THE NAIJA FACTOR IN THE IMPLEMENTATION OF PUBLIC PRIVATE PARTNERSHIP (PPP) PROJECTS IN EMERGING ECONOMIES – THE NIGERIAN EXPERIENCE

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ABSTRACT

The study examines local realities that militate against successful deliveries of PPP projects in emerging economies with particular reference to Nigeria’s PPP space. The Infrastructure Concession Regulatory Commission (ICRC) Act has, inter alia, expressly enabled the practice of PPP, defined the roles of stakeholders, and stipulated the minimum standard for PPP arrangements in Nigeria. In addition, the ICRC issued a National Policy on PPP to clarify and guide stakeholders on the PPP process. Unfortunately, the success rate of PPP practice in Nigeria has not been quite impressive. Hence the question, are there any peculiar or additional factors whose neglect have jeopardized implementation of PPP projects in Nigeria. Without prejudice to conventional risk factors that are outside its scope, the paper identified environmental peculiarities, psychological biases and other local realities as primarily responsible for many PPP project failures in emerging markets. In spite of these peculiar factors, and considering the prospects of PPPs in these countries, the paper, using doctrinal research method, concluded for a more interpersonal process of PPP project implementation. Specifically, it recommended that the PPP Business Case should be conscious of these unconventional risk factors and, recognizing them at par with conventional risk factors in a standard project risk matrix, should structure projects on the basis of the identified environmental peculiarities, psychological biases and other local realities.
INTRODUCTION

In recent times, there are renewed aspirations by national governments of developing countries, or more appropriately emerging economies,\(^1\) to develop infrastructure on the basis of Public Private Partnerships (PPP). Emerging economies are developing nations that have greater economic and demographic growth potentials than their developed counterparts, engage more with global markets as they grow,\(^{ii}\) and are mostly found within the existing and potential memberships of the BRICS bloc.\(^{iii}\) Such countries in Africa, South America, Asia, and the Middle East have significant infrastructure deficits,\(^{iv}\) and had, for more than two decades, developed interests in leveraging on private funds to increase or modernize their national infrastructure stock.\(^v\)

Specifically, Nigeria embarked upon an aggressive programme of infrastructure development through the private sector since 2001. It was in this regard that it started both Greenfield and Brownfield air\(^{vi}\) and sea\(^{vii}\) terminal development, management and operations on the basis of PPP. This policy continued to date where, presently, the national focus and infrastructure aspirations at federal, state and even local government levels, including the new Nigeria’s Vision 2030, have been private sector-led delivery of public infrastructure projects. As obtained in other emerging economies, the dominant policy is to enable the private sector, including State Owned Companies (SOEs), to take over the commanding heights of the nation’s economy, having central role in public infrastructure implementation and delivery.

This aspiration is evident in Nigeria’s Integrated Infrastructure Master Plan (NIIMP), whose sole objective was to reduce the country’s infrastructure stock deficit from its present 20 - 25% of GDP to a minimum of 70% of GDP.\(^{viii}\) It is instructive that the private sector under the NIIMP has the largest estimated ratio of funding among the four identified financing sources, i.e. federal and state governments; government debts; other public sources like pension and sovereign wealth funds; and private sector finance, which was primed to contribute 48% of the funding.\(^{ix}\) Similarly, under the Nigerian Industrial Revolution plan, the private sector was to establish industrial clusters in the six geopolitical zones of the country, for which the FCT Administration took the pioneer initiative that culminated in the development of Zeberced’s Abuja Industrial Park project.\(^x\)
In spite of laudable aspirations of policy makers for the private sector to lead in public infrastructure delivery and the aggressive conceptualizations of many PPP projects by national and subnational governments, it is arguable if commensurate desired result was ever achieved. For more than a decade now, success rate of infrastructure development under the PPP has been less than 10%, and even where it succeeded, the operations and maintenance of the infrastructure had fallen below the aspirations of parties.\textsuperscript{xi} Over 90% of PPP projects could not take off due, unarguably, to failure or weakness in their conceptualizations, which negatively impacts on their funding and implementation. As it is now, the enthusiasm of the citizenry including public sector officials, to pursue public infrastructure projects under PPP arrangements has, expectedly, significantly waned.\textsuperscript{xii}

