Public private partnership

Pips have emerged as an important tool to bridge the 'infrastructure deficit' which can provide a number of specific benefits to the public as many citizens around the world and especially in transition economies face an 'infrastructure deficit', evidenced by congested roads, roll-maintained transit systems and recreational facilities, deteriorated schools, hospitals, and water and water treatment systems, and other infrastructure assets which are either nonexistent or in urgent need of repair.

These problems in turn impose huge costs on societies, from lessened productivity and reduced competitiveness, to an increased number of accidents, health problems and lower life expectancy. In Nigeria, like other countries, governments have come to realize that the federal allocations from oil revenue alone can no fund the huge needs for infrastructure. In Koki state as elsewhere, there is an acute need to build new and abilities existing infrastructure that were built decades ago.

Furthermore, there is a critical challenge to find the funding for so called 'Greenfield projects' specifically the huge social projects required from our rapidly growing economy and ageing populations. Pips are one option to meet this challenge. Popular (2011) recorded that governments' use of private contribution for public benefit is nearly as old as recorded history. In the city state of Athens in the fourth century B. C for example, prominent citizens made major contributions for staging costly public festivals and religious events and for building public buildings and monuments.

This could not have been less true of the traditional African society where history is replete with stories of famous African rulers and personalities who contributed immensely to the growth and development of some traditional cities and towns during their own time. Even in today's African society, most communities especially in the rural areas still depends a lot on this form of support to maintain their socio-economic well being. The story is not different in other parts of the world. In 16th and 7th -century France, roads and bridges were concession's for tolls in return for maintaining the routes.

According to Appaloosa, canals were built and water was collected and distributed under concessions. By the sass, there were six private water companies operating in London. At the beginning of the 19th century, nearly all of the waterworks in the USA were private. Electricity utilities in the 19th century Brazil, Chile, Costa Rica, and Mexico were private entities. In Argentina, Brazil, and Uruguay, private developers from Britain, France, and the United states built and operated many AT ten early railways In ten Yet Ana TNT centuries.

There is no known single definition of public private partnership. The concept has been variously defined by its different users. However, a close look at some popular definitions shows that there are basic features that characterize most APP explanations. What is Public Private Partnership (APP or simply UP) The United Nations Economic Commission for Europe (OUNCE, 2008), defines Public-Private Partnerships (Pips) as aiming at financing, designing, implementing and operating public sector facilities and services.

Their key characteristics include: (a) Long-term (sometimes up to 30 years) service provisions; (b) The transfer of risk to the private sector; and (c) Different rooms of long-term contracts drawn up between legal entities and public authorities. They refer to 'innovative methods used by the public sector to contract with the private sector, who bring their capital and their ability to deliver projects on time and to budget, while the public sector retains the responsibility to provide these services to the public in a way that benefits the public and delivers economic development and an improvement in the quality of life'.

Other definitions of APP are as capitalistically developed by some governments at national and sub national levels as ell as government agencies and development institutions. Institution/Organization Canadian Council for public private Partnerships Definitions A public- private partnership is defined as " a cooperative venture between the public and private sectors, built on the expertise of each partner, that best meet clearly defined public needs through the appropriate allocation of resources, risks and rewards. Ђ Public private partnership (APP) project meaner a project based on a contract or concession agreement between a government or statutory entity on the one side and private sector company on the other side for delivering an infrastructure service on payment of user charges. Private sector company meaner a company in which 51% or more of the subscribed and paid up equity is owned and controlled by a private entity.

More narrowly defined public private partnerships are projects that meet the following They involved $5 million or more in city investment. They are directed criteria. Toward the development of a physical space. They engage both the city and a private entity which may include non profit organizations Both the city and its partner have financial interest. They involve projects that would not otherwise be provided by the partner when the city is seeking benefits for the public.

Government of India City of Seattle(US) citizens' advisory committee called the Public private partnership (app) Task Force Source: South African National Treasury, 2008 In the Nigerian context, the Infrastructure Concession and Regulatory Commission (ISRC) Act (2005) lists what projects it considers as Pips. However, the categorization still sees Pips as A contractual arrangement Detente a puddle sector Institution and a private entity where the private sector performs an institutional function OR sees state property in accordance with output specifications for a significant period of time in return for a benefit.

It involves a substantial transfer of all forms of project life cycle risk (financial, technical, operational) to the private sector. Public sector role shifts: Government is purchaser of services and/or enabler of the project - monitor and regulator of service delivery, no longer its direct administrator. A public Private Partnerships (APP) is a risk-sharing contractual arrangement by which the public and private sectors aggregate their competencies and resources in order to offer better infrastructure and public services.

In the light of the foregoing therefore, APP is not simple outsourcing of functions where substantial financial, technical and operational; where risk is retained by the public sector; Donations by a private sector institution for a public good nor is it prevarication or divestment of state assets and/or liabilities; when the public sector retains ownership and shares risk/reward;

centralization of a public function by the creation of a state owned enterprises and borrowing by the state. APP Vs. Traditional Procurement.

Traditional Procurement The Public sector: Writes project pacifications Manages construction or development contract. Pays capital over the development period. Operates and manages the asset. The Private sector: Builds to specifications produced by the public sector. In some cases, provides services outsourced to it by the public sector. APP The Public sector: Specifies (with consultations and advisors) its service requirements. Waits for specified services to be provided through the APP contract. Monitors service delivery and performance. Ђ Retains overall responsibility for service provision. The Private sector: Manages he APP contract. Funds the capital cost, which it recoups through service payments. Undertakes responsibility for quality for the public services. APP and Public Procurement and Prevarication Pips are not prevarication. Under Pips, accountability for delivery of the public service is retained by the public sector whereas under a prevarication, accountability moves across to the private sector (the public sector might retain some regulatory price control).

