an effective way of road infrastructure development methods. The Lekki Concession Company (LCC) has already completed the upgrading of the Lekki-Epe Expressway. The company will manage the road for 30 years after which it will be handed over to the state government. LLC will realise a return on investment by raising toll. Investors also have the opportunity to invest in the building of roads in Lagos. There are a number of projects available but one that is of particular importance to the state government is the construction of the Badagry Express Way and the Forth mainland bridge. It is expected that the Badagry Express Way will dramatically ease traffic congestion in Lagos. The road will have ten lanes, a light rail corridor, and will cater for the new Bus Rapid Transport (BRT) system. It will also have around 7 interchanges from Eric Moore all the way to Badagry. The Lagos State Government has already finished the design of the project and is currently in partnership in private investors for its development.

## **2.1 Potential Areas of PPP Applications in Nigeria's Road Subsector**

The following are some of the areas that the public and private sector can partner in improving road transport infrastructure provision and maintenance in Nigeria.

- i. Road Traffic Management and Road Safety Enforcement
- ii. Road Transport Infrastructure provisions, maintenance and rehabilitation (Road network, Bus priority lanes, BRT Buses, stops, shelters, lay by's, Bus Terminals, Bus depots etc)
- iii. Driver Education and Training- as a complimentary to the 3Es for road safety;
- v. Parking Management
- vi. Incident Management
- vii. Emergency Response & Management
- viii. Electronic Fare Collection

ix. Commercial Vehicle Operations

x. Ambulance Services

xi. Vehicle Tracking Systems and

xii. Weather Information Systems

## **2.2 Models of PPP**

Yero (2014) recommended the following models to raise investment in road transport subsector in Nigeria as it is currently a global practice that has been a successful in other part of the world.

i. Design-Build (DB): Under this arrangement the private sector designs and builds road infrastructure to meet public sector performance specifications, often for a fixed price, hence the risk of cost overruns is transferred to the private sector.

ii. Finance Only (FO): This is an a situation in which a private entity, usually a financial services company, funds a road construction or maintenance project directly or uses various mechanisms such as a long-term lease or bond issue.

iii. Operation & Maintenance Contract (O&M): In this case, private operator under contract operates a publicly-owned road or mass transit asset for a specified term, while ownership of the asset remains with the public entity.

iv. Build-Finance (BF): The private sector constructs road asset and finances the capital cost only during the construction period.

v. Design-Build-Finance-Maintain (DBFM): The private sector designs, builds and finances road infrastructure and provides facility management or maintenance services under a long-term agreement.

vi. Design-Build-Finance-Maintain-Operate (DBFMO): The private sector designs, builds and finances road transport asset, provides facility management services as well as operations under a long-term agreement.

vii. Build-Own-Operate (BOO): Here the private sector finances, builds, owns and operates road facility or service in perpetuity.

viii. Build-Operate-Transfer (BOT): The private sector finances, builds, owns and operates road transport facility or service for a period of agreed time.

ix. Concession: A private sector concessionaire undertakes investments and operates the road infrastructure for a fixed period of time after which the ownership reverts back to the public sector.

### **3 KEY PERFORMANCE INDICATORS (KPIs) FOR THE MONITORING OF THE PARTNERSHIP**

All the PPP models enumerated above can be monitored and evaluated using the following KPI's:

- Time Efficiency / Running Speed
- Connectivity, Coordination, and Integration
- Accessibility
- Reliability
- Comfort
- Safety / Security
- Information, Marketing, and Promotion
- Employee Training and Development
- Complimentary Transportation Facilities &
- Planning

#### **3.1 The Infrastructure Concession Regulatory Commission (ICRC) Contract Disclosure Portal**

Because the Federal Government is currently deploying the public-private partnership (PPP) model to finance critical infrastructure projects, the Infrastructure Concession Regulatory Commission (ICRC) which is the main repository of information of federal PPP projects in the country in September 2017 launched the first of its kind-contract disclosure portal. The World Bank and ICRC developed the dedicated web portal for the disclosure of all PPP contracts information by the government. The portal would ensure timely disclosure of contract information from project initiation through to the implementation and hand-back phase of PPP projects to the government. The disclosure exercise supports government effort at institutionalizing transparency and accountability in the procurement of PPP projects in Nigeria. The onus for information generation and uploading on the web-based platform would be shared by ICRC, the contracting authority, and the private party to the contract. Information will be uploaded by the contracting authority and ICRC after redacting confidential information.

The contracting authority will upload all information and documents in the web-based platform, so as to leave at least seven days within the given timelines for ICRC to validate and approve the information for public disclosure. The web portal is designed to be dynamic in nature, because more information will be made available as the various projects progress. The web disclosure portal will be a respiratory of information of current happenings and events regarding PPPs in Nigeria. According to ICRC the portal's framework will clearly shows the various elements for disclosure depending on the stage of the project.

### **3.2 Likely Draw-Backs to the Implementation of PPP in Road Transport Infrastructure Maintenance in Nigeria**

Some of the factors that may likely hinder the implementation of PPP as a sustainable platform for the funding of road transport infrastructure maintenance in Nigeria are:

- i. Inadequate awareness of opportunities in the field of road transport infrastructural provision and services amongst the stakeholders.
- ii. Inadequate political will from the governments in giving out these responsibilities to private investors.
- iii. Uncoordinated and unimplemented road transport policy.
- iv. Inadequate modern management technique.
- v. Inadequate legal and regulatory framework.
- vi. Inadequate trained transport personnel and
- vii. Inefficient transport administration and institutional framework.

## **4 CONCLUSION**

In order to achieve a sustainable PPP that will ensure effective, productive, result-oriented and efficient use of resources in road transport subsector, a single framework of action that will provides the basis for co-ordinating the work of all partners be adopted. Furthermore, a single national monitoring and evaluation mechanism to develop and adopt standards must be put in place. Such an arrangement will enhance the coming together of stakeholder (federal, state, local governments, profit-oriented businesses and non-profit organizations) to work towards ensuring a sustainable funding of road transport infrastructure in the road transport subsector in Nigeria, the type that will engender market-based competition cost recovery and sound environmental quality.

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