The failure rate of PPP projects is surprising in view of the robust conceptualization and procurement processes put in place by Infrastructure Concession Regulatory Commission, Nigeria’s main PPP institution. Apart from the provisions of the Infrastructure Concession Regulatory Commission Act, which expressly enable the practice, defines the roles of stakeholders and stipulates minimum standard of PPP arrangements, the ICRC issued the National Policy on PPP to clarify and guide stakeholders on the PPP process. Needless to add, Nigeria’s legislative, institutional and regulatory frameworks on PPP accord with global standard of PPP principle and practice. Hence the question, are there any peculiar or additional factors whose neglect jeopardize the successful implementation of PPP projects in Nigeria, in particular, and in the emerging markets, in general. This paper hypothesizes that the lack of significant success could be attributed to the failure of policy makers, PPP bureaucrats and transaction advisers to give adequate and commensurate consideration to the peculiarities and behavioral factors of local environments, which in Nigeria is often referred to as the Nigerian factor, popularly called in local parlance, the Naija factor. Naija means Nigeria but in colloquial terms, it is used to describe the smartness, strengths, behaviours and attitudes peculiar to Nigeria and Nigerians.\textsuperscript{xiii}

For a successful identification of these peculiar factors with a view to a proper contextualization, a wide range of primary and secondary data relating to the subject matter are sourced, collected and utilized. These include manuscripts, published reports, statistical data, theses, dissertations, projects, journals, seminar papers, published books, and archival materials relating to PPPs, infrastructure projects, project finance, behavioral sciences and other relevant fields. It is important to mention that the scope of the paper does not extend to discussions on...
conventional risk factors that are common and universally identified as critical success factors.\textsuperscript{xiv} Although the paper included ‘corruption’ as a factor, it should be noted that the features of corruption in this paper are not conventional.

Thus, the paper is divided into four parts including introduction, which is part one. Part two is a consideration of the challenges of PPP in emerging economies while part three discusses the role of behavioral factors in PPP conceptualization and implementation. It viewed the factors from three prisms and hence, divided the part into three categories, namely, environmental peculiarities, cognitive or psychological bias, and other factors that are outside these two realities. The last part is the conclusion, which makes specific recommendations.

**CHALLENGES OF PPP**

The importance of PPPs in emerging economies like Nigeria cannot be overemphasized. The World Bank puts global infrastructure requirement at $3.7 Trillion, while the funding deficit is over $1 Trillion per annum.\textsuperscript{xv} The developing countries are said to require $93 Billion per annum of infrastructure investment to be able to close their infrastructure deficits.\textsuperscript{xvi} Nigeria under its 30-year integrated Infrastructure plan, for instance, requires a total of $3.05 Trillion within 3 decades to increase its infrastructure stock from its present 20\% – 25\% of GDP.\textsuperscript{xvii} It is obvious that the public sector cannot have the financial resources to meet this demand, as the funding requirement is huge even for countries that depend largely on extractive industry or fossil fuel incomes. In addition, there are other dynamics. The volatility of crude oil supply as a result of the Russia/ Ukraine war, the uncertainty of oil pricing due to a new US policy of price capping, and the progressive unattractiveness of such incomes\textsuperscript{xviii} are reasons that make alternative funding of public infrastructure necessary.

The appetite for infrastructure, especially in emerging economies, pushes for alternative sources of funding, which experts suggested could be Foreign Exchange reserves, Pension funds and Sovereign Wealth funds.\textsuperscript{xix} These sources notably are local and have been stated to be the easiest way of funding infrastructure in developing countries. Without doubt, there is more capital and financing opportunities in the world than at any time before. There is over $5 Trillion in private capital for global infrastructure financing. However, such international investors are more interested in countries that are competitive\textsuperscript{xx} and, incidentally, none of the
emerging or developing economies are among the 10 most competitive countries under the 2022 World Competitiveness Ranking. The point should not be missed that these developed countries also require huge investment on their aging infrastructure, thereby allowing only very limited opportunities for developing economies.

The silver lining however is the continued sophistication of local investors in these emerging markets. India and Nigeria have shown tremendous promises in the capacity of their entrepreneurs to develop, operate and manage public infrastructure. This is in line with contemporary ideas that local investors hold the reigns for public infrastructure investments in developing economies.

As part of the effort to tackle the challenges, the Federal Government promulgated the Infrastructure Concession Regulatory Commission (ICRC) Act in 2005 and inaugurated its Board in 2009. The Commission moved quickly to develop the National policy on PPPs and the Guidelines on Procurement, Value for Money (VfM) and Risk Management, and directed all ministries to establish PPP desk offices. In the same vein, the World Bank and other development partners, like Africa Development Bank (AfDB), Islamic Development Bank (IDB), the UK’s Department for International Development (DFID) now replaced by the Foreign, Commonwealth & Development Office (FCDO), the UK funded Nigeria Infrastructure Advisory Fund (NIAF), etc., organized and funded trainings and study tours on PPP concepts and practices. In addition, the ICRC came up with a comprehensive template that guides on a step-by-step process of project conceptualization, procurement and implementation. In fact, it did not leave anything to chance. Needless to add, all the processes, guidelines and activities stipulated by the ICRC are in line with World Bank standard and global best practices.