Under Pips, there is no transfer of ownership and the public sector remains accountable. Pips differ also from public procurement. Public procurement refers to the purchase, lease, rental or hire of a good or service by a state, regional or local authority. Procurement is chosen because of the simplicity of goods or services desired, the possibility to choose from numerous providers, and the wish to contain costs. Pips are more complex, frequently larger in financing requirements, and are long-term as opposed to one-off relationships.

Pips frequently provide the developer with the right to operate over an extended term, to charge fees to users and to assume key responsibilities e. G. Eagles, construction, Tolerance, technical Ana operation, maintenance, etc. APP, Public Procurement and Prevarication commercial Source: SAD Banking Association Public Procurement APP Full Prevarication Definition Supply by the private sector of works, goods or service as defined by the public authority Pips introduce private sector efficiencies into public service by meaner of a longer contractual arrangement.

They secure all or part of the public service, call upon private funding and private sector know-how. Contracting authority establishes the specifications of a project and leaves to the private sector the responsibility of reposing the best solution subject to certain requirements. Price is one of the many criteria in the evaluation of bids. A lot of emphasis is on the technical and financial capability of the bidder's financial arrangements proposed and the reliability of technical solutions used.

Given the long duration of the concession period emphasis is on the arrangements proposed for the operational phase. Prevarication mean transferring a public service or facility to the private sector usually with ownership, for it to be managed in accordance with market forces within a defined framework Main Features Contracting authority establishes clearly what is to be built, how and by what meaner Invitations to tenders are accompanied by very detailed technical specifications regarding the type of work being procured.

Price quote is the single most important criterion in the evaluation of bids. The procurement process is shorter in nature and does not lay emphasis on the operational phase of the project Prevarication authority prepares the divestment plan. Involves transfer of ownership to the private sector. Is generally a complex transaction with carefully designed contracts and a multi-stage competitive Tender process. Ђ Generally, the public sector withdraws from management of the entity on prevarication.

Almost all risks are borne by the private sector. Public Private Partnerships can get involved in several projects. Insignia's ISRC Act (2005) provides a definition of Pips and a broad application of the APP cover generally, including transportation, health, secondary and advanced education, tourism, power, sports, commerce, etc. Projects are analyzed to see whether they can best be delivered through a partnership model. When governments decide that a partnership model is the best choice, then the Public Private Partnerships nod can purport and advise accordingly.

In Nigeria today, only Lagos state government reports George 2011, tongue ten Lagos state Puddle Private Partners Law (), seeks to enshrine in a single document a governing framework for Public-Private Partnerships in diverse sectors in the economy thus widening the ambit of the Roads SSP Authority Law. To Pips going as a deliberate financing model, the OUNCE (2008), has suggested that it occur in distinct phases. As seen in the table below, countries tend to go through a number of distinct phases before a APP programmer becomes fully operational.

Most countries are at a first stage where the development of actual projects is still numerically small. Only at the third phase, where relatively few countries are currently situated, does the programmer become significant. At this stage countries will have developed the required institutions, e. G. The APP unit, the capital markets as well as the know-how and expertise and can therefore turn their attention to more sophisticated projects and financial arrangements. Corroborating this position, Lagos state government in adopting the APP mode of infrastructure financing did not Just set up a nodal office.

George (2011) observed that prior to the passage of the Lagos APP Law; the Office had been in existence for some two years, with a dynamic team led by a Director-General. The Office acted in an advisory capacity to several Ministries, Departments and Agencies (Madam) and the State Executive Council in reviewing potential Pips and formulating best practice guidelines for APP procurement. It was also involved in monitoring compliance and adjudicating issues in respect of existing APP Agreements such as the Et-OSHA/Leeks/ Pep Expressway toll road concession.

While acknowledging that adequate time is squired to establish APP nodal units, a APP hub can serve as a centre of expertise, to develop and transfer experience from one project to the next. Generally therefore, a business partner is compelled to deliver the project when agreements between the public sector and private sector partners are structured so that substantial penalties will be incurred by the private sector partner if, for example, a building is not constructed on time or within the budget, or a service is not delivered according to agreed-upon levels.

Furthermore, the nodal body ensures government retains the eight to step in and take over the work done if agreements are not met, even though the private partner may have invested significant amounts of its own capital. Key concerns to be addressed when venturing into Public Private Partnerships So far, experience has shown that critical attention is not given to requisite capacity by venturing authorities before patronizing APP in Nigeria. Most states under review with the exception of Lagos state do not have dedicated APP units, legislation or both for their infrastructure development and financing projects.

The result of this gap is the quasi APP nomenclature been brandished in the name of APP. When Venturing into Public Private Partnerships, the following issues need to be addressed for successful APP delivery: 1 . Representation/legitimacy: There is a questionable involvement of those who actually need such an endeavor. 2. Accountability for the outcomes of such partnerships should be clear. 3. Sector wide policy framework- there is a need to have " public policy towards private sector". 4.

There is the need to have explicit, transparent and adequate mechanisms which ensure: Involvement of all stakeholders in the process Co-ordination across various departments within the overspent Ana various Implementing agencies Availability AT critical resources such as qualified work force.