It is therefore amazing that many of Nigeria’s PPP projects failed at conceptualization in spite of multilateral approaches of support by both the government and its development partners. The Lagos-Ibadan Expressway, the Second Niger Bridge, the Katampe District Development, the Lekki Road Concession are few of the PPP projects in Nigeria that left sour taste in the mouth. The tendency is to easily attribute these failures to factors relating to lack of capacity, hence the emphasis on capacity building. However, though lack of capacity is a factor, the dominant factor seemed to, and could certainly, be elsewhere.
A PPP transaction has basically four stages in its lifecycle, namely Project conceptualization, Project Procurement, Project Implementation and Project Maturity or Termination. Each of these stages has elaborate processes, whose overall objective is to create a bankable project that is effectively implemented, efficiently operated and guarantees adequate return on investment. There is sufficient literature on these stages of PPPs\textsuperscript{xxv} including project finance. The National Policy has laid out the interrelations between and among stakeholders in a PPP transaction as well as the interplay of different hierarchies of financing and debt arrangements. Even in Nigeria, the ICRC has regulated these processes in the Guidelines it issued in 2010 and which the highest executive body of national government, the Federal Executive Council (FEC), directed all Ministries, Departments and Agencies of Federal Government to comply. Thus, Nigeria has made significant stride in codifying and institutionalizing its PPP system.

It ought to be taken as granted that, except for un-envisaged issues that are normal for a long-term transaction, a PPP project should be successfully delivered the moment its process strictly abide by standard PPP guidelines like the one issued by the ICRC. The chances of successful delivery should even be higher when the guidelines are codified into law with threat of sanction. It is obvious from prevailing circumstances that if legislations and institutions were a barometer for success, Nigeria would have achieved massive privately funded public infrastructure deliveries. Alas, the failure of Nigeria’s PPP projects has been in the first two stages of the PPP cycle, i.e. Project Conceptualization and Project Procurement. Incidentally, it is on these two stages that the ICRC focused attention in its Guidelines.

The only plausible explanation therefore is that beyond statutory provisions and formal institutions, there are other significant factors that make a difference in successful collaboration with the private sector on public infrastructure delivery. In India, for example, there is no standalone legislation or autonomous statutory agency for PPP as in Nigeria, but it was able to achieve more success in its PPP infrastructure development than Nigeria. So were Egypt, Morocco, South Africa and Kenya. Even in Nigeria, the most successful PPP transactions to date were the Air and Sea terminal concessions, both of which were concluded in 2002 and 2006 respectively, periods when the ICRC Act was neither promulgated nor its Agency established. The PPP guidelines were also non-existent. The nagging question is what are those factors that account for the failure of PPP projects in Nigeria in spite of compliance with established standard for project conceptualization and procurement? Could it be the *Naija* factor?
BEHAVIORAL FACTORS IN PPPS

Risk Factors in PPP transactions that are often listed as necessary for management and optimizations are usually found in conventional PPP components that include project selection; transparent procurement process; project bankability and investment decision; effective construction, operation and maintenance; project monitoring and supervision; waterfall of cash flows; and return of assets to the public. Curiously, factors bordering on behavioral influences, like stakeholder mindset, are usually relegated to the background.

However, in developing countries that have deep inter-ethnic and religious competitions, extractive industry or fossil fuel incomes, high rate of illiteracy, short term gain mentality and bureaucracy weariness, such factors are, arguably, not less important. Behavioral factors identified for effective Portfolio Management practices, like sunk cost thinking, loss aversion, endowment effect and status quo bias, are very relevant to successful delivery of PPP projects in these countries. In the same vein, leadership lethargy or incompetence, bank funding and guarantees, politicization of projects and the ‘big man’ mentality are factors that often play important, albeit deal breaking, roles in PPP project deliveries in these countries. The paper discusses these factors from a subjective perspective in order to gauge how stakeholders generally perceive them.

Failure of PPP due to Environmental Peculiarities

i. Corruption: Nigeria has consistently been rated high in the list of most corrupt countries in the world. So are developing countries like Pakistan, Ghana, Kenya, and Uganda. The scope of corruption includes not only the well-known bribing of officials to get undue advantage but will naturally include nepotism, conflict of interest, preferential treatment for friends and associates as well as provision of logistics to perform official duties. The irony is that though extant laws have outlawed these tendencies, all public and private sector PPP stakeholders do not attach much significance to the prohibition. Corruption in developing countries is enabled by a combination of ethno-religious philosophy, lack of adequate infrastructure and the nature of the governmental system.
In Nigeria, for example, it is seen as normal for a project candidate to give a tip to a public officer that is directly saddled with a prospective project of interest, as it ignites the enthusiasm of the bureaucrat for the project. Such tip could be a direct monetary gift to the officer for himself or to enable the officer buys a critical working tool, e.g. a computer, or for an officer to carry out his expected assignment, e.g. conduct a survey. Such gifts are, permissibly, called *dash* in pidgin language, *egunje* in Yoruba language or *goro* in Hausa language, and in fact in Lagos, they would say ‘at all at all na im bad’ (give something no matter how small, as not giving anything is extremely bad). When tasks are successfully completed, gifts are given in appreciation. Such gifts are called *tukuichi* in Hausa. Woe betides a stakeholder that does not give such *dash, egunje, goro or tukuichi*, as he is often condescendingly referred to as *Eruldite* (a brand of Glue Gum), boxer (closed fist), or stingy.

Such corrupt posturing is also encouraged by religious doctrines and bureaucratic systems. For instance, there is common religious exhortation that it is only *Satan* (the devil) that will reject a gift, that God loves the cheerful giver, and one will easily exclaim, ‘*de swear for me?’* (am I cursed?), if expected to reject a gift. With respect to the bureaucratic system, the public sector income is not only grossly inadequate but it is highly illogical. The average take home pay of a middle cadre officer in a ministry saddled with PPP conceptualization is about 120,000, which represents not more than 30% of his monthly expenditure on food, rent and transport. In addition, the absence of critical infrastructure and social welfare coupled with relative exposure to modern amenities naturally push citizens to capitalize on opportunities. It is normal and common for a citizen to have a standby electricity generator that works more hours than the public utility, to provide a borehole for his water requirement, to take his children to private institutions from crèche to university education levels, to cater for the health of his family without any insurance scheme and to be responsible for his aged parents in totality. It is common to hear citizens retorting that they are their own local government, as they provide for themselves all basic utilities.

The governmental system does not have an effective hire purchase and mortgage systems to enable citizens acquire properties and personal equipment within their means. Unfortunately, local conventions and practices require every worker to have at least two befitting houses, one in his birthplace and another at his working location. It is seen as sacrilegious to rent a house in one’s village as such is seen as a failure of his life’s endeavors. Thus every citizen who works outside his place of birth has and maintains a minimum of two houses. It is therefore
common to hear people justify their corrupt activities to maintain these lifestyles with words like ‘na where one work na diya in de chop’ (one only makes money at his working place). Those that refuse or are unable to build houses in their birthplaces are called with all sorts of condescending names.

The democratic system makes public officers to be more nepotistic. Often, public office aspirants are confronted on how many projects they attracted to their constituents and how many locals have they got employments for or what business opportunities have they got for their constituents, which are commonly referred in filial Naija terms as brothers and sisters. It is common to hear, ‘wetin you do for your broda’ (What favour have you done to your constituent?) and ‘wetin you bring for di town?’ (What federal or state government projects have you attracted to your constituency?).

The Nigeria’s Constitution requires, as condition for appointment, that every Minister of government shall be a member of a political party. The reality is that majority of ministers and other political appointees responsible for PPP approvals were either failed election candidates or political associates of victorious candidates and, needless to observe, have their eyes on contesting for political offices in the next election season. Because political contest in Nigeria is capital intensive, they would naturally require and cultivate friends and associates that could fund and finance their campaigns in the next election season.

ii. **Illiteracy** – The main driver of PPP is the inadequacy of public funds to provide public infrastructure. Looking at the requirement indices that could lead to an acceptable infrastructure ratio to GDP, a developing country has to leverage on private finance for its infrastructure needs. Such process involves, as a standard necessity, a stakeholder engagement for the buy-in of citizens. Incidentally, the literacy level in such a country is very low to allow for genuine stakeholder engagement. In fact, majority of citizens do not understand the nature, scope, limitation and strategy for infrastructure funding. This category of citizens believes that Nigeria is a rich country and could afford any public infrastructure. For instance, Nigerians easily compare Nigeria with Saudi Arabia, Qatar and UAE as oil-producing nations, overlooking that while crude oil to GDP in these countries is above 15%, Nigeria’s crude oil to GDP is just 6.21%.\textsuperscript{xxix} In fact, when they see the rate of wastages in government circles, the type of lifestyles of public officers and the huge amount of monies in public budgets being announced on
yearly bases, it would be hard to convince them in any stakeholder engagement that government has no money to provide a critical infrastructure for them.

The mindset that Nigeria is the sixth oil-producing nation in the world and comparable to the middle-eastern countries makes nonsense of any stakeholder engagement. Thus any stakeholder engagement that goes beyond the provision of infrastructure by the government is seen as hypocritical. Citizens would hardly agree that any projected cash flow would either be fair to them or, even if realized, would not be squandered. It is for this reason that more often than not, such PPP arrangements are conceptualized and implemented in such a manner that the projects could pass as impositions on citizens.

iii. **Ethno-Religious Suspicion** – Nigeria has 37 constituent parts or states including the Federal Capital Territory (FCT) within its federation. These independent parts are not only recognized under the constitution but are treated equally under the Federal Character Act. Hence, under the Constitution, every State must have a representative Minister at the Federal Executive Council. Such representatives would naturally be biased in the location of PPP projects in favour of the constituencies they represent.

Nigeria has about 371 ethnic groups with three dominant ones, namely, Hausa, Yoruba and Igbo ethnic groups. It is a measure of wisdom and political sagacity that the location or sighting of public infrastructure projects reflects ethnic mix, or what is referred to as geopolitical zones, which unarguably mitigates project political risks. More often than not, projects in particular areas are consummated on the basis of personalities holding the reins of power. For instance, the Second Niger Bridge in South Eastern Nigeria was awarded and Agreement signed within record time as a PPP project in 2013 at a time when the Minister of Finance, the Managing Director of Nigerian Sovereign Investment Authority and the Secretary of the Government of the Federation were all Igbos and of the same South-Eastern ethnic stock.**xxxi** Similarly, the Ajaokuta-Kaduna-Kano (AKK) Gas Pipelines and Stations project in the Northern Nigeria, which was described as a Contractor-Financed project, was conceptualized, procured and signed in 2018 at a period when the President, the Minister of Finance and the Group Managing Director of Nigerian National Petroleum Corporation (NNPC) are of the same Northern ethnic stock.**xxxi**

Another factor that has proved critical in PPP implementation is religious suspicions among the citizenry. Nigeria has two dominant religions, Islam and Christianity, and both are
competing for supremacy. Although in the equitable distribution of public projects, the Constitution and the Federal Character Act do not recognize religion as a factor, Nigeria’s demography is such that the geographical locations of these religions are very clear. While Islam holds sway in Northern Nigeria, Christianity is the dominant religion in the South. Hence, there is a convergence between religion and geopolitical zones. No credible Outline Business Case (OBC) therefore would sanction the conceptualization of a PPP project without adequate regard to the federal character principle, which in most cases relegate project bankability to a secondary level. For instance, the pioneer projects under the Sukuk Infrastructure Bonds and the Road Infrastructure Tax Credit Investment scheme under Executive Order 007 of 2019 were conceptualized on the basis of Nigeria’s six geo-political zones. Failure to give adequate consideration to these geographical and religious considerations is to heighten political risk and make the project vulnerable to failure.

iv. **Desperation for Project Delivery** – Nigeria operates a constitutional democracy whose tenure of elected officials is a one term of four years and a maximum of two terms of four years each. The Local Government system is even worse as the tenure of its elected officials is usually two years. There is so much expectation for any new administration to deliver within the first few months of its inception. As a convention, a new administration is expected to reel out its achievement within the first 100 days of its governance. There is so much pressure to deliver projects within the term of four years as such effort is the barometer to determine the popularity or otherwise of the Administration so that it could be re-elected for another 4 year term. It is therefore normal that processes are rushed, procurements are compromised and implementations are abridged.

v. **Bureaucracy Weariness and Apprehension** – Corollary to the desperation of politicians to deliver projects is bureaucracy weariness and apprehension. There is so much enthusiasm at the start of PPP and, due to insufficient knowledge of the PPP process, everyone expects that the project is like a normal conventional procurement project and will complete within 14 – 48 weeks. Alas, they soon found out that the process alone takes two years, funding arrangements takes another two years only for a new different administration to launch a scrutiny of the project that could result in further delay or even abandonment of the project.
Even where a new administration agrees to continue with the implementation, it hardly gives it the attention and seriousness that it deserves. Meanwhile, the bureaucrats are left with the singular enormous task of defending the propriety, viability and appropriateness of the project to a hostile audience. This brings to fore the role of legislature in PPPs where, pursuant to their constitutional mandate of oversight of public expenditure, they launch all sorts of investigations of the project, which not only delay the project but also wane the interests of both bureaucrats and investors to further implementation of the project. These challenges push investors to demand that the PPP process should be concluded and implementation begins within the 4-year tenure of a democratic administration.

vi. **Lack of Policy Continuity** – In a multi-party democracy, like that of Nigeria, citizens are guaranteed the freedom to elect leaders without restriction. Sometimes, leaders of a different party are chosen to take over from leaders of another party. For instance, Nigerians chose Buhari of APC to take over from Jonathan of PDP in 2015 National elections. These parties have different visions and priorities and, due to political psychology and expediency, would like to be seen as departures from existing policies. These could foster inter party conflicts with respect to the continued implementation of inherited projects.

There are also intra-party conflicts that militate against continued implementation of projects. For instance, the election in Kano State where the Ganduje APC Administration succeeded the Kwankwasi APC Administration in 2015. Sooner than the new administration was sworn in, it started rearranging its priorities, launching new projects and relegating the Kwankwasi projects to the background. It is not surprising as there is no development plan in the federation, either at national or subnational level, which obligates implementation of projects at State levels. The only serious plans are the development plans of the Federal Government, which most times being without any legislative or statutory flavour, are of persuasive authority. At the subnational level, development plans are essentially non-existent except probably Lagos, where there are traces of policies continuity from 1999 to date.

**Failure of PPPs due to Cognitive or Psychological Bias**

Notwithstanding the environmental peculiarities of emerging economies in the conceptualization and implementation of PPP as discussed above, there are specific behavioral factors that often play significant roles, and hence, militate against effective implementation of
PPP projects. These behavioral factors tend to push project facilitators, both public and private, in making decisions or taking actions in an unknowingly irrational way. In other words, PPP critical stakeholders allow investment judgments to be largely influenced by personal preferences, prejudices and beliefs, thereby distorting decision-making skills and making such decisions subjective rather than objective.

These behavioral factors include the Sunk Cost Thinking, Loss Aversion, Endowment Effect and Status Quo Bias. Although each factor has been shown as an independent tendency in investment decision, they have however been explained through a number of psychological principles to interrelate with one another. For instance, Endowment Effect, a cognitive bias coined by Richard Thaler in 1983, is related to the Loss Aversion psychology developed by Kahneman and Tversky. In the same vein, Loss Aversion and Sunk Costs Thinking psychology are considered as fundamental to a preference of the status quo. So also is Endowment Effect, which was explained to be one of significant factors that influences Status Quo Bias. These factors are explained hereunder for easier conceptual comprehension.

i. **Sunk Cost Thinking** – It is a behavioral tendency that refers to the circumstance in which instead of a more logical decision to call a PPP project off, a project proponent sticks with the project on the singular reason of the resources that are already incurred and cannot be recovered or a promise made to the electorates that cannot be rescinded. For instance, the Ajaokuta Steel Complex is a typical example of this tendency. It is a project that was 98% completed, more than $10 Billion sunk in and less than $2 billion to achieve 100% completion but which, on critical risks analyses, could not be commercially viable due to location of raw materials.

The Ajaokuta PPP initiative failed mainly due to the dissonance between the Federal Government and the private partner, Global Steel Limited. While the private partner wanted to dismantle specific components of the complex or to scale it down, the Federal Government’s minimum expectation was for the completion and commencement of operation of the Mill as originally conceptualized. In fact, the Federal Government accused the company of asset stripping and illegal exportation of the complex’s plants and equipment. Obviously, the Federal Government could not overlook its enormous resource investment to allow for any decision that could derail the original objectives for the project.
ii. **Loss Aversion** – It is a tendency where Project stakeholders are so fearful of losses that they focus on trying to avoid a loss than to make a gain. This fear could result in irrational thinking of delaying implementation. The Katampe District development PPP initiative in the Federal Capital Territory (FCT) is a project that created fear and enabled this behavioral factor in FCT Administration. Due to paucity of funds as a result of the Supreme Court decision on the illegality of deducting 1% for the development of the FCT, xxxv the FCT Administration came up with a policy of providing infrastructure in its districts on the basis of PPP.

Katampe district was the test case in which it contracted Messrs. Deanshanger, as the private sector proponent, to execute the project within a period of 4 years.xxxvi In spite of the fact that the Federal Capital Development Authority (FCDA) did everything possible to make the PPP initiative work, the project has effectively remained abandoned for more than 10 years. This loss has influenced a near abandonment of PPP policy on district development in the FCT. The FCT Administration appears to prefer the other PPP option of ‘do nothing’ than creating what could turn out to be a quagmire in its Brownfield districts. In the same vein, the sale of NITEL, Nigerian Airways and a host of other public enterprises in early 2000s did not give the nation any confidence to continue with privatization.

iii. **Endowment Effect** – This is also another psychological bias in which critical stakeholders place higher values to projects than they are worth due to emotional or symbolic significance. When the nation was faced with significant fiscal deficits, many notable Nigerians including the former Senate President, Dr. Bukola Saraki, the former Governor of Central Bank, Sanusi Lamido Sanusi, and the richest man in Africa, Alhaji Aliko Dangote, called for the sale of National assets, among which were NLNG and the Federal Secretariat Complex, to shore up the Nation’s foreign reserves.xxxvii The suggestion was considered incredibly outrageous that anybody could contemplate a sale of the family silver.

iv. **Status Quo Bias** – it is a preference that things should stay as they are or that the current state of affairs should remain the same. In other words, stakeholders would prefer, prolong and maintain a particular state of affairs, the *status quo*, than to do any act or omission that may change an existing state of affairs. When the FG decided to restructure the port system on the basis of private sector led initiative, there was resistance by all stakeholders for more than a decade. The NPA workers
were comfortable with the then exiting system even though it was very clear to everybody that the system was bleeding. They therefore vehemently resisted the port reform. It took the resolve of the Obasanjo Administration, the focus of the then new MD and the single-mindedness of BPE Management in 2003 to consummate the NPA Concession policy of 2005.

**Other Local Realities**

The preceding paragraphs discussed environmental factors and psychological biases as significant challenges that militate against successful deliveries of PPP projects in emerging economies. In contrast, there are other factors that are central and could enhance the success of PPPs in these economies. The NPA Concession of 2005, which was adjudged as the fastest and most successful PPP transaction in Africa, has shown that political will and absence of leadership lethargy is central to a successful implementation of a PPP project. So also was the Concession of Murtala Muhammed Airport Terminal 2 (MMA2).xxxviii President Obasanjo provided the necessary leadership that saw to the concession of 25 seaport terminals within a period of 3 years and exuded adequate energy for the MMA2 to succeed. In contrast, the Air Nigeria project of the Buhari Administration, which was promised to Nigerians before the inauguration of the administration in 2015, remained on the drawing board up to the twilight of his administration in 2023, presumably due to the nonchalance of President Buhari.

PPP skill capacity and competence are factors that significantly aid to the successful conceptualization, implementation and delivery of PPP projects. A classic example is the NPA Concession of its 25 terminals.xxxix The Federal Government ensured both the top and middle cadre managements were trained in the basic rudiments of not only the PPP process but also the different types of Port terminal management. In collaboration with its development partners, it left no stone unturned in getting the best resource consultants, internally and externally. The NPA bureaucrats could not have understood the landlord port model of port management as well as the Concession process without the capacity supports of both the Concessions Transaction Adviser and the PPP Training Consultant.xl These efforts ensured that the process went smoothly; skepticism was reduced to the barest minimum; and the successor terminal operators worked harmoniously with the now better skilled and informed NPA personnel.
Another factor that is central to the success of PPPs in emerging economies is to upscale the capacity of local banks to fund and issue guarantees for PPP projects. PPP is capital intensive that runs into billions of dollars, and which local banks in Nigeria have been shown to be incapable of providing. This became obvious in the Lekki Concession arrangement where, in addition to the equity of Lagos State Government as well as secondary and mezzanine finances from South Africa to support our local banks, the Africa Development Bank had to intervene for the project to achieve a financial close. Banks’ seeming lack of strategy for long term financing, the nation’s double digit interest rate, the multiple exchange rates regime of the Central Bank of Nigeria, corresponding banks’ onerous conditions for access to foreign funding, repayments of dollar denominated loans from Naira denominated cash flows, and the recent non-release of funds from foreign ticket sales are some of the challenges that make financing of PPP projects difficult in Nigeria. It is gratifying that the Bola Ahmed Tinubu Administration, which came on board the Nigerian scene on 29th May 2023, has moved aggressively to tackle some of these fiscal problems.

Finally, another factor that could enhance the success of PPP projects is to discourage political leaders from monopolizing public projects for image laundering and public relations purposes. Some political leaders make conscious efforts not only to develop signature projects but also to make such projects synonymous with their names. For instance, Governor Lateef Jakande conceptualized and completed housing estates in Lagos State, and such estates are presently known by and tied to the governor’s name, ‘Jakande Estates’. Such monopolized PPP projects have higher chances of success if they are completed within the single or two terms 4-year tenure of an administration. As long-term transactions, capital-intensive infrastructure projects could hardly be completed within a period of 4 years.

Woe betides any identity project that is not completed before the end of the administration’s tenure. The project, more often than not, would be abandoned by a new administration if it exceeds the lifetime of the previous Administration that conceptualized it. Hardly do such projects survive with the passion, commitment and intensity with which they were conceptualized. Just a week after being sworn in, and on his first working visit to Murtala Muhammed International Airport Lagos, the new Minister of Aviation and Aerospace Development directed the immediate suspension of both Air Nigeria project and the International Airports Concessions, PPP projects that were duly approved by the previous administration. Incidentally, as the Minister of State for Labour, he was a member of the
Federal Executive Council that gave approval for the respective PPP projects. The Minister is also a prominent lawyer, a Senior Advocate of Nigeria, who ought to know better the sanctity of contractual transactions.

The preferred investors of PPP projects in the Aviation Ministry were lucky as their projects were only suspended or given cold shoulders. Some projects are ruthlessly cancelled. For instance, the political name and preferred colour of the governor, ‘Kwankwaso’ and ‘red colour’ respectively, were inscribed on all public infrastructures that Governor Dr. Rabiu Musa Kwankwaso built in Kano. Sooner than Governor Dr. Abdullahi Umar Ganduje got into office in 2015 that he ordered the removal of all such names and colours. Recently, Governor Abba Kabir Yusuf hardly settled down after taking his oath of office on 29th May 2023 when he started demolishing PPP projects consummated by the previous administration running billions of Naira. The negative reactions to the projects could easily be attributable to political differences.

CONCLUSION

From the foregoing, it is clear that risk analyses on PPP projects in emerging economies including Nigeria must transcend conventional risk factors if they are to succeed. The peculiarities of these environments – environments that reeks of corruption, widespread illiteracy, ethno-religious suspicion, politicians’ desperation to deliver projects in record times, bureaucracy weariness and lack of policy continuity, as well as the psychological biases of sunk cost thinking, loss aversion, endowment effect and status quo bias – are not given the due attention they deserve in Outline Business Cases (OBCs).

In similar vein, other factors that could enhance PPP project deliveries are strong political will, absence of leadership lethargy, up-scaling the skill and competence of PPP project drivers, enhancing the capacity of local banks to fund and guarantee projects, and eliminating a monopoly of signature projects by political administrations for image laundering and public relations purposes. These factors, if not carefully managed and optimized, could turn out to be the albatrosses of these nations, the very reasons for project failures.

Due to paucity of public funds for infrastructure development in emerging markets, it is unarguable that PPP as a procurement option will continue to be attractive. It is therefore
necessary that relevant regulatory and institutional frameworks should adopt a more interpersonal relationship in the conceptualization and procurement of PPP projects. Specifically, in addition to structuring projects on a premise that includes the identified environmental peculiarities, psychological bias and other local realities, a project risk matrix in a PPP Business Case should strive to eliminate, mitigate or optimize these peculiar challenges.
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ENDNOTES

2 Ibid
5 Ibid. As at 2012, there were over 800 active PPP infrastructure projects with a combined value in excess of $700 Billion. Using World Bank analysis, it can be assumed that one third of these capital outlay were on PPP projects.
9 Ibid, 177.
16 Ibid
17 The World Bank is however of the view that a more moderate spending of about $14.2 Billion annually is required over the next decade to address Nigeria’s infrastructure challenges
18 After analyzing the source of fossil fuel and its devastating effect to the environment, Paul Middleton, in his book “The End of Oil: the Gulf, Nigeria and Beyond”, observed thus “while there is growing demand for oil, and powerful vested interests are encouraging this, our planet is telling us to cut back on burning fossil fuels.”
19 Ernst & Young, Addressing Africa’s Infrastructure Deficit, ibid
20 See Bridging the Investment Gap, a paper contained in the third infrastructure investment index 2016 by Acadia

In its Report, Infrastructure Deficit, the World Bank stated that the delivery of infrastructure programmes are hampered by several issues in the project origination and preparation phase including project identification and preparation, low quality master planning, slow permit and procurement processes and inadequate risk allocation and delivery models.

Prasanna Chandra divided the processes into six broad phases, namely planning, Analysis, Selection, Financing, Implementation and Review.

Kahnem and Tversky

Both Federal legislation, like the ICPC Act and the EFCC Act, and States legislation, like the Penal Code and Criminal Code, have expressly criminalize asking, receiving or obtaining any property on account of any public duty done or to be done.

World Bank, ‘Oil Rents (% of GDP)’, <https://data.worldbank.org/indicator/NY.GDP.PETR.RT.ZS> accessed 21 August 2023. Saudi Arabia’s GDP is 23.7% while Qatar’s is 15.3% and UAE’s is 15.7%.

The Minister of Finance at the relevant period was Ngozi Okonjo Iweala (2011-2015), the Managing Director of Nigerian Sovereign Investment Authority was Mr. Uche Orji (2012–2022) and the Secretary to the Government of the Federation was Anyim Pius Anyim (2011 – 2015).

The President was Muhammadu Buhari (2015 – 2023), the Minister of Finance, Budget and National Planning was Zainab Shamsuna Ahmad (2018 – 2023) and the GMD of NNPC was Maikanti Baru (2016 – 2019).


Ibid, 7